NATIONAL INVESTMENTS FUND LIMITED

國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1227)

Annual Report 2008

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Wong Danny F. *(Chairman)*
Mr. Wu Tse Wai, Frederick
(Chief Executive Officer)
Mr. Fong Chi Wah

Non-executive Director

Ms. Yang XiaoFeng

Independent Non-executive Directors

Ms. Tam Heung Man
(Resigned on 1 December 2008)
Mr. Char Shik Ngor, Stephen
Mr. Fung Kwok Leung
Mr. Liu Jin

COMPANY SECRETARY

Mr. Lee Ping Kai

AUDIT COMMITTEE

Mr. Liu Jin
Mr. Char Shik Ngor, Stephen
Mr. Fung Kwok Leung

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

Wing Hang Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Suite 1907, 19th Floor
Office Tower Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

INVESTMENT MANAGER

Avanta Investment Management Limited
Unit 1701, Tower 2
Lippo Centre
89 Queensway
Hong Kong

CUSTODIAN

Bank of Communications Trustee Limited
1st Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

The Stock Exchange of Hong Kong Limited:
1227

WEBSITE

www.nif-hk.com

Management Discussion and Analysis

I am pleased to present the annual results of National Investments Fund Limited (the "Company") for the year ended 31 December 2008.

The Company is an investment company and principally engaged in investments in a diversified portfolio of listed and unlisted companies.

BUSINESS REVIEW

For the year ended 31 December 2008, the Company's revenue, excluding the net loss on financial assets at fair value through profit and loss, increased by 78.6% to HK$1,170,000 (2007: HK$655,000) and recorded a net loss on financial assets at fair value through profit or loss amounting to HK$19,106,000 (2007: HK$2,016,000). Included in the net loss on financial assets at fair value through profit or loss, gross proceeds from sales were HK$24,302,000 (2007: HK$10,114,000), and the cost of sales were HK$42,160,000 (2007: HK$8,826,000), therefore, the net realised loss was HK$17,858,000 (2007: net realised gain HK$1,288,000). Apart from the realised loss, the unrealised loss on financial assets at fair value through profit or loss for the year ended 31 December 2008 amounted to HK$1,248,000 (2007: HK$3,304,000).

During the year ended 31 December 2008, the company had acquired a convertible note of HK$4,000,000, with maturity in November 2011, interest-bearing at 5.5% per annum. The issuer of this convertible note is a corporation which specialised in offering instant on-line virtual socialising network and communication platform for internet users all around the world. The conversion features contained in the note will provide a flexible way of investment to the Company.

The Board of Directors (the "Board") of the Company has resolved not recommend a final dividend the year ended 31 December 2008 (2007: Nil).

For the year under review, the Company reported a loss attributable to shareholders of HK$27,484,000 (2007: HK$5,222,000), representing an increase of 426% as compared with the preceding year. The loss was mainly due to the net loss on financial assets at fair value through profit or loss of HK$19,106,000 (2007: HK$2,016,000), staff costs of HK$2,511,000 (2007: HK$1,146,000) and directors' emoluments of HK$2,091,000 (2007: HK$1,425,000), including the amortisation of share options of HK$1,493,000 (2007: HK$741,000) incurred for the year ended 31 December 2008.

During the year ended 31 December 2008, the Company received dividend income amounting to HK$373,000 (2007: Nil).

PROSPECT

With the financial turmoil occurred in the year 2008, its impact in the global investment market was massive and extensive. Despite governments of leading economic countries had strived of searching possible ways of measures to safe-guard their assets and economic systems by offering different levels of financial assistance programs, the global investment market is still in volatility and very vulnerable. However, the Board of Directors (the "Board") believes that threats brings out opportunities, existing investment markets are full of potential investments which would provide a very attractive returns. Of course, the Board will still to continue to adopt a very cautious investment strategies and policies to select appropriate projects with higher returns or pre-IPO investments opportunities. Our core investment strategies primarily focus on industries such as information-technology, infrastructure, resources and environmental protection and media.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Company had cash and cash equivalents of approximately HK$23,045,000 (2007: approximately HK$26,413,000) as at 31 December 2008.

The Company had net current assets of approximately HK$23,767,000 (2007: HK$53,842,000) as at 31 December 2008. The Company had no borrowing and had not obtained any credit facilities from financial institutions during the year. All the cash and cash equivalents were placed in Hong Kong Dollars account with the banks in Hong Kong, exposure to exchange fluctuation is considered minimal. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2008, was 0.008 (2007: 0.009).

CAPITAL STRUCTURE

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

EMPLOYEES

As at 31 December 2008, the Company had 13 employees (2007: 11), including executive directors, non-executive director and independent non-executive directors. Total staff costs for the year ended 31 December 2008 amounted to HK$4,602,000 (2007: HK$2,571,000), including the amortisation of share options amounted to HK$1,493,000 (2007: HK$741,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

Details of the share options scheme are set out in Note 25 to the financial statements.

CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Company's assets or any significant contingent liabilities as at 31 December 2008 (2007: Nil).

APPRECIATION

On behalf of the Board, I would like to express my appreciation to the shareholders for their continued support and to our staff members for their dedicated effort.

On behalf of the Board

Wong Danny F.
Chairman

Hong Kong, 23 April 2009

Corporate Governance Report

The Board of Directors (the "Board") is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2008.

Good corporate governance has always been recognised as vital to the Company's success and to sustain development to the Company. The Board commits to a high standard of corporate governance as an essential component of quality and has introduced corporate governance practices appropriate to the conduct and growth of the business.

The Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out the principles of good corporate governance (the "Principles") and two levels of corporate governance practices:

(a) code provisions (the "Code Provisions") which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

During the year ended 31 December 2008 under review, the Company has applied the Principles and the Code Provisions as set out in the Code and complied with most of the Code Provisions save for a deviation from the Code Provisions in respect of Code Provisions E.1.2, details of which will be explained below. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code, and acknowledges the important role of its Board in providing effective leadership and direction to Company's business, and ensuring transparency and accountability of Company's operations.

DEVIATION FROM CODE PROVISION E.1.2

According to Code Provision E.1.2, the Chairman of the Board, should attend the annual general meeting. In respect of the annual general meeting held on 23 May 2008, the Chairman of the Board, Mr. Wong Danny F., was engaged in an important business meeting on that date, therefore, he was not able to attend in that annual general meeting.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to ensure the healthy growth of the Company, in the interests of Company's shareholders.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In general, each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Corporate Governance Report

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the Chief Executive Officer and the senior management to discharge its responsibilities.

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises seven members, consisting of three executive directors, one non-executive director and three independent non-executive directors.

During the year ended 31 December 2008, the Board of the Company comprises the following directors:

Executive directors:
Mr. Wong Danny F. *(Chairman)*
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*
Mr. Fong Chi Wah

Non-executive director:
Ms. Yang XiaoFeng

Independent non-executive directors:
Ms. Tam Heung Man (Resigned on 1 December 2008)
Mr. Char Shik Ngor, Stephen
Mr. Fung Kwok Leung
Mr. Liu Jin

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Each of the non-executive directors is appointed for a term of 12 months, subject to renewal and re-election as and when required under the Listing Rules and the Articles of Association of the Company. However, any director who is appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company. All directors are subject to retirement from office by rotation and re-election by shareholders at the annual general meeting at least about once every three years.

