Annual Report 2008

Universal Technologies

TECHNOLOGIES UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8091

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

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

Contents

Highlights of the year

- Turnover for the year ended 31 December 2008 amounted to approximately HK$75.15 million (2007: HK$72.27 million), representing an increase of approximately 4% over the last fiscal year.

- At 31 December 2008, the Group had net current assets of approximately HK$57.38 million (2007: HK$78.30 million), including cash and bank balances of approximately HK$63.23 million (2007: HK$97.18 million).

- At 31 December 2008, the Group had total assets of approximately HK$287.24 million (2007: HK$227.40 million).

- Net profit attributable to shareholders of the Company for the year ended 31 December 2008 was HK$22.43 million (2007: HK$12.65 million), representing an increase of approximately 77% over the last fiscal year. The main reason for the increase in net profit was attributable to the significant increase in turnover of payment business.

- Basic and diluted earning per share for the year ended 31 December 2008 amounted to approximately HK$1.52 cents and HK$1.52 cents respectively (2007: HK$1.11 cents and HK$1.09 cents).

- The board of directors does not recommend payment of any dividend for the year ended 31 December 2008 (2007: Nil).

Corporate Information

BOARD OF DIRECTORS

Executive Directors:
Lau Yeung Sang *(Chairman)*
Lau Sik Suen
Liu Ruisheng
Luan Yumin

Non-Executive Director:
Chow Cheuk Lap

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

COMPANY SECRETARY

Tang Chi Wai

COMPLIANCE OFFICER

Lau Sik Suen

QUALIFIED ACCOUNTANT

Tang Chi Wai

AUDIT COMMITTEE

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

AUTHORISED REPRESENTATIVES

Lau Sik Suen
Tang Chi Wai

AUDITORS

PKF
Certified Public Accountants

WEBSITE

www.uth.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

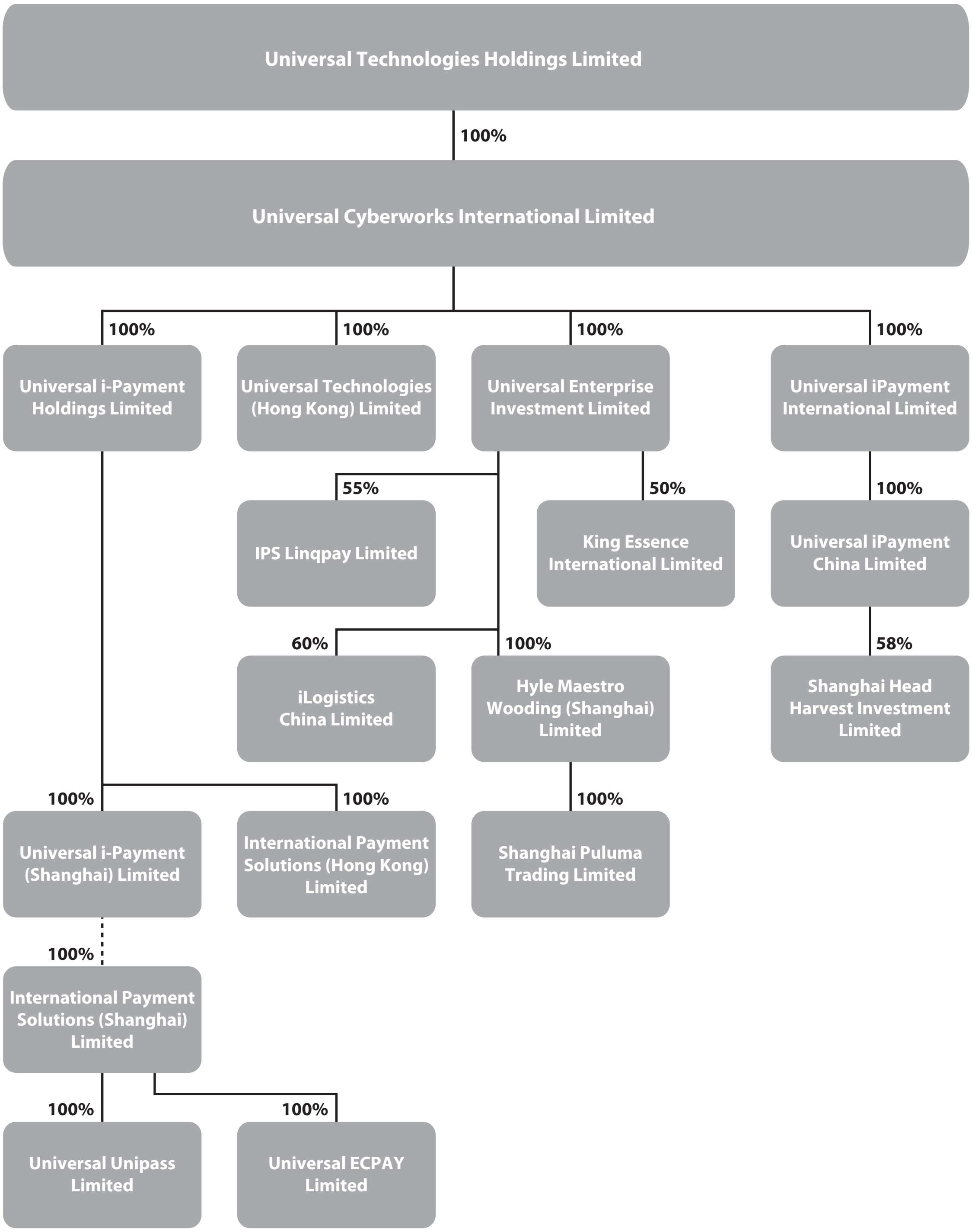
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
46/F, Hopewell Centre,
183, Queen's Road East, Wan Chai,
Hong Kong

