

VINCO FINANCIAL GROUP LIMITED

域高金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8340

2
VINCO  域高

0
8

Annual
Report

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

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

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

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

CONTENTS

Corporate Information	3
Chairman's Statement	4
Biographical Details of Directors and Senior Management	8
Directors' Report	10
Corporate Governance Report	17
Independent Auditor's Report	22
Consolidated Income Statement	24
Consolidated Balance Sheet	25
Balance Sheet	26
Consolidated Statement of Changes in Equity	27
Consolidated Cash Flow Statement	28
Notes to the Financial Statements	29
Financial Summary	56

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chung Ho Yan (*Chairman*)
Mr. Miu Ka Keung, Kevin

Independent Non-executive Directors

Mr. Yip Tai Him
Mr. William Wu
Mr. Lee Wing Lun

QUALIFIED ACCOUNTANT

Mr. Tang Wai Shun, Leon, HKICPA, CPA

COMPANY SECRETARY

Mr. Tang Wai Shun, Leon, HKICPA, CPA

AUTHORISED REPRESENTATIVES

Mr. Chung Ho Yan
Mr. Miu Ka Keung, Kevin

AUDIT COMMITTEE

Mr. Yip Tai Him (*Chairman*)
Mr. Lee Wing Lun
Mr. William Wu

NOMINATION COMMITTEE

Mr. Chung Ho Yan (*Chairman*)
Mr. William Wu
Mr. Lee Wing Lun

REMUNERATION COMMITTEE

Mr. Lee Wing Lun (*Chairman*)
Mr. William Wu
Mr. Chung Ho Yan

COMPLIANCE OFFICER

Mr. Miu Ka Keung, Kevin

AUDITORS

CCIF CPA Limited
20/F, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKER

The Hong Kong and Shanghai Banking
Corporation Limited

COMPLIANCE ADVISER

Ample Capital Limited
14A, Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 4909-10, 49/F
The Center
99 Queen's Road Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law

Michael Li & Co.
14/F, Printing House
6 Duddell Street
Central, Hong Kong

Winnie Mak, Chan & Yeung

1908-9, 19/F
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

As to Cayman Islands Law

Appleby
8th Floor
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.vinco.com.hk

STOCK CODE

8340

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

The global economy experienced severe downturn during the year ended 31 December 2008 sequenced by the sub-prime mortgage crack, collapse of major financial institutions, precipitous fall on the global stock market and global liquidity squeeze. During the year under review, the total market capitalization of securities listed on the Stock Exchange dropped to approximately HK\$10,298.7 billion as at 31 December 2008 (2007: approximately HK\$20,697.6 billion), representing a decrease of approximately 50.24%. The Hang Seng index also fell to 14,387 level (2007: 27,812), representing a decrease of approximately 48.27%.

Amidst the poor market environment, the Group has strived to upkeep its performance by focusing on its core business of provision of corporate finance advisory services in Hong Kong.

On the corporate development side, the Group is exploring new business opportunities for enhancing its revenue base and to provide a wider range of financial services. With a view to strengthening our client network, the Group will also explore opportunities to expand its alliance network and to improve public awareness of the Group's services in the market.

FINANCIAL REVIEW

Results of the Group

The turnover of the Group was approximately HK\$14.1 million during the year (2007: approximately HK\$32.7 million), representing a drop of approximately 56.88%. The drop in turnover was mainly attributable to the poor market environment resulting from the global financial meltdown. The net profit attributable to shareholders of the Company for the year ended 31 December 2008 was approximately HK\$781,000 (2007: approximately HK\$19.0 million), representing a drop of approximately 95.89%.

As at 31 December 2008, the Group had total assets of approximately HK\$31.7 million (2007: approximately HK\$30.3 million). The net assets value of the Group was approximately HK\$31.4 million as at 31 December 2008 (2007: approximately HK\$12.4 million), representing approximately 4.9 cents per share.

The Group stayed in a healthy and sound liquidity position. The cash and cash equivalents of the Group amounted to approximately HK\$30.2 million as at 31 December 2008. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity facilities to meet operation requirements and acquisition opportunities. The Group's gearing ratio, defined as the Group's total borrowings divided by shareholders' fund, was nil as at 31 December 2008 (2007: nil).

Capital structure

The capital of the Group comprises only ordinary shares. As at 31 December 2008, the total number of the ordinary shares of the Group in issue was 640,000,000 shares.

CHAIRMAN'S STATEMENT

Charge on Group's assets

As at 31 December 2008, the Group did not have any charge on its assets (2007: nil).

Hedging

Since all of the transactions of the Group are denominated in Hong Kong dollars, no hedging or other arrangements to reduce the currency risk had been implemented during the year under review.

Information on employees

As at 31 December 2008, the Group had a workforce of 13 employees (2007: 15). The total staff costs, including the directors' emoluments, amounted to approximately HK\$7.3 million for the year under review (2007: approximately HK\$5.1 million).

The Group's remuneration policies were determined by reference to market terms as well as the performance, qualification and experience of each individual employee.

The details of retirement benefit schemes of the Group are set out in note 10 to the financial statements.

Contingent liabilities

As at 31 December 2008, the Group did not have any significant contingent liabilities (2007: nil).

Significant investment

The Group did not hold any significant investment for the year ended 31 December 2008 and has never been engaged in any investment of structured securities and/or products.