The relationships among the members of the Board are disclosed under "Biographical Details of Directors" on page 11. During the year ended 31 December 2008, the Board at all times met the requirements of the Listing rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all our independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

APPOINTMENT AND SUCCESSION PLANNING OF DIRECTORS

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

BOARD MEETINGS

Number of Meetings and Directors' Attendance

The individual attendance record of each director at the meetings of the Board and the Audit Committee during the year ended 31 December 2008 is set out below:

		Attendance/Number of meetings held during the tenure of his/her directorship	
Name of directors		**Board**	**Audit Committee**
Mr. Wong Danny F.		4/4	N/A
Mr. Wu Tse Wai, Frederick		4/4	N/A
Mr. Fong Chi Wah		3/4	N/A
Ms. Yang XiaoFeng		3/4	N/A
Ms. Tam Heung Man	(Resigned on 1 December 2008)	2/3	N/A
Mr. Char Shik Ngor, Stephen		3/4	1/2
Mr. Fung Kwok Leung		4/4	2/2
Mr. Liu Jin		4/4	2/2

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance. Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors as soon as practicable before each Board meeting or committee meeting to allow the directors to read the papers and information, to keep them abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") of the Company comprises two independent non-executive directors, Mr. Liu Jin and Mr. Fung Kwok Leung, and the non-executive director, Ms. Yang XiaoFeng. Mr. Liu Jin also serves as the chairperson of the Committee. One meeting was held during the year and all members of the Committee had attended the meeting.

The major roles and functions of the Committee as per the terms of reference are as follows:

- to make recommendations to the Board on the Company's policy and structure for the remuneration of the directors;
- to review and recommend the remuneration packages of all executive directors for approval by the Board; and
- to review and approve compensation payable to directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of director.

The Committee has right to access professional advice relating to remuneration proposal if considered necessary.

The principle elements of the Company's remuneration policy for directors and senior management are:

(1) No individual should determine his or her own remuneration package.

(2) Remuneration packages should be on a par with companies with whom the Company competes for human resources.

(3) Remuneration packages should reflect the performance and responsibility of an individual, as well as the complexity of work.

(4) Remuneration packages should be structured in such a way that can provide incentives to directors and senior management to improve their individual performance.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a director and approving and terminating the appointment of a director. The Company has not established a Nomination Committee. The Company currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Company on the basis of his or her qualifications, experiences and background.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code") as asset out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2008. The Company has also established written guidelines on terms no less exacting than the Model Code (the "Written Guidelines") for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Written Guidelines by the employees was noted by the Company.

AUDITORS' REMUNERATION

During the year under review, the Company is required to pay an aggregate of approximately HK$160,000 to the external auditors for the work of statutory audit services.

AUDIT COMMITTEE

The Company has an Audit Committee currently comprising three independent non-executive directors, Mr. Liu Jin, Mr. Char Shik Ngor, Stephen and Mr. Fung Kwok Leung who is the chairperson of the Audit Committee.

During the year, two meetings of the Audit Committee were held to review the Company's interim report for the six months ended 30 June 2008 and the annual report for the year ended 31 December 2007. The principal duties of the Audit Committee include:

- monitoring integrity of the Company's financial statements and reports;
- reviewing financial controls, internal controls, and risk management system; and
- reviewing the Company's financial and accounting policies and practices.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if necessary.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall responsibility for the system of internal controls and risk management of the Company and to review its effectiveness. During the year, the Board had reviewed the internal control process and ensured that it had been properly carried out in making investment or divestment decision with the Investment Manager; documents and records were properly maintained; and the investment or divestment was in compliance with relevant legislations and regulations.

During the year, the Company was exposed to market risk for its available-for-sale financial assets, including the embedded derivative, as the Company may not be able to liquidate such investments in time to meet its cashflow requirements. In response to this situation, the Board has maintained a portfolio of listed securities and relatively strong cash position.

The portfolio of listed securities, classified as financial assets at fair value through profit and loss in the balance sheet, may be exposed to market price risk. The Board will continue to monitor the portfolio with an aim to reduce such risk by diversification.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. The directors ensure that the financial statements for the year ended 31 December 2008 were prepared in accordance with statutory requirements and applicable accounting standards, and will ensure that the publication of which will be in a timely manner.

LOOKING FORWARD

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code introduced by the Stock Exchange.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Wong Danny F. ("Mr. Wong")

Mr. Wong, aged 47, holds a bachelor of Economies and Accounting degree from China Central University of Finance and Economies. Mr. Wong has years of experiences in project investment evaluation, listing planning, examination and approval as well as investing in Chinese B shares, H shares and red-chip shares. Mr. Wong has substantial experiences of high-tech companies listing.

Mr. Wong is the spouse of Ms. Yang XiaoFeng who is a non-executive director of the Company.

Mr. Wu Tse Wai, Frederick ("Mr. Wu")

Mr. Wu, aged 67, was educated in Hong Kong and the United States and received his Master of Business Administration degree in Finance from Clark University. Mr. Wu has over 42 years of experience in insurance, securities business and asset management. He started his career with Paul Revere Life Insurance Company as an assistant actuary. He later worked with Fidelity Management and Research of Boston as an analyst in the late 60s and then moved on to senior positions in research and fund management with various well-known institutions in the United States. In the early 80s, Mr. Wu was a senior portfolio manager and investment adviser of Bank of America in Hong Kong. In the 90s, Mr. Wu was elected a director and senior consultant of Lippo Securities Group Limited (the "Lippo Securities Group"). He was a member of Lippo Securities Group investment committee and was responsible for supervising the fund management activities including futures related investments of Lippo Securities Group. Mr Wu is currently a responsible officer registered under the Securities and Futures Ordinance.

Mr. Fong Chi Wah ("Mr. Fong")

Mr. Fong, aged 46, is a Certified Practising Accountant (Australia), a Chartered Financial Analyst, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Certified Management Accountants, Australia and a member of Hong Kong Institute of Directors. Mr. Fong has over 20 years of extensive experience in various sectors of financial industry, including direct investment, project and structured finance, and capital markets with focus on the PRC and Hong Kong. Mr. Fong was previously a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. Mr. Fong was also an executive director of Grand Investment International Limited, a company listed on the Stock Exchange. Mr. Fong is currently an independent non-executive director of Syscan Technology Holdings Limited, a company listed on the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Ms. Yang XiaoFeng ("Ms. Yang")

Ms. Yang, aged 30, holds a bachelor in Computer Science degree from the Zhejiang Gongshang University (formerly known as Hangzhou University of Commerce). Ms. Yang has extensive experience in finance marketing. Ms. Yang was an independent non-executive director of Forefront International Holdings Limited (currently known as Forefront Group Limited), a company whose shares are listed on the Stock Exchange for the period from 18 April 2007 to 18 May 2007.

Ms. Yang is the spouse of Mr. Wong who is the chairman and executive director of the Company.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Char Shik Ngor, Stephen ("Mr. Char")

Mr. Char, aged 60, holds a Bachelor of Law Degree (Honour) from University of London, a master degree of Social Sciences (Criminology) from the University of Hong Kong, a master degree of Social Sciences (Counselling) from the University of Hong Kong and a post-graduate certificate in Laws from City University of Hong Kong. Mr. Char was a chief investigator and senior assignment officer of the Independent Commission Against Corruption in Hong Kong from 1976 to 2004. Mr. Char was a chief executive officer of Garner Forest Industries Limited. Mr. Char is currently a Barrister at Law.