PRINCIPAL BANKER

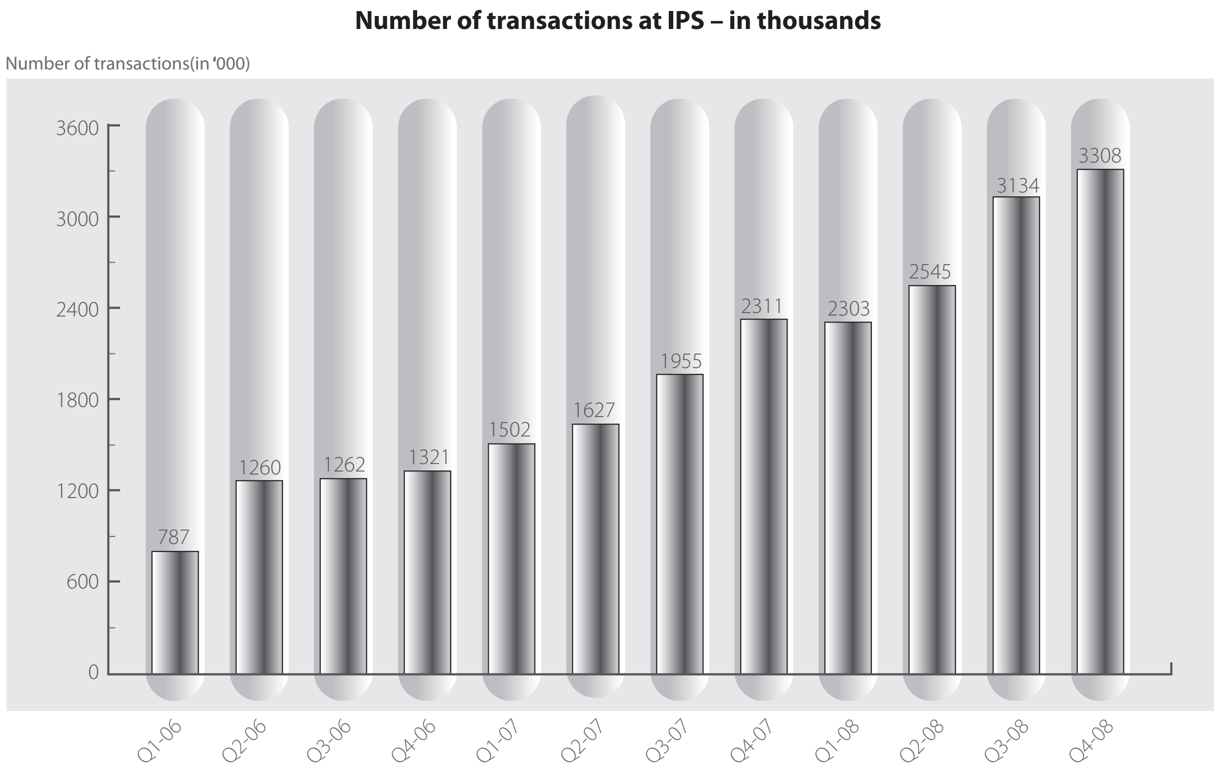
Standard Chartered Bank

Corporate Structure



Transaction Performance

Quarterly Transaction Performance for the past 3 years (2006 to 2008)



Main Project

Picture of headquarters building

Map of headquarters building

Total Construction Area		7974 m^2
Over Ground Construction Area		6193 m^2
Under Ground Construction Area		1781 m^2
Floor-area Ratio		2.50
Construction Coverage Ratio		40%
Greenbelt Ratio		23.4%
Centralized Greenbelt Ratio		16%
Construction Height		24 m
Motor Vehicle Parking Space	Over ground	3
	Under ground	44

Economic indicators of headquarters building

Chairman's Statement

On behalf of the Board of Directors, I have pleasure in presenting the annual report of the Company and its subsidiaries for the year ended 31 December 2008.

REVIEW

In 2008 Fiscal year, the outbreak of the international financial turmoil has led the risk of a global recession, sharpened the global financial crisis, tightened credit loans and caused the slump of the stock market, which in turn strike the public confidence to the lowest level. A spiral effect arouse gradually that further deepen the recession of the entire economic mechanism. Rumors of bankruptcy in the emerging market have also been widely stressed.

The business performances in terms of revenues, net profit and other financial indicators have declined dramatically for most of the enterprises when compare with last fiscal year. This further drove to the tightness of liquidity and led the risk of bankruptcy.

Thus, I found myself of a great complexity with our Group's annual report. It is full of expectations from our distinctive shareholders and partnerships; it is the harvest and craftsmanship of our hard work and our preserved values and perspectives. It demonstrates our ongoing innovation, intelligence and creativity