Future plans for material investments or capital assets

Save as disclosed in the Company's prospectus dated 14 May 2008 (the "Prospectus"), the Group had no other future plans for material investments or capital assets as at 31 December 2008.

CHAIRMAN'S STATEMENT

Comparison of business objectives with actual business progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from 1 July 2008 to 31 December 2008 is set out below:

Business objectives for the period from 1 July 2008 to 31 December 2008 as stated in the Prospectus	Actual business progress up to 31 December 2008
1. Business development	<p>The Group has continued to explore the possibility in establishing the equity capital department or acquiring existing brokerage firm for the expansion in equity capital market services and plan has been rolled out as planned.</p> <p>The Group has continued to explore the possibility to set up the infrastructure and system for the equity capital market division and plan has been rolled out in as planned.</p> <p>The Group has commenced the feasibility study on setting up a business information centre in Shanghai or Shenzhen, the PRC.</p> <p>The Group has launched the on-going value-added financial program in order to develop a wider range of services.</p> <p>2 new executives have been recruited.</p>
2. Expansion of the alliance network	<p>An alliance has been formed in Hong Kong.</p> <p>The Group has started to commence the feasibility study on the establishment of alliance network in Singapore.</p> <p>On-going training has been provided to the Group's alliance members.</p> <p>Co-operation in relation to personnel recruitment and training have been sought with government bodies and universities.</p> <p>The Group has published and circulated newsletters to the Group's alliance members from time to time.</p> <p>Promotional campaigns have been kicked off in order to promote/expand the Group's alliance network.</p>
3. Improvement of publicawareness	<p>During the period under review, the Group and its staff have participated in various seminars and conferences.</p> <p>To further strengthen the Group's status and image, newsletters have been sent to selected customers and financial institutions.</p>

CHAIRMAN'S STATEMENT

Use of proceeds

During the period from 31 July 2008 to 31 December 2008, the net proceeds of the issue of new shares had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from 31 July 2008 to 31 December 2008 (HK\$'000)	Actual use of proceeds from 31 July 2008 to 31 December 2008 (HK\$'000)
Business development	650	642
Expansion of the alliance network	200	198
Improvement of public awareness	200	195

Note:

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The proceeds were applied in accordance with the actual development of the market and the remaining proceeds as at 31 December 2008 had been placed as interest bearing deposits in banks in Hong Kong.

OUTLOOK

Looking ahead, the turbulent global financial market is likely to continue affecting the general business environment of the Group. However, the Group will continue to strengthen the revenue source through leveraging on its expertise in corporate finance advisory services and its alliance/client networks.

On behalf of the board of directors, I would like to express my deepest gratitude to our shareholders. I would also like to thank my fellow board members and colleagues for their dedication and contribution in the past year.

Chung Ho Yan
Chairman

Hong Kong, 18 March 2009

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chung Ho Yan, aged 36, is the founder, an executive director of the Company and chairman of the Group. He is responsible for formulating corporate strategy, business development as well as overseeing the operations of the Group. Mr. Chung holds a bachelor's degree in commerce and a master's degree in business administration. Mr. Chung entered the financial industry in mid-1990s and has become a responsible officer as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") since 2003.

Mr. Miu Ka Keung, Kevin, aged 42, is an executive director of the Company. Mr. Miu joined the Group in January 2003 and is mainly responsible for overseeing compliance matters and corporate development of the Group. Mr. Miu possesses a bachelor's degree in accounting and a master's degree in business administration. Mr. Miu entered the financial industry in early 1990s and has become a responsible officer as defined under SFO since 2003. Before joining the Group in 2003, Mr. Miu worked for various banks and financial institutions and has gained extensive experience and knowledge in corporate finance, equity capital market, private equity and debt financing. He is currently a non-executive director of LED International Holdings Limited (since October 2006) and PAQ International Holdings Limited (since February 2008), both are listed on the Alternative Investment Market of the London Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. William Wu, aged 56, holds a bachelor's degree in business and a master's degree in business administration. He has over 20 years of experience in internal audit. He is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Australian Society of Certified Practising Accountants. Mr. Wu joined The Hong Kong Polytechnic University in November 1994 and is currently the Head of Internal Audit Unit of The Hong Kong Polytechnic University. Mr. Wu joined the Group in May 2008.

Mr. Yip Tai Him, aged 38, has over 15 years of experience in auditing, accounting and corporate finance. He is a member of the Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants. Mr. Yip is currently an independent non-executive director of Wing Lee Holdings Limited (stock code: 876) (since February 2001) listed on the Main Board; an independent non-executive director of China Cyber Port (International) Company Limited (stock code: 8206) (since October 2002) listed on the GEM; an independent non-executive director of Global Solution Engineering Limited (stock code: 8192) (since March 2008) listed on the GEM and an independent non-executive director of Golife Concepts Holdings Limited (stock code: 8172) listed on the GEM (since December 2008). Mr. Yip joined the Group in May 2008.

Mr. Lee Wing Lun, aged 49, holds a bachelor's degree in commerce. He is a member of the Hong Kong Institute of Certified Public Accountants, the Australian Society of Certified Practising Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 12 years of working experience in auditing and accounting. Mr. Lee joined the Group in May 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Tang Wai Shun, Leon, aged 37, is the qualified accountant and company secretary of the Company. He holds a bachelor's degree in commerce. He has over 12 years of experience in auditing and accounting. He is a member of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants. Mr. Tang joined the Group in December 2007.