Mr. Fung Kwok Leung ("Mr. Fung")

Mr. Fung, aged 43, holds a Honour Degree in Accountancy from the Hong Kong Polytechnic University, is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Fung has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Fung has worked as financial controller and company secretary of companies whose shares are listed on the Stock Exchange. Mr. Fung was an executive director of Forefront International Holdings Limited, a company whose share are listed on the Stock Exchange and resigned in May 2007. Mr. Fung is currently a sole proprietorship of K. L. Fung & Co..

Mr. Liu Jin ("Mr. Liu")

Mr. Liu, aged 33, holds a bachelor in International Economic Law degree from the South Central University of Political Science and Law. Mr. Liu has been a qualified solicitor in the People's Republic of China (the "PRC") since 2001 and has various experience in merger and acquisition and corporate restructure in PRC. Mr. Liu is currently a qualified solicitor practicing in Shenzhen, PRC.

Directors' Report

The Board of Directors (the "Board") of National Investments Fund Limited (the "Company") is pleased to present to the shareholders the audited financial statements of the Company for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment in listed and unlisted companies.

The Shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 September 2002.

Business or geographical analysis of the Company's assets and liabilities for the year is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The state of affairs of the Company at 31 December 2008 and the results of the Company for the year ended 31 December 2008 are set out in the financial statements on pages 21 to 22.

The Board has resolved not to recommend the payment of dividend for the year ended 31 December 2008 (2007: Nil).

RESERVES

Details of the movements in reserves of the Company during the year are set out in the financial statements on page 23.

As at 31 December 2008, the Company's available reserves for distribution to shareholders under the Companies Law of the Cayman Islands were HK$14,777,000 (2007: HK$42,261,000).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 11 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Company during the year are set out in Note 7 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association and there is no restriction against such rights under the laws of Cayman Islands.

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

During the year ended 31 December 2008, the Company has not purchased, sold nor redeemed any of the Company's listed securities.

Directors' Report

DIRECTORS

The directors during the financial year were:

Executive Directors

Mr. Wong Danny F. *(Chairman)*
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*
Mr. Fong Chi Wah

Non-executive Director

Ms. Yang XiaoFeng

Independent Non-executive Directors

Ms. Tam Heung Man (Resigned on 1 December 2008)
Mr. Char Shik Ngor, Stephen
Mr. Fung Kwok Leung
Mr. Liu Jin

Pursuant to Articles 88 and 89 of the Company's Articles of Association, Mr. Wong Danny F., Ms Yang XiaoFeng and Mr. Char Shik Ngor, Stephen will retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Currently, all executive directors have entered into a service contract with the Company. Service contract with Mr. Wu Tse Wai, Ferderick was commenced from 6 January 2004, with initial fixed term of one year. On 1 November 2005, Mr. Fong Chi Wah was appointed as the Company's executive director. His service contract was commenced on the same date. During the year, Mr. Wong Danny F. was appointed as executive director of the Company on 21 May 2007, and his service contract was commenced on the same date. All director's contracts will continue thereafter until terminated by either party by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the respective initial fixed terms. Each of these executive directors, is entitled to their respective basic salary (subject to an annual increment of not more than 5% of the annual salary at the time of the relevant review at discretion of the directors). In addition, in respect of each financial year of the Company, each of the executive directors is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive directors in respect of any financial year of the Company may not exceed 15% of the audited net profit of the Company (after taxation but before extraordinary and exceptional items and payment of such bonuses) in respect of that financial year of the Company. An executive director is required to abstain from voting and is not counted in the quorum in respect of any resolutions of the directors regarding the amount of the monthly salary and the discretionary bonus payable to him.

In respect of non-executive directors, including independent non-executive directors, each of them has entered into service contracts with the Company, with the specific term for one year commencing from his or her respective date of appointment, and the service contract will be terminated by giving not less than 14 days' notice in writing by either party. All directors of the Company, including independent non-executive directors, are subject to retirement by rotation in accordance with the Company's Articles of Association.

Save as disclosed above, no other director has entered into service agreement with the Company which is not determined by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts are set out in Note 24 to the financial statements. Apart from the foregoing, no other contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under "Interests in Share Options" below, at no time during the year was the Company a party to any arrangement to enable the directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any or its associated corporations as defined in the Securities and Futures Ordinance (the "SFO") or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN EQUITY OR DEBT SECURITIES

At 31 December 2008, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code"), are set out below:

Interests and short positions in shares, underlying shares and debentures of the Company

Name of directors	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Wong Danny F.	Interest in controlled corporation	Long Position	279,026,000 *(Note 1)*	25.55%
	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.1%
Mr. Wu Tse Wai, Frederick	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.1%
Mr. Fong Chi Wah	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.1%
Ms. Yang XiaoFeng	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.1%
Ms. Tam Heung Man (Resigned on 1 December 2008)	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.1%
Mr. Char Shik Ngor, Stephen	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.1%
Mr. Fung Kwok Leung	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.1%
Mr. Liu Jin	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.1%

Notes:

1. These 279,026,000 ordinary shares of the Company are held through CCM Asia Investment Corporation, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Wong Danny F.; and

2. These 1,092,000 shares are derived from the interest in 1,092,000 share options granted by the Company to these directors respectively, details of which are set out in the section headed "INTERESTS IN SHARE OPTIONS" below.

Save as disclosed above, none of the directors, chief executive or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register 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.

INTERESTS IN SHARE OPTIONS

Pursuant to an ordinary resolution duly passed at an extraordinary general meeting of shareholders dated 27 August 2007, the then existing share option scheme was terminated, and a new share option scheme was adopted accordingly. At the date of termination of existing share option scheme, there were no share options remained outstanding.

With reference to the terms and conditions of the new share option scheme (the "Share Option Scheme") adopted by the Company on 27 August 2007, the purpose of the Share Option Scheme, in principle, is to enable to Company to motivate participants for their significant contributions to the growth of the Company and to retain and maintain on-going business relationship with such participants whose contributions are or will be beneficial to the long term growth of the Company, it is important for the Company to provide for them, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the Company's long term success and prosperity. The principal terms of the Share Option Scheme are as follows:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options to be granted under any other scheme must not in aggregate exceed ten per cent (10%) of the aggregate of the shares in issue as at the adoption date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed thirty per cent (30%) of the shares in issue from time to time.

(ii) The total number of shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one per cent (1%) of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(iv) A share option may be accepted by an eligible participant within 28 days from the date of offer of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant of the option.

(v) The Share Option Scheme will remain valid for a period of 10 years commencing on 27 August 2007.