throughout the toughness. We continued to maintain high-speed development and harvested our fruitful results in the event of a challenging and fast-changing business environment. Our various financial indicators shown have revealed our outstanding performance surpassing the overall market performance.

Our outstanding performance in 2008 has been fully reflecting our prompt responsiveness to the ever changing market with flexibility and adaptability.

This year, the Group's total revenue, total assets, net profit, net assets and other financial indicators reached new heights. These inspired results should be attributed to the Group's positioning strategy in responding to the constant changing business environment associated with effective policies and measures. At the beginning of Fiscal year, our Group has started with marketing intelligence analysis to the conclusion of unflavored future economic trend, and came to the decision of land acquisition for the establishment of the Shanghai headquarters building with shares issuance for fund raising. This strategy greatly contributed to the strong growth of our Group's total assets. In the mean time, it is also a token of a new monument to the Group's overall identification enhancement as well as the new business pursuits in our future development. In the first quarter of this Fiscal year, our Group's timber business was directly impacted by the burst of bubbled economy since our targeted customers were in high and luxury consumption Group. In response to the change of business environment, our Group has adjusted our strategies by diversifying product portfolios and assuring quality service delivery, introducing more valued-added products and services to minimize the risk of weak consumption. Most of the enterprises in the same industry have recorded the huge loss while our timber business still