DIRECTORS' REPORT

The directors of the Company (the "Directors") have pleasure in submitting their report together with the audited financial statements of Vinco Financial Group Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of corporate finance advisory services and other financial services in Hong Kong. There was no significant change in its activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 24 to 26.

The Directors recommend the payment of a final dividend of 0.078 cents per share amounting to approximately HK\$0.5 million based on the number of issued shares as at the date of this report, to the shareholders whose names appear on the register of members on 22 April 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 April 2009 to 22 April 2009, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming annual general meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 April 2009.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 15 to the financial statements.

PLANT AND EQUIPMENT

Movements in the plant and equipment of the Group during the year are set out in note 14 to the financial statements.

DIRECTORS' REPORT

SHARE CAPITAL AND SHARE OPTIONS

Details of changes in the Company's share capital during the year, together with the reasons thereof, are set out in note 19 to the financial statements respectively. The Group has no outstanding share options issued as at 31 December 2008.

PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors of the Company, as at the latest practicable date prior to the issue of this report, there was sufficient public float in the issued share capital of the Company pursuant to the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

GROUP FINANCIAL SUMMARY

A summary of the results of the Group for three years ended 31 December 2008 is set out on page 56 of the annual report.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 19 to the financial statements and in the consolidated statement of changes in equity on page 27.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company's reserves available for distribution to shareholders comprising share premium account plus retained profits, amounted to approximately HK\$12.42 million.

DIRECTORS' REPORT

MAJOR CUSTOMERS

In the year under review, the Group's five largest customers accounted for approximately 58% of the Group's turnover and the largest customer included therein accounted for approximately 28% of the Group's turnover.

DIRECTORS

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

Executive Directors:

Mr. Chung Ho Yan (*Chairman*)
Mr. Miu Ka Keung, Kevin

Independent non-executive Directors:

Mr. William Wu
Mr. Yip Tai Him
Mr. Lee Wing Lun

The term of office of each Director is subject to retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 8 to 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' REPORT

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2008, the interests and short positions of the Directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Nature of interest	Number of shares directly and beneficially owned	Percentage of the Company's issued share capital
Mr. Chung Ho Yan	Interest of controlled corporation	326,400,000 <i>(note)</i>	51%

Note: The 326,400,000 shares are held by Vinco Asia Limited. Mr. Chung Ho Yan is the beneficial owner of 100% of the issued share capital of Vinco Asia Limited. Mr. Chung is deemed to be interested in the 326,400,000 shares held by Vinco Asia Limited under the SFO.

During the year ended 31 December 2008, there were no debt securities issued by the Group at any time.

Save as disclosed herein, as at 31 December 2008, none of the Directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to the Directors, as at 31 December 2008, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Substantial shareholders' and other persons' interests and short positions in shares, underlying shares and debentures of the Company:

As at 31 December 2008, the following persons and company had interests or short positions in the shares or underlying shares or debentures of the Company as recorded in the register to be kept under Section 336 of the SFO:

Long positions:

Name	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Vinco Asia Limited (<i>note</i>)	Beneficial interest	326,400,000	51%
Chiu Lai Yee	Beneficial interest	153,600,000	24%

Note: Vinco Asia Limited, an investment holding company, is wholly and beneficially owned by Mr. Chung Ho Yan, an executive Director.

During the year ended 31 December 2008, there were no debt securities issued by the Group at any time.

Save as disclosed above, no person, other than the Directors, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above, had an interests or short position in the shares or underlying Shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' REPORT

GROUP'S EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the board of Directors on the basis of their merit, qualifications and competence.

The emoluments of the Directors are approved by the board of Directors, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme (the "Scheme") as an incentive to eligible participants, details of the Scheme are set out as below:

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Group's employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted. The Scheme became effective on 20 May 2008 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

No share option was granted, exercised, expired or lapsed under the Scheme during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 22 to the financial statements.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Ample Capital Limited ("Ample"), the Company's compliance adviser, neither Ample nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2008. Pursuant to the agreement dated 13 May 2008 entered into between Ample and the Company, Ample had received and will receive fees for acting as the Company's compliance adviser.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out on pages 17 to 21 of the annual report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 December 2008, the Directors were not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

AUDITORS

The financial statements for the year ended 31 December 2008 have been audited by CCIF CPA Limited, the auditors of the Company. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board
Chung Ho Yan
Chairman

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Throughout the financial year ended 31 December 2008, the Group had complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules (the “CG Code”), except for the deviations from code provisions A.2.1 and A.4.1 as discussed below.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER:

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chung Ho Yan is the chairman and he also performs the role of chief executive officer of the Company. With the present size of the Company and scope of business of the Group, there is no imminent need to separate the roles to two individuals as Mr. Chung is capable of distinguishing the priority of these roles in which he has been acting. The Group has in place the internal control system to perform the check and balance functions.

Nevertheless, the board of directors (the “Board”) will continue to review the effectiveness of the Group’s corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary.

NON-EXECUTIVE DIRECTORS:

The code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for specific terms, subject to re-election.

The Company has deviated from this provision in that all independent non-executive Directors are not appointed for specific terms. They are, however, subject to retirement by rotation at least once every three years as all Directors are subject to retirement by rotation in accordance with the Company’s Articles of Association.

BOARD OF DIRECTORS

The Company is governed by the Board, which has the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the shareholders value.