Details of movement of the share options during the year ended 31 December 2008 under the Share Option Scheme are as follows:

Name or category of participants	Outstanding at 1 January 2008	Granted during year	Exercised during year	Lapsed during year	Reclassified during year	Outstanding at 31 December 2008	Exercise price *(HK$)*	Date of grant	Exercisable period *(Note i)*
	Number of share options								
Directors									
Mr. Wong Danny F.	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Wu Tse Wai, Frederick	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fong Chi Wah	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Ms. Yang XiaoFeng	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Ms. Tam Heung Man *(Note ii)*	1,092,000	—	—	—	(1,092,000)	—	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Char Shik Ngor, Stephen	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fung Kwok Leung	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Liu Jin	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
	8,736,000	—	—	—	(1,092,000)	7,644,000			
Employees	18,564,000	—	—	—	—	18,564,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Resigned director *(Note ii)*	—	—	—	—	1,092,000	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
	27,300,000	—	—	—	—	27,300,000			

Notes:

(i) In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, and (iii) the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

(ii) On 1 December 2008, Ms. Tam Heung Man has resigned as independent non-executive director of the Company. The share options of the Company held by Ms. Tam Heung Man was then classified as share options held by resigned director.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2008, so far as is known to the directors, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Interests and short position in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares	Percentage of issued share capital
CCM Asia Investment Corporation *(Note 1)*	Beneficial owner	Long position	279,026,000	25.55%

Note 1: Mr. Wong Danny F., an executive director and the chairman of the Company is the sole shareholder of CCM Asia Investment Corporation.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Company's entire turnover is derived from the Company's investment in equity securities listed or unlisted and thus the disclosure of information regarding to customers and suppliers would not be meaningful.

CONNECTED TRANSACTIONS

Investment Management Agreements

Commencing from 16 December 2004, Avanta Investment Management Limited (the "Avanta") agreed to provide the Company with investment management services. On 14 November 2008, the Company and Avanta have renewed the investment management agreement. Avanta agreed to provide the Company with investment management services for twelve months commencing on 16 November 2008. The Company may terminate the agreement without any cause and without compensation at any time during the term of the agreement by giving not less than a two-week notice in writing to Avanta before the expiry of the term of the Agreement. In addition, each of the Company and Avanta may terminate the investment management agreement with immediate effect upon the happening of certain events, including, (a) any of the parties going into liquidation or the appointment of a receiver over the assets or undertaking of any party; (b) any party commits a material breach of the investment management agreement. The Company may also terminate the investment management agreement with immediate effect at any time if (a) Avanta is negligent or guilty of wilful misconduct in respect of its obligations under the investment management agreement; or (b) Avanta ceases to be a licensed corporation in Hong Kong under the SFO. The fixed service fee in relation to the extension of Avanta's appointment is in the amount of HK$400,000 per annum payable in twelve equal monthly instalments in advance to Avanta.

Custodian Agreement

Commencing from 11 March 2005, the Company appointed Bank of Communications Trustee Limited as its custodian for the provision of custody services. The Bank of Communications Trustee Limited, has agreed to provide the Company with securities services including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The custodian agreement will continue in force until terminated by either the Company or the custodian by giving to the other not less than 90 days' notice in writing expiring at any time.

The Board, including the independent non-executive directors, is of the view that the above connected transaction has been entered into on normal commercial terms, on an arm's length basis and in the ordinary and usual course of business of the Company, and that the terms of the above connected transaction are fair and reasonable to the shareholders and the Company as a whole.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the year ended 31 December 2008 the amount of public float as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive directors, together with the management, has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters for the year ended 31 December 2008.

SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in Note 26 to the financial statements.

AUDITORS

HLB Hodgson Impey Cheng retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Danny F.
Chairman

Hong Kong, 23 April 2009

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
NATIONAL INVESTMENTS FUND LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of National Investments Fund Limited (the "Company") set out on pages 21 to 51, which comprise the balance sheet as at 31 December 2008, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the 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 financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2008 and of its loss 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 23 April 2009

Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Assets:			
Non-current assets			
Property, plant and equipment	7	**75**	80
Available-for-sale financial assets	8	**2,163**	—
Conversion options embedded in convertible notes	9	**950**	—
		3,188	80
Current assets			
Financial assets at fair value through profit or loss	10	**314**	27,669
Prepayment, deposits and other receivables		**629**	267
Cash and bank balances		**23,045**	26,413
		23,988	54,349
Total assets		**27,176**	54,429
Equity:			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	**10,920**	10,920
Reserves		**16,035**	43,002
Total equity		**26,955**	53,922
Liabilities:			
Current liabilities			
Accrued charges and other payable		**221**	507
Total liabilities		**221**	507
Total equity and liabilities		**27,176**	54,429
Net current assets		**23,767**	53,842
Total assets less current liabilities		**26,955**	53,922

Approved by the Board of Directors on 23 April 2009 and signed on its behalf by:

Wong Danny F.
Chairman

Wu Tse Wai, Frederick
Executive Director

The accompanying notes form an integral part of these financial statements.

Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
Revenue	12	**(17,936)**	(1,361)
Other income	13	**443**	593
Gain on disposal of available-for-sale financial assets		**—**	1,200
Change in fair value of conversion options embedded in convertible notes	9	**54**	—
Other operating expenses		**(10,045)**	(5,654)
Loss before income tax	14	**(27,484)**	(5,222)
Income tax expenses	17	**—**	—
Loss for the year		**(27,484)**	(5,222)
Attributable to:			
Equity holders of the Company		**(27,484)**	(5,222)
Loss per share			
Basic and diluted, in HK cents	20	**(2.52)**	(0.68)

All of the Company's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

Statement of Changes In Equity

For the year ended 31 December 2008

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Available-for-sale financial assets equity reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 January 2007	600	22,834	—	—	(25,342)	(1,908)
Loss for the year	—	—	—	—	(5,222)	(5,222)
Total recognised expenses for the year	—	—	—	—	(5,222)	(5,222)
Recognition of equity settled share-based payment	—	—	741	—	—	741
Issue of shares	10,320	52,440	—	—	—	62,760
Share issue expenses	—	(2,449)	—	—	—	(2,449)
Balance at 31 December 2007 and 1 January 2008	10,920	72,825	741	—	(30,564)	53,922
Loss for the year	—	—	—	—	(27,484)	(27,484)
Total recognised expenses for the year	—	—	—	—	(27,484)	(27,484)
Change in fair value of available-for-sale financial assets	—	—	—	(976)	—	(976)
Recognition of equity settled share-based payment	—	—	1,493	—	—	1,493
Balance at 31 December 2008	**10,920**	**72,825**	**2,234**	**(976)**	**(58,048)**	**26,955**

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
Cash flow from operating activities		
Bank interest income received	**731**	655
Proceeds from sale of financial assets at fair value through profit or loss	**24,302**	10,082
Dividend income received	**373**	—
Deposits paid	**—**	(199)
Expenses paid	**—**	(68)
Cash payments to acquire financial assets at fair value through profit and loss	**(15,996)**	(39,537)
Cash payments to employees	**(3,034)**	(2,255)
Cash payments to investment manager	**(400)**	(370)
Cash payments to custodian	**(42)**	(31)
Cash payments to other suppliers	**(5,272)**	(3,253)
Net cash inflow/(outflow) from operating activities	**662**	(34,976)
Cash flow from investing activities		
Purchase of property, plant and equipment	**(30)**	(87)
Cash payments to acquire available-for-sale financial assets	**(4,000)**	—
Proceeds from sale of available-for-sale financial assets	**—**	2,550
Net cash (outflow)/inflow from investing activities	**(4,030)**	2,463
Cash flow from financing activities		
Repayment to directors	**—**	(1,436)
Net proceeds from issue of ordinary shares	**—**	62,760
Issue share expenses	**—**	(2,449)
Net cash inflow from financing activities	**—**	58,875
Net (decrease)/increase in cash and cash equivalents	**(3,368)**	26,362
Cash and cash equivalents at the beginning of the year	**26,413**	51
Cash and cash equivalents at the end of the year	**23,045**	26,413
Analysis of cash and cash equivalents		
Cash and bank balances	**23,045**	26,413

The accompanying notes form an integral part of these financial statements.

Notes to Financial Statements

For the year ended 31 December 2008

1. CORPORATE INFORMATION

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The principal activity of the Company is investment in listed and unlisted companies.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal office of the Company is located at Suite 1907, 19th Floor, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 September 2002.

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

In the current year, the Company has applied, for the first time, a number of new amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. A summary of the new HKFRSs are set out as below:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

The Company has not early adopted the following new HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[3]

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

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4 to the financial statements.

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost as modified by revaluation of certain financial assets at fair value through profit or loss (including derivative financial instruments) and available-for-sale financial assets.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on the straight-line method so as to write down the cost of property, plant and equipment to their estimated realisable values over their anticipated useful lives at the following rates:

Furniture and fixtures	:	20%
Office equipment	:	20%
Computer	:	50%

The assets' estimated residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement in the year the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Financial instruments

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designated eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Financial instruments *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

- 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 fair value through profit or loss.

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

Loans and receivables

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

At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company 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 Company after deducting all of its liabilities. The Company's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit and loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition. A financial liability is classified as held for trading if:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Financial instruments *(Continued)*

Financial liabilities at fair value through profit and loss *(Continued)*

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial 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 Company'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.

During the year, the Company did not hold any financial liabilities at fair value in this category.

Other financial liabilities

Other financial liabilities (including accrued charges and other payable) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss on fair value changes is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognised a collateralised borrowing for the proceeds received. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Cash and cash equivalents

Cash and cash equivalents are comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment.

(e) Revenue

Revenue represents dividend income from securities investments, bank interest income, other interest income from financial assets and net gain/(loss) on financial assets at fair value through profit or loss.

(f) Revenue recognition

Provided it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, revenue is recognised in the income statement as follows:

i. Dividend income is recognised when the right to receive payment is established.

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

iii. Net gain/(loss) on financial assets at fair value through profit or loss are recognised on the transaction dates when the relevant contracts are executed.

(g) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Company's entities are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(h) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Taxation *(Continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company 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 date 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 realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(i) Impairment of assets

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

(j) Provision

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

(k) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Contingent liabilities and contingent assets *(Continued)*

A contingent liability is not recognised but is disclosed in the notes to financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company.

Contingent assets are not recognised but are disclosed in the notes to financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(l) Employee benefits

i. Employee leave entitlements

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

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

ii. Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

iii. Retirement benefits scheme contributions

The Company has participated in the Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance. The assets of the Scheme are held separately from those of the Company in an independently administered fund. The Scheme is generally funded by payments from employees and by the Company. The Company's contributions to the Scheme are expensed as incurred in accordance with the rules of the Scheme and are not reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions.

(m) Equity settled share-based payment transactions

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Equity settled share-based payment transactions *(Continued)*

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(n) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(o) Related party transactions

Parties are considered to be related to the Company if:

(i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; (iii) has joint control over the Company;

(ii) the party is an associate:

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, joint-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of the employees of the Company, of any entity that is related party of the Company.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(p) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Company is subject to income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of the business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Share-based payment

The Company follows the guidance of HKFRS 2 when determining the fair value of the share options granted at the grant date. This determination requires significant estimate. In making this judgement, the Company incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price and the valuation technique should be consistent with the generally accepted valuation methodologies for pricing financial instruments.

(c) Impairment of available-for-sale financial assets

The Company follows the guidance of HKAS 39 when determining whether an investment in available-for-sale financial assets is other than temporarily impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the expected time span the Company will hold on to this investment.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2008	2007
	HK$'000	*HK$000*
Financial assets		
Available-for-sale financial assets	**2,163**	—
Conversion options embedded in convertible notes	**950**	—
Financial assets at fair value through profit and loss	**314**	27,669
Loans and receivables (including cash and bank balances)	**23,045**	26,413
	26,472	54,082
Financial liabilities		
At amortised cost	**221**	507

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies

The Company's principal financial instrument, comprise available-for-sale financial assets, conversion options embedded in convertible notes, financial assets at fair value through profit and loss and loans and receivables. The main purpose of holding these financial instruments is to generate short term appreciation gain and gain from trading of these financial instruments. The Company has other financial assets and liabilities such as other receivables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Market risk exposures are measured by sensitivity analysis.

There has been no change in the manner in which it manages and measures the risk.

Foreign currency risk

The Company's profit and the balance are substantially independent of the changes in the foreign currency risk since the Company did not have assets or liabilities denominated in foreign currencies in current year, which expose the Company to foreign currency risk.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. As the Company has no significant interest bearing assets or liabilities, the Company's exposure to market risk for changes in interest rates relates primarily to the cash and bank balances. Floating-rate interest income is charged to the income statement as incurred.

Price risks

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower:

- the net profit for the year ended 31 December 2008 would increase/decrease by approximately HK$16,000 (2007: increase/decrease by approximately HK$1,383,000). This is mainly due to change in fair value of held for trading investments.

- other equity reserves would increase/decrease by approximately HK$108,000 (2007: Nil). This is mainly due to change in fair value of available-for-sale financial assets.

The Company's sensitivity to price risks has decreased during the year mainly due to decrease in investments in financial assets at fair value through profit or loss.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk

As at 31 December 2008, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Company also has credit policies in place and exposures to credit risks regards other receivables are mentioned on an ongoing basis.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Company does not have any other significant concentration of credit risk.

(iii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The following tables detail the Company's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	**Within 1 year**	**2 to 5 years**	**Over 5 years**	**Total undiscounted cash flow**	**Total carrying amount**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
Non-derivative financial liabilities						
Accrued charges and other payables	**—**	**221**	**—**	**—**	**221**	**221**

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007						
Non-derivative financial liabilities						
Accrued charges and other payables	—	507	—	—	507	507

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value of financial instruments

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

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

(c) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern. The capital structure of the Company consists of nearly no debt. It finances its operation primary through equity attributable to equity holders of the Company, comprising issued capital, share premium, accumulated losses and available-for-sale financial assets equity reserve.

The Company has adopted a low finance leverage compared to the last year. Based on the Company's policy, the gearing ratio, as calculated as total debt divided by total equity at the year end was as follows:

	2008 ***HK$'000***	2007 *HK$'000*
Debt *(i)*	**221**	507
Equity *(ii)*	**26,955**	53,922
Gearing ratio	**0.8%**	0.9%

(i) Debt comprises accrued charges and other payables.

(ii) Equity includes all capital and reserves of the Company.

6. SEGMENT INFORMATION

Business segment

For the year ended 31 December 2008 and 2007, all of the Company's revenue was derived from investment income from investments in listed securities and unlisted securities, no further detailed analysis of the Company's business segment is disclosed.

Geographical segment

In determining the Company's geographical segments, revenues are attributed to the segments based on the location of the markets and assets are attributed to the segments based on the location of the assets.