The Board currently comprises two executive Directors and three independent non-executive Directors. The composition of the Board and biographies of the Directors are set out on pages 8 to 9 of this report. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

After the listing of the shares of the Company on the Stock Exchange on 20 May 2008, the Board met 3 times for the year ended 31 December 2008. The attendances of individual Directors at these Board meetings were as follows:

Name	Number of attendance	
<i>Executive Directors</i>		
Chung Ho Yan	3/3	100%
Miu Ka Keung, Kevin	3/3	100%
<i>Independent non-executive Directors</i>		
William Wu	3/3	100%
Yip Tai Him	3/3	100%
Lee Wing Lun	3/3	100%
Average attendance rate		100%

In compliance with Rules 5.01 and 5.02 of the GEM Listing Rules, the Company has three independent non-executive Directors (the “INED(s)”) who, together with the executive Directors, are responsible for formulating the Group’s development strategies. They ensure that the Board prepares its financial and other mandatory reports in strict compliance with required standards, and ensure that the Company maintains appropriate system to protect the interests of the Company and its shareholders. The Board has received an annual confirmation of independence from each of the INEDs. The Group considered the INEDs to be independent in accordance with each and every guideline set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

The Board has established three committees: nomination committee, remuneration committee and audit committee. All of the committees have terms of reference which accord with the principles set out in the CG Code. More details of these committees are set out in separate sections in this report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the “Code”).

The Company has made specific enquiry of all the Directors, and the Directors have confirmed compliance with the Code during the year ended 31 December 2008.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code. No incident of non-compliance was noted by the Company for the year ended 31 December 2008.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company established a nomination committee on 22 April 2008 with written terms of reference. The nomination committee comprises 3 members, namely Mr. Chung Ho Yan (executive Director), Mr. William Wu (INED) and Mr. Lee Wing Lun (INED). The committee is chaired by Mr. Chung Ho Yan.

The terms of reference of the nomination committee have been determined with reference to the CG Code.

The nomination committee is responsible for identifying potential new Directors and recommending to the Board for decision. A Director appointed by the Board is subject to election by the shareholders at the first annual general meeting after his appointment. Under the Company's Articles of Association, all Directors are subject to retirement by rotation and re-election by the shareholders every 3 years.

Potential new Directors are selected on the basis of their qualifications, skill and experience which the nomination committee considers will make a positive contribution to the performance of the Board.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 22 April 2008 with written terms of reference. The remuneration committee has 3 members, namely Mr. Lee Wing Lun (INED and chairman of the remuneration committee), Mr. William Wu (INED) and Mr. Chung Ho Yan (executive Director). The remuneration committee is responsible for formulating and making recommendations to the Board the remunerations policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of non-executive Directors.

The remuneration committee met once during the year ended 31 December 2008 and all the members attended the meeting.

AUDIT COMMITTEE

The Company's audit committee was formed on 22 April 2008 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's internal control procedures and annual report, financial statements, half-yearly reports and quarterly reports and to advise and make recommendations to the Board. The audit committee currently comprises three INEDs, namely, Mr. Yip Tai Him, Mr. Lee Wing Lun and Mr. William Wu. The audit committee members have reviewed this annual report and have provided advice and comments thereon.

CORPORATE GOVERNANCE REPORT

The audit committee held 3 meetings for the year ended 31 December 2008. Individual attendances of the members at these audit committee meetings are as follows:

Members of the audit committee	Number of attendance	
Mr. Yip Tai Him	3/3	100%
Mr. Lee Wing Lun	3/3	100%
Mr. William Wu	3/3	100%

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. The Directors have prepared the financial statements on the assumption that the Group will continue as a going concern by taking into consideration that the holding company has agreed to provide adequate financial support to the Group to enable it to meet all its financial obligations as they fall due. The Directors are not aware of any other material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors with respect to their financial reporting are set out in the Independent Auditor's Report on pages 22 to 23 of this report.

AUDITORS' REMUNERATION

During the year, remuneration payable to auditors for audit services of the Group were approximately HK\$190,000.

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has formulated the Group's internal control policies and procedures for monitoring the internal control system. The internal control system of the Group is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Board is of the view that the Group's internal control system is effective to achieve the Group's internal control objectives and will continue to assess the effectiveness of internal controls by considering reviews performed by the audit committee and executive management.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The Company also updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

**CCIF****CCIF CPA LIMITED**20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VINCO FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Vinco Financial Group Limited (the "Company") set out on pages 24 to 55, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 18 March 2009

Yau Hok Hung

Practising Certificate Number P04911

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
Turnover	4	14,104	32,681
Other revenue	5	43	297
Operating expenses		(13,236)	(9,985)
Profit from operations and before taxation	6	911	22,993
Income tax	7(a)	(130)	(3,977)
Profit attributable to equity shareholders of the Company	11	781	19,016
Dividends payable to equity shareholders of the Company attributable this year:	12		
Interim dividend declared during the year		–	19,000
Final dividend proposed after the balance sheet date		500	–
		500	19,000
Earnings per share	13		
– Basic and diluted		0.13 cents	3.40 cents

The notes on pages 29 to 55 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Plant and equipment	14	478	483
Current assets			
Trade and other receivables	16	714	642
Tax recoverable	18(a)	325	–
Cash and cash equivalents	17	30,221	29,149
		31,260	29,791
Current liabilities			
Accrued expenses		197	70
Dividend payable		–	14,000
Tax payable	18(a)	132	3,763
		329	17,833
Net current assets		30,931	11,958
NET ASSETS		31,409	12,441
Capital and reserves			
Share capital	19	6,400	10,000
Reserves		25,009	2,441
TOTAL EQUITY		31,409	12,441

Approved and authorised for issue by the board of directors on 18 March 2009.