6. SEGMENT INFORMATION *(Continued)*

Geographical segment *(Continued)*

The Company's segment revenue, assets and liabilities for the year, analysed by geographical market, are as follows:

	Hong Kong		Australia		United Kingdom		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Segment assets	**24,032**	54,429	**3,144**	—	**—**	—	**27,176**	54,429
Segment liabilities	**221**	507	**—**	—	**—**	—	**221**	507
Segment revenue	**(18,002)**	(2,374)	**66**	—	**—**	1,013	**(17,936)**	(1,361)

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Computer *HK$'000*	Total *HK$'000*
At cost:				
At 1 January 2007	—	—	—	—
Additions	4	75	8	87
At 31 December 2007 and 1 January 2008	4	75	8	87
Additions	—	—	30	30
At 31 December 2008	4	75	38	117
Accumulated depreciation:				
At 1 January 2007	—	—	—	—
Charge for the year	1	5	1	7
At 31 December 2007 and 1 January 2008	1	5	1	7
Charge for the year	1	15	19	35
At 31 December 2008	2	20	20	42
Net book value:				
At 31 December 2008	**2**	**55**	**18**	**75**
At 31 December 2007	3	70	7	80

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 *HK$'000*	2007 *HK$'000*
Unlisted securities		
— debt securities	**2,163**	—

Note:

(i) On 10 November 2008, the Company subscribed a convertible note (the "Convertible Note") with principal amount of HK$4,000,000 issued by Eiuoo Pty Limited (formerly known as "Aviro Pty Limited") ("Eiuoo"). Eiuoo is a private limited liability company incorporated in Australia.

The Convertible Note carries interest at 5.5% per annum with maturity three years from date of subscription. Full conversion of the Convertible Note will result in conversion into 10% of ordinary shares of the issued share capital of Eiuoo as of the conversion date.

(ii) The fair value at initial recognition of the debt element of the Convertible Note and conversion option element of the Convertible Note, amounting to approximately HK$3,104,000 and HK$896,000 (Note 9) respectively, which are measured in accordance with HKAS 39.

(iii) The fair value of debt element as at 31 December 2008 was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the convertible notes issuer and remaining time to maturity. The effective interest rate of the debt element of the Convertible Note as at 31 December 2008 was 32.55%.

(iv) During the year ended 31 December 2008, a net loss arising on change in fair value of approximately HK$976,000 for the available-for-sale financial assets was recognised in the available-for-sale financial assets equity reserve, representing the loss on fair value change of the unlisted debt securities.

(v) During the year ended 31 December 2008, none of the principal amount of the Convertible Note was converted and the principal amount of the Convertible Note outstanding as at 31 December 2008 was amounted to HK$4,000,000.

9. CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

	2008 *HK$'000*	2007 *HK$'000*
Conversion options embedded in convertible notes	**950**	—

Notes:

(i) Conversion options embedded in convertible notes represented the conversion option element of the Convertible Note subscribed by the Company and are measured at fair value using the Black-Scholes Option Pricing Model at initial recognition and at each balance sheet date. The debt element of the Convertible Note is classified as available-for-sale financial assets.

(ii) As explained in Note 8 to the financial statements, the Company subscribed the Convertible Note during the year ended 31 December 2008 and an amount of approximately HK$896,000 was recognised as conversion options embedded in convertible notes which was measured at fair value at initial recognition. During the year ended 31 December 2008, the Company also recognised an increase in fair value changes of approximately HK$54,000 (2007: Nil) to the income statement.

9. CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES *(Continued)*

Notes: (Continued)

(iii) Black-Scholes Option Pricing Model is used for valuation for conversion option element of the Convertible Note. The inputs into the model of each convertible note as at date of subscription and 31 December 2008 was as follows:

	At 10 November 2008 (date of subscription)	At 31 December 2008
Stock price	AUD508,044	AUD534,587
Exercise price	AUD764,070	AUD764,070
Volatility	63.53%	63.53%
Dividend yield	—	—
Option life	3 years	2.86 years
Risk free rate	4.185%	3.086%

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 **HK$'000**	2007 *HK$'000*
Held-for-trading:		
Equity securities, at fair value		
— listed in Hong Kong	**314**	27,669

The following is a list of the equity securities as at 31 December 2008:

Equity securities listed in Hong Kong:

Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held	Interest held (%)	Net assets attributable to the Company	Cost of investment HK$'000	Fair value HK$'000	Change in fair value HK$'000
Netdragon Websoft Inc.	Cayman Islands, limited liability company	78,000 ordinary shares	0.0148	RMB215,000	1,293	226	(1,067)
Polyard Petroleum International Group Limited	Cayman Islands, limited liability company	1,680,000 ordinary shares	0.0311	HK$180,000	235	82	(153)
GCL-Poly Energy Holdings Limited	Cayman Islands, limited liability company	9,000 ordinary shares	0.0009	RMB22,000	34	6	(28)

A brief description of the business and financial information of the above listed equity securities, based on their latest financial statements, is as follows:

(i) Netdragon Websoft Inc. is principally engaged in the development, operation and marketing of online games.

The audited net profit attributable to shareholders of Netdragon Websoft Inc. for the year ended 31 December 2008 was approximately RMB239,381,000.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(ii) Polyard Petroleum International Group Limited is principally engaged in exploration of oil and national gas and trading of petroleum-related products.

The audited net loss attributable to shareholders of Polyard Petroleum International Group Limited for the year ended 31 December 2008 was approximately HK$316,756,000.

(iii) GCL-Poly Energy Holdings Limited is principally engaged in the development, management and operation of cogeneration plants in the People's Republic of China.

The audited net profit attributable to shareholders of GCL-Poly Energy Holdings Limited for the year ended 31 December 2008 was approximately RMB131,298,000.

11. SHARE CAPITAL

	Number of shares		**Amount**	
	2008	2007	**2008**	2007
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised ordinary shares of HK$0.01 each:				
At 1 January	**2,000,000**	200,000	**20,000**	2,000
Increase in authorised share capital *(Note(a))*	**—**	1,800,000	**—**	18,000
At 31 December	**2,000,000**	2,000,000	**20,000**	20,000

	2008	2007	**2008**	2007
	'000	*'000*	***HK$'000***	*HK$'000*
Issued and fully paid ordinary shares of HK$ 0.01 each:				
At 1 January	**1,092,000**	60,000	**10,920**	600
Issue of shares *(Note (b), (c))*	**—**	1,032,000	**—**	10,320
At 31 December	**1,092,000**	1,092,000	**10,920**	10,920

Notes:

(a) On 23 July 2007, an ordinary resolution was passed to increase the authorised share capital of the Company from HK$2,000,000 divided into 200,000,000 shares with nominal value of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares with nominal value of HK$0.01 each by creation of an additional amount of HK$18,000,000.

(b) During the year ended 31 December 2007, as a result of placing, a total of 24,000,000 ordinary shares of HK$0.01 each were issued as follow:

(i) On 23 May 2007, 12,000,000 ordinary shares of HK$0.01 were issued at a price of HK$0.43 per share. A share premium of HK$5,040,000 had been credited to share premium account. Details of these transactions were set out in the Company's announcement dated 10 May 2007.

(ii) On 12 June 2007, 12,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.60 per share. A share premium of HK$7,080,000 had been credited to share premium account. Details of these transactions were set out in the Company's announcement dated 1 June 2007.

11. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(c) On 22 August 2007, 1,008,000,000 right shares of HK$0.01 each were issued at an issue price of HK$0.05 each on the basis of twelve rights shares for every existing share held. A share premium of HK$40,320,000 had been credited to share premium account. Details of these transactions were set out in the Company's announcement dated 21 June 2007.

12. REVENUE

The amount of significant category of revenue recognised during the year is as follow:

	2008 **HK$'000**	2007 *HK$'000* (Restated)
Net loss on financial assets at fair value through profit or loss *(Note (i))*	**(19,106)**	(2,016)
Bank interest income	**731**	655
Interest income from available-for-sale financial assets	**66**	—
Dividend income from financial assets at fair value through profit or loss	**373**	—
	(17,936)	(1,361)

Notes:

(i) Net loss on financial assets at fair value through profit or loss represented:

	2008 **HK$'000**	2007 *HK$'000*
Proceeds on sales	**24,302**	10,114
Less: cost of sales	**(42,160)**	(8,826)
Net realised (loss)/gain on financial assets at fair value through profit or loss	**(17,858)**	1,288
Unrealised loss on financial assets at fair value through profit or loss	**(1,248)**	(3,304)
Net loss on financial assets at fair value through profit or loss	**(19,106)**	(2,016)

(ii) In prior years, revenue included the sale proceeds from securities trading, while the related costs of securities trading were presented as "cost of trading securities sold". In current year, the Company has revised the presentation of revenue in order to provide more relevant information in respect of the Company's operations. The net gain/(loss) on securities trading are presented within revenue in the income statement. These changes do not have any impact on the results of the Company in respect of the current and prior years.

13. OTHER INCOME

	2008 **HK$'000**	2007 *HK$'000*
Exchange gain	**443**	—
Waiver of amount due to directors	**—**	593
	443	593

14. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	2008 **HK$'000**	2007 HK$'000
Auditors' remuneration	**160**	180
Directors' emoluments *(Note 15)*	**2,091**	1,425
Total staff costs, excluding directors' emoluments	**2,511**	1,146
Depreciation on owned assets	**35**	7
Legal and professional fee	**68**	395
Operating lease rental in respect of land and building	**744**	335
Equity settled share-based payment expenses	**1,493**	741

15. DIRECTORS' EMOLUMENTS

The emoluments of every director for the year ended 31 December 2008 is set out below:

	Fee **HK$'000**	**Salary** **HK$'000**	**Other benefits** **HK$'000**	**Employer's contribution to pension scheme** **HK$'000**	**Total** **HK$'000**
Mr. Wong Danny F. *(Note 1)*	**—**	**500**	**60**	**12**	**572**
Mr. Wu Tse Wai, Frederick	**—**	**300**	**60**	**—**	**360**
Mr. Fong Chi Wah	**—**	**204**	**60**	**10**	**274**
Ms. Yang XiaoFeng *(Note 1)*	**—**	**200**	**60**	**—**	**260**
Mr. Liu Jin *(Note 1)*	**—**	**100**	**60**	**—**	**160**
Mr. Char Shik Ngor, Stephen *(Note 2)*	**—**	**100**	**60**	**—**	**160**
Mr. Fung Kwok Leung *(Note 2)*	**—**	**100**	**60**	**—**	**160**
Ms. Tam Heung Man *(Note 3)*	**—**	**90**	**55**	**—**	**145**
	—	**1,594**	**475**	**22**	**2,091**

The emoluments of every director for the year ended 31 December 2007 is set out below:

	Fee HK$'000	Salary HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr. Tam Wai Keung, Billy *(Note 4)*	—	—	—	—	—
Mr. Wong Danny F. *(Note 1)*	—	307	30	7	344
Mr. Wu Tse Wai, Frederick	—	300	30	—	330
Mr. Fong Chi Wah	—	204	30	10	244
Ms. Yang XiaoFeng *(Note 1)*	—	123	30	—	153
Mr. Liu Jin *(Note 1)*	—	61	30	—	91
Mr. Char Shik Ngor, Stephen *(Note 2)*	—	61	30	—	91
Mr. Fung Kwok Leung *(Note 2)*	—	61	30	—	91
Ms. Tam Heung Man *(Note 3)*	—	51	30	—	81
Mr. Wong Che Man, Eddy *(Note 5)*	—	—	—	—	—
Mr. Tang King Fai, Kelvin *(Note 4)*	—	—	—	—	—
Mr. Lam Yuk Lau *(Note 5)*	—	—	—	—	—
	—	1,168	240	17	1,425

15. DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

1. Appointed on 21 May 2007
2. Appointed on 22 May 2007
3. Appointed on 29 June 2007 and resigned on 1 December 2008
4. Resigned on 22 May 2007
5. Resigned on 16 May 2007

During the year, there were no arrangements under which a director waived or agreed to waive any emolument during the year. (2007: Nil)

The number of the directors fell within the following bands:

	Number of directors	
	2008	2007
Nil to HK$1,000,000	**8**	8

16. EMPLOYEES' EMOLUMENTS

The five individuals whose emoluments were the highest in the Company for the year included two executive directors (2007: three) whose emoluments were reflected in the analysis presented in Note 15 to the financial statements. The emoluments of the remaining three individuals (2007: two individuals) were as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**2,140**	937
Employer's contribution to pension scheme	**33**	13
	2,173	950

The emoluments of the three (2007: two) highest paid employees were within the following bands:

	Number of employees	
	2008	2007
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	—
	3	2

17. INCOME TAX EXPENSES

Current Taxation

No provision for Hong Kong profits tax has been made as the Company incurred a taxation loss for the year (2007: Nil).

The income tax expenses for the year can be reconciled to the loss per the income statement as follows:

	2008		2007	
	HK$'000	***%***	*HK$'000*	*%*
Loss before tax	**(27,484)**		(5,222)	
Tax at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	**(4,535)**	**(16.5)**	(914)	(17.5)
Estimated tax effect on income that are not taxable in determining taxable profit	**(132)**	**(0.5)**	(104)	(2.0)
Estimated tax effect on expenses that are not deductible in determining taxable profit	**246**	**0.9**	624	12.0
Estimated tax effect of unrecognised temporary difference	**—**	**—**	(10)	(0.2)
Tax effect of unrecognised tax losses	**4,421**	**16.1**	404	7.7
Tax income and effective tax rate for the year	**—**	**—**	—	—

18. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of the loss of HK$27,484,000 (2007: HK$ 5,222,000).

19. DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2008 (2007: Nil).

20. LOSS PER SHARE

The calculation of basic loss per share is based on the Company's net loss attributable to the shareholders of HK$27,484,000 (2007: HK$5,222,000) and 1,092,000,000 (2007: 767,504,000) weighted average ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2008 and 31 December 2007 was the same as the basic loss per share. The Company's outstanding share options were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options were anti-dilutive.

21. DEFERRED TAXATION

No provision for deferred taxation has been made as the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2007: Nil).

As at the balance sheet date, the Company has estimated tax losses of approximately HK$43,979,000 (2007: HK$11,808,000) that are available for offsetting against future taxable profits of the Company. Deferred tax assets have not been provided for due to the unpredictability of the future profit streams.