Mr. Chung Ho Yan
Director

Mr. Miu Ka Keung, Kevin
Director

The notes on pages 29 to 55 form part of these financial statement.

BALANCE SHEET*As at 31 December 2008*

	<i>Note</i>	2008 HK\$'000
Non-current assets		
Investments in subsidiaries	<i>15</i>	100
Current assets		
Due from subsidiaries	<i>15</i>	600
Cash and cash equivalents	<i>17</i>	18,123
		18,723
TOTAL ASSETS AND NET ASSETS		18,823
Capital and reserves		
Share capital	<i>19(a)</i>	6,400
Reserves		12,423
TOTAL EQUITY		18,823

Approved and authorised for issue by the board of directors on 18 March 2009.

Mr. Chung Ho Yan
Director

Mr. Miu Ka Keung, Kevin
Director

The notes on pages 29 to 55 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	<i>Attributable to equity shareholders of the Company</i>					
	<i>Note</i>	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 January 2007		10,000	–	–	2,425	12,425
Changes in equity for 2007:						
Profit for the year		–	–	–	19,016	19,016
Dividend declared in respect of current year	<i>12</i>	–	–	–	(19,000)	(19,000)
Balance at 31 December 2007 and 1 January 2008		10,000	–	–	2,441	12,441
Changes in equity for 2008:						
Profit for the year		–	–	–	781	781
Arising from the						
Reorganisation	<i>19(b)(ii)</i>	(9,900)	–	9,900	–	–
Capitalisation issue	<i>19(b)(iii)</i>	5,500	(5,500)	–	–	–
Issuance of shares under the placing and public offer	<i>19(b)(iv)</i>	800	19,200	–	–	20,000
Share issuance expenses		–	(1,813)	–	–	(1,813)
Balance at 31 December 2008		6,400	11,887	9,900	3,222	31,409

The notes on pages 29 to 55 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

<i>Note</i>	2008 HK\$'000	2007 HK\$'000
Operating activities		
Profit before taxation	911	22,993
Adjustments for:		
Depreciation	47	56
Interest income	(43)	(297)
Operating profit before changes in working capital	915	22,752
Increase in trade and other receivables	(72)	(272)
Increase in accrued expenses	127	53
Cash generated from operations	970	22,533
Tax paid		
Hong Kong profits tax paid	(4,086)	(323)
Net cash (used in)/generated from operating activities	(3,116)	22,210
Investing activities		
Payment for purchase of plant and equipment	(42)	–
Interest received	43	297
Net cash generated from investing activities	1	297
Financing activities		
Proceeds from issuance of shares under placing and public offer	20,000	–
Payment of share issuance expenses	(1,813)	–
Dividend paid	(14,000)	(5,000)
Net cash generated from/(used in) financing activities	4,187	(5,000)
Net increase in cash and cash equivalents	1,072	17,507
Cash and cash equivalents at 1 January	29,149	11,642
Cash and cash equivalents at 31 December	30,221	29,149

The notes on pages 29 to 55 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY BACKGROUND AND BASIS OF PRESENTATION

(a) The Company and the reorganisation

Vinco Financial Group Limited (the “Company”) was incorporated in the Cayman Islands on 2 January 2008 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation (the “Reorganisation”) of the Company and its subsidiaries (collectively referred to as the “Group”) which was completed on 5 May 2008 to rationalise the structure of the Group in preparation for the public listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the subsidiaries now comprising the Group. The Company’s shares were listed on the GEM of the Stock Exchange on 20 May 2008.

(b) Basis of presentation

The Group is regarded as a continuing entity resulting from the Reorganisation since all of the entities which took part in the Reorganisation were controlled by the same group of ultimate equity holders before and after the Reorganisation and, consequently, there was a continuation of the risks and benefits to the controlling equity holders. The consolidated financial statements have been prepared on the basis of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combination” issued by the Hong Kong Institute of Certified Public Accountants as if the Group had always been in existence.

A business combination involving entities or businesses under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For business combinations involving entities under common control, merger accounting is adopted. In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative period disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

The net assets of the combining companies are consolidated using the existing book values from the controlling equity holders’ perspective.

NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY BACKGROUND AND BASIS OF PRESENTATION *(Continued)*

(b) Basis of presentation (Continued)

The results of the Group for the two years ended 31 December 2008 included results of the Company and its subsidiaries commencing 1 January 2007 or since their respective dates of incorporation, whichever is the shorter period as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheet as at 31 December 2007 is a combination of the balance sheets of the companies now comprising the Group at 31 December 2007. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the Company's directors, the consolidated financial statements prepared on this basis present fairly the results of operations and state of affairs of the Group as a whole.

As the Company was incorporated on 2 January 2008, no comparative figure is presented in respect of the Company's balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the applicable of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements (Continued)

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

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, investments in subsidiaries are stated at cost less any impairment losses (see note 2(f)), unless the investments are classified as held for sale.

(d) Plant and equipment

Plant and equipment are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses (see note 2(f)).

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

Furniture and fixtures	10 years
Office equipment	5 years
Leasehold improvements	Over the estimated lease term

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(f)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(f) Impairment of assets

(i) Impairment of trade and other receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- plant and equipment; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) Cash and cash equivalents

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

(h) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(i) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such deduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditionals are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liabilities simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Provisions and contingent liabilities

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

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

(k) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Income from provision of financial services

Income from provision of financial services is recognised at the time when the services are rendered by reference to the stage of completion.

(ii) Interest income

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

(l) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(n) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group operates in a single business segment, i.e. the provision of financial services in Hong Kong. Accordingly, no segment analysis is presented.

NOTES TO THE FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- HK(IFRIC) 11, *HKFRS 2 – Group and treasury share transactions*
- HK(IFRIC) 12, *Service concession arrangements*
- HK(IFRIC) 14, *HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*
- Amendment to HKAS 39, *Financial instruments: Recognition and measurement*, and HKFRS 7, *Financial instruments: Disclosures – Reclassification of financial assets*

These HKFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 26).

4. TURNOVER

The principal activity of the Group is the provision of financial services in Hong Kong. Turnover represents revenue from the provision of financial services for years ended 31 December 2008 and 2007.

5. OTHER REVENUE

	2008 HK\$'000	2007 HK\$'000
Total interest income on financial assets not at fair value through profit or loss:		
Bank interest income	43	297

NOTES TO THE FINANCIAL STATEMENTS

6. PROFIT FROM OPERATIONS AND BEFORE TAXATION

Profit from operations and before taxation is arrived at after charging:

	2008 HK\$'000	2007 HK\$'000
a) Staff costs:		
Contributions to defined contribution retirement plan	99	80
Salaries and other benefits	7,214	5,012
	7,313	5,092

	2008 HK\$'000	2007 HK\$'000
b) Other items:		
Auditors' remuneration – audit services	190	70
Depreciation	47	56
Operating lease charges in respect of premises	2,134	1,079

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 HK\$'000	2007 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	155	3,977
Over-provision in respect of prior years	(25)	–
	130	3,977

In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. This decrease is taken into account in the preparation of the Group's and the Company's 2008 financial statements. Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 December 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

NOTES TO THE FINANCIAL STATEMENTS

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax expense and accounting profit at the applicable tax rate:

	2008 HK\$'000	2007 HK\$'000
Profit before taxation	911	22,993
Notional tax on profit before taxation, calculated at the rate of 16.5% (2007: 17.5%)	150	4,024
Tax effect on non-deductible expenses	12	10
Tax effect on non-taxable income	(7)	(52)
Tax effect on unused tax losses not recognised	11	–
Over-provision in prior year	(25)	–
Others	(11)	(5)
Actual tax expense	130	3,977

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Year ended 31 December 2008

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
Mr. Chung Ho Yan	–	2,592	12	2,604
Mr. Miu Ka Keung, Kevin	–	687	9	696
Independent Non-executive Directors				
Mr. Yip Tai Him	22	–	–	22
Mr. William Wu	22	–	–	22
Mr. Lee Wing Lun	22	–	–	22
	66	3,279	21	3,366

NOTES TO THE FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2007

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
Mr. Chung Ho Yan	–	1,880	12	1,892
Mr. Miu Ka Keung, Kevin	–	1,165	8	1,173
Independent Non-executive Directors				
Mr. Yip Tai Him	–	–	–	–
Mr. William Wu	–	–	–	–
Mr. Lee Wing Lun	–	–	–	–
	–	3,045	20	3,065

During the years ended 31 December 2008 and 2007, no emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2008 and 2007.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2007: two) of them are directors whose emoluments are disclosed in note 8 above. The aggregate of the emoluments in respect of other three (2007: three) individuals are as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and other emoluments	2,641	1,170
Retirement scheme contributions	32	32
	2,673	1,202

NOTES TO THE FINANCIAL STATEMENTS

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the three (2007: three) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
HK\$Nil – HK\$1,000,000	2	3
HK\$1,000,000 – HK\$1,500,000	1	–

There was no amount paid during the years ended 31 December 2008 and 2007 to the five highest paid employees as inducement to join on upon joining the Group or as compensation for loss of office.

10. EMPLOYEE RETIREMENT BENEFIT

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the plan vest immediately.

11. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of approximately HK\$536,000 (2007: HK\$N/A) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

Dividends payable to the equity shareholders of the Company attributable to the year:

	2008 HK\$’000	2007 HK\$’000
Dividend declared during the year <i>(Note)</i>	–	19,000
Final dividend of HK 0.078 cents (2007: HK\$Nil) proposed after the balance sheet date	500	–
	500	19,000

NOTES TO THE FINANCIAL STATEMENTS

12. DIVIDENDS *(Continued)*

Note: Pursuant to the resolution passed at the board of directors' meeting of Grand Vinco Capital Limited ("Vinco Capital"), a wholly-owned subsidiary of the Company, on 31 December 2007, dividend of HK\$19,000,000 was declared to the then respective shareholders of Vinco Capital for the year ended 31 December 2007. An amount of HK\$5,000,000 in respect of such dividend was paid during the year ended 31 December 2007, and the remaining balance of HK\$14,000,000 was settled on 22 January 2008.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date and is subject to shareholders' approval in the forthcoming general meeting.