22. NET ASSETS VALUE PER SHARE

As at 31 December 2008, the net assets value per share is HK$0.025 (2007: HK$0.049).

The calculation of net assets value per share is based on the net assets of approximately HK$26,955,000 (2007: HK$53,922,000) and 1,092,000,000 (2007: 1,092,000,000) ordinary shares in issue as at 31 December 2008.

23. OPERATING LEASES COMMITMENTS

As lessee

As at 31 December 2008, the total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008 ***HK$'000***	2007 *HK$'000*
Within one year	**649**	446

The Company leases office properties under operating lease arrangement and the lease payments are fixed and pre-determined.

24. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the year ended 31 December 2008, the Company had entered into transactions with related party which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Company's business.

Key management compensation

	2008 ***HK$'000***	2007 *HK$'000*
Salaries and other short-term employee benefits	**2,069**	1,408
Employer's contribution to pension scheme	**22**	17
	2,091	1,425

25. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to an ordinary resolution duly passed at an extraordinary general meeting of shareholders dated 27 August 2007, the then existing share option scheme was terminated, and a new share option scheme was adopted accordingly. At the date of termination of existing share option scheme, there were no options remained outstanding.

With reference to the terms and conditions of the new share option scheme (the "Share Option Scheme") adopted by the Company on 27 August 2007, the purpose of the Share Option Scheme, in principle, is to enable to Company to motivate participants for their significant contributions to the growth of the Company and to retain and maintain on-going business relationship with such participants whose contributions are or will be beneficial to the long term growth of the Company, it is important for the Company to provide for them, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the Company's long term success and prosperity. The principal terms of the Share Option Scheme are as follows:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme of the Company must not in aggregate exceed ten per cent (10%) of the aggregate of the shares in issue as at the adoption date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed thirty per cent (30%) of the shares in issue from time to time.

(ii) The total number of shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one per cent (1%). of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(iv) An option may be accepted by an eligible participant within 28 days from the date of offer of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant of the option.

(v) The Share Option Scheme will remain valid for a period of 10 years commencing on 27 August 2007.

At 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 27,300,000 (2007: 27,300,000), representing 2.5% of the shares of the Company in issue at that date.

In accordance with the terms of the share-based payment arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, (iii) and the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

The fair value of the share options granted during the year ended 31 December 2007 was HK$0.11 each. Options were priced using a binomial option pricing model.

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Inputs into the model

Grant date share price	HK$0.255
Exercise price	HK$0.38
Expected volatility	83.5%
Option life	10 years
Dividend yield	0%
Risk-free interest rate	3.525%
Exercise multiple	1.2

Expected volatility was determined by using the historical volatility of the comparable companies share price over the previous 156 weeks.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The following table discloses movements of the Company's share options held by directors and employees during the year:

	Number of share options								
Name or category of participants	**Outstanding at 1 January 2008**	**Granted during year**	**Exercised during year**	**Lapsed during year**	**Reclassified during year**	**Outstanding at 31 December 2008**	**Exercise price** *(HK$)*	**Date of grant**	**Exercisable period** *(Note i)*
Directors									
Mr. Wong Danny F.	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Wu Tse Wai, Frederick	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fong Chi Wah	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Ms. Yang XiaoFeng	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Ms. Tam Heung Man *(Note ii)*	1,092,000	—	—	—	(1,092,000)	—	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Char Shik Ngor, Stephen	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017

25. SHARE BASED PAYMENT TRANSACTIONS *(Continued)*

	Number of share options								
Name or category of participants	**Outstanding at 1 January 2008**	**Granted during year**	**Exercised during year**	**Lapsed during year**	**Reclassified during year**	**Outstanding at 31 December 2008**	**Exercise price** *(HK$)*	**Date of grant**	**Exercisable period** *(Note i)*
Directors *(continued)*									
Mr. Fung Kwok Leung	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Liu Jin	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
	8,736,000	—	—	—	(1,092,000)	7,644,000			
Employees	18,564,000	—	—	—	—	18,564,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Resigned director *(Note ii)*	—	—	—	—	1,092,000	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
	27,300,000	—	—	—	—	27,300,000			

Notes:

(i) In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, and (iii) the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

(ii) On 1 December 2008, Ms. Tam Heung Man has resigned as independent non-executive director of the Company. The share options of the Company held by Ms. Tam Heung Man was then classified as share options held by resigned director.

26. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Company has entered into the following significant events:

(i) On 31 March 2009, the Company and Sun Hung Kai International Limited (the "Sun Hung Kai") entered into a placing agreement whereby the Company has conditionally agreed to place, through Sun Hung Kai on a best effort basis, up to 218,400,000 placing shares to independent investors at a price of HK$0.05 per share. The proceeds from the placing are intended to be used for investments in listed and unlisted securities and/or as general working capital of the Company. The placing was completed on 14 April 2009. Details of the placing are set out in the Company's announcements dated 31 March 2009 and 14 April 2009.

(ii) On 24 February 2009, the Company entered a warrants placing agreement with GT Capital Limited (the "GT Capital"), an independent placing agent, to procure not fewer than six warrants placees to subscribe for up to 218,400,000 warrants, on a best effect basis, at an issue price of HK$0.0001 per unit of warrant. The warrant placing agreement was lapsed on 31 March 2009. Details of the warrant placing are set out in the Company's announcements dated 26 February 2009 and 31 March 2009.

(iii) On 24 February 2009, the Company entered into a convertible notes placing agreement with GT Capital, an independent placing agent, to procure not fewer than six convertible notes placees for each tranche of the convertible notes to subscribe for up to the aggregate principal amount of HK$350,000,000, on a best effort basis, during the placing period. The convertible notes placing agreement was terminated on 8 April 2009. Details of the convertible notes placing agreement are set out in the Company's announcements dated 26 February 2009 and 9 April 2009.

(iv) On 26 February 2009, the board of directors of the Company proposed to increase the authorised share capital of the Company from HK$20,000,000 divided into 2,000,000,000 shares to HK$200,000,000 divided into 20,000,000,000 shares, by the creation of an additional 18,000,000,000 unissued shares. Details are set out in the Company's announcement dated 26 February 2009.

27. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been restated to conform with current year's presentation.

28. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 April 2009.

Financial Summary

	Year ended 31 December 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)	Year ended 31 December 2006 *HK$'000* (Restated)	Year ended 31 December 2005 *HK$'000* (Restated)	Year ended 31 December 2004 *HK$'000* (Restated)
RESULTS					
Revenue	**(17,936)**	(1,361)	(203)	(871)	(3,677)
Loss before income tax	**(27,484)**	(5,222)	(2,740)	(4,726)	(7,442)
Income tax expenses	**—**	—	—	—	—
Loss attributable to shareholders	**(27,484)**	(5,222)	(2,740)	(4,726)	(7,442)

	As at 31 December 2008 *HK$'000*	As at 31 December 2007 *HK$'000*	As at 31 December 2006 *HK$'000*	As at 31 December 2005 *HK$'000*	As at 31 December 2004 *HK$'000*
ASSETS AND LIABILITIES					
Total assets	**27,176**	54,429	1,632	2,967	5,333
Total liabilities	**(221)**	(507)	(3,540)	(2,135)	(1,618)
Shareholders' funds/(deficit)	**26,955**	53,922	(1,908)	832	3,715