13. EARNINGS PER SHARE

a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately HK\$781,000 (2007: HK\$19,016,000) and the weighted average of 590,601,092 (2007: 560,000,000) ordinary shares in issue during the year, calculated as follows:

	2008 No. of shares	2007 No. of shares
Weighted average number of shares at 1 January	560,000,000	–
Issuance of shares upon the formation of the Company <i>(note 19(c)(i))</i>	–	100
Issuance of shares upon the Reorganisation <i>(note 19(c)(ii))</i>	–	9,999,900
Capitalisation issue <i>(note 19(c)(iii))</i>	–	550,000,000
Effect of issuance of shares for placing and public offering <i>(note 19 (c)(iv))</i>	30,601,092	–
Weighted average number of shares at 31 December	590,601,092	560,000,000

The weighted average number of shares in issue during the year ended 31 December 2007 represents the 560,000,000 shares in issue before the listing of the Company's shares on the Stock Exchange on 20 May 2008, as if such shares had been outstanding during the above entire year.

b) *Diluted earnings per share*

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2008 and 2007, and diluted earnings per share is the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

14. PLANT AND EQUIPMENT

The Group

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost				
At 1 January 2007	206	108	389	703
Additions	8	–	–	8
At 31 December 2007	214	108	389	711
At 1 January 2008	214	108	389	711
Additions	–	42	–	42
At 31 December 2008	214	150	389	753
Accumulated depreciation				
At 1 January 2007	64	75	33	172
Charge for the year	21	20	15	56
At 31 December 2007	85	95	48	228
At 1 January 2008	85	95	48	228
Charge for the year	21	10	16	47
At 31 December 2008	106	105	64	275
Net book value				
At 31 December 2008	108	45	325	478
At 31 December 2007	129	13	341	483

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENTS IN SUBSIDIARIES AND DUE FROM SUBSIDIARIES

	The Company 2008 HK\$'000
Investments in subsidiaries	
Unlisted shares, at cost	100
Amounts due from subsidiaries	600

- (a) The Amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayments.
- (b) Particulars of the subsidiaries at 31 December 2008 are as follows:

Name of company	Place of incorporation and operation	Particulars of issued and paid up share capital	Proportion of ownership interest		Principal activities
			Group's effective interest	Held by the Company	
Grand Vinco Capital Limited (“Vinco Capital”)	Hong Kong	10,000,000 ordinary shares of HK1 each	100%	100%	Provision of financial services
Vinco Financial Limited (formerly known as “Hundred Man Limited”)	Hong Kong	1 ordinary share of HK1 each	100%	100%	Provision of financial services

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES

	<i>The Group</i>	
	2008 HK\$'000	2007 HK\$'000
Trade debtors	72	–
Less: Allowance for doubtful debts	–	–
Loans and receivables	72	–
Rental and other deposits	642	642
	714	642

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered within one year.

(a) Ageing analysis

Included in trade and other receivables are trade debtors with the following ageing analysis as of the balance sheet date:

	<i>The Group</i>	
	2008 HK\$'000	2007 HK\$'000
Current	72	–

Trade debtors are due within 60 days from the date of billing. Further details on the Group's credit policy are set out in note 20(a)(i).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(f)(i)).

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	<i>The Group</i>	
	2008 HK\$'000	2007 HK\$'000
Neither past due nor impaired	72	—

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

17. CASH AND CASH EQUIVALENTS

	<i>The Group</i>		<i>The Company</i>
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000
Deposits with banks	4,166	4,143	—
Cash at bank and on hand	26,055	25,006	18,123
Cash and cash equivalents in the balance sheets and consolidated cash flow statement	30,221	29,149	18,123

NOTES TO THE FINANCIAL STATEMENTS

18. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	<i>The Group</i>	
	2008 HK\$'000	2007 HK\$'000
Provision for Hong Kong Profits Tax for the year	155	3,977
Provisional Profits Tax paid	(348)	(214)
Tax (recoverable)/payable	(193)	3,763

	<i>The Group</i>	
	2008 HK\$'000	2007 HK\$'000
Income tax recoverable recognised in the consolidated balance sheet	(325)	–
Income tax payable recognised in the consolidated balance sheet	132	3,763
Tax (recoverable)/payable	(193)	3,763

(b) *Deferred tax assets and liabilities not recognised*

There were no significant unrecognised deferred tax assets and liabilities as at 31 December 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

19. CAPITAL AND RESERVES

- (a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	<i>Note</i>	Share capital HK\$'000	Share premium HK\$'000	Retained profit HK\$'000	Total equity HK\$'000
At 2 January 2008 (date of incorporation)		–	–	–	–
Issuance of shares pursuant to the Reorganisation	<i>19(b)(ii)</i>	100	–	–	100
Capitalisation issue	<i>19(b)(iii)</i>	5,500	(5,500)	–	–
Issuance of shares under the placing and public offer	<i>19(b)(iv)</i>	800	19,200	–	20,000
Share issuance expenses		–	(1,813)	–	(1,813)
Profit for the year		–	–	536	536
At 31 December 2008		6,400	11,887	536	18,823

(b) *Share capital*

	<i>Note</i>	Number of shares	HK\$'000
Authorised:			
Ordinary share of HK\$0.01 each	<i>19(b)(i)</i>	200,000,000,000	2,000,000
Ordinary shares, issued and fully paid:			
Issuance of shares upon formation of the Company	<i>19(b)(i)</i>	100	–
Issuance of shares upon the Reorganisation	<i>19(b)(ii)</i>	9,999,900	100
Capitalisation issue	<i>19(b)(iii)</i>	550,000,000	5,500
Issuance of shares for the placing and public offering	<i>19(b)(iv)</i>	80,000,000	800
At 31 December 2008		640,000,000	6,400

NOTES TO THE FINANCIAL STATEMENTS

19. CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

- (i) Issuance of shares upon the formation of the Company

The Company was incorporated on 2 January 2008 with an authorised share capital of HK\$2,000,000,000 divided into 200,000,000,000 ordinary shares of HK\$0.01 each.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On the formation of the Company, 100 nil paid ordinary shares were issued.

- (ii) Issuance of shares upon the Reorganisation

As part of Reorganisation and as consideration for the acquisition of the entire share capital of Grand Vinco Capital Limited ("Vinco Capital"), the Company issued and allotted a total of 9,999,900 ordinary shares of HK\$0.01 each, credited as fully paid, to Grand Vinco's shareholders on 19 May 2008.

- (iii) Capitalisation issue

On 22 April 2008, an amount of HK\$5,500,000 standing to the credit of the share premium account of the Company was applied in paying up in full 550,000,000 ordinary shares of HK\$0.01 each which were allotted and distributed as fully paid to the holders of shares whose names appeared on the register of members of the Company at the close of business on 22 April 2008.

- (iv) Issuance of shares under placing and public offering

On 19 May 2008, an aggregate of 80,000,000 ordinary shares of HK\$0.01 each were issued and offered for subscription at a price of HK\$0.25 per share upon the listing of the Company's shares on the GEM of the Stock Exchange. The amount of proceeds of HK\$800,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$19,200,000, before the share issuance expenses, were credited to the share premium account.

- (v) Share capital as at 31 December 2007

Share capital of the Group as at 31 December 2007 represented the amount of the paid-up capital of Vinco Capital.

NOTES TO THE FINANCIAL STATEMENTS

19. CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares used by the Company in exchange thereafter. This reserve is distributable.

(d) Distributability of reserves

As at 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK\$12,423,000 (2007: N/A). After the balance sheet date, the directors proposed a final dividend of HK0.08 cents per ordinary share (2007: N/A), amounting to HK\$500,000 (2007: N/A) (note 12). This dividend has not been recognised as a liability at the balance sheet date.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) cash and cash equivalents and (ii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's overall strategy remains unchanged throughout the year.

Vinco Capital, a wholly-owned subsidiary of the Company, provides financial services to its customers and is subject to capital requirements imposed by the Securities and Futures Commission ("SFC"). During the years ended 31 December 2008 and 2007, Vinco Capital complied with the capital requirements imposed by SFC.

Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

(a) *Financial risk factors*

Exposure to credit and liquidity risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's credit risk is primarily attributable to trade receivables and cash at banks. Management has a credit policy in place and the exposures to credit risk is monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally the Group does not obtain collateral from customers.

In respect of cash at banks, the Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The total contractual undiscounted cash flows of the Group's and the Company's non-derivative financial liabilities are not materially different from their carrying amounts as their maturities were within one year.

(b) *Fair values*

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

21. OPERATING LEASE COMMITMENTS

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases in respect of the office premises are payable as follows:

	<i>The Group</i>	
	2008 HK\$'000	2007 HK\$'000
Within 1 year	1,778	2,134
After 1 year but within 5 years	–	1,778
	1,778	3,912

The leases typically run for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

22. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year.

Remuneration for key management personnel and other related party

All members of key management personnel are directors of the Company, and the remuneration for them is disclosed in note 8.

The Group paid salaries and allowances of approximately HK\$1,342,000 (2007: HK\$31,000) and contributions to retirement benefits scheme of approximately HK\$13,000 (2007: HK\$Nil) to a close family member of a director of the Company during the year ended 31 December 2008.

The Directors confirmed that the above related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms.

23. NON-ADJUSTING POST BALANCE SHEET EVENTS

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 12.

24. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At the date of this report, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be Vinco Asia Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

NOTES TO THE FINANCIAL STATEMENTS

25. ACCOUNTING JUDGMENTS AND ESTIMATES

The method, estimates and judgments the management use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgments, on matters that are inherently uncertain. Certain critical accounting judgments in applying the Group's accounting policies are described below.

(a) Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The management reviews periodically the useful life of an asset and its residual value. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Impairments

If circumstances indicate that the carrying value of plant and equipment may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount is reduced to recoverable amount. The recoverable amount of plant and equipment is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's asset are not available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgments relating to level of sale volume, selling price and amount of operating costs. The management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgment is exercised by the management when assessing the credit worthiness and past collection history of each individual customer.

Any increase or decrease in the impairment losses would have an impact on the net profit in future years.

NOTES TO THE FINANCIAL STATEMENTS

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's or the Company's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HKFRS 8, <i>Operating segments</i>	1 January 2009
HKAS 1 (revised 2007), <i>Presentation of financial statements</i>	1 January 2009

FINANCIAL SUMMARY

Annual results for the three years ended 31 December 2008

	<i>For the year ended 31 December</i>		
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Turnover	9,357	32,681	14,104
Net profit attributable to the equity holders of the Company	1,262	19,016	781
	<i>As at 31 December</i>		
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Total assets	13,071	30,274	31,738
Total liabilities	646	17,833	329
Total equities	12,425	12,441	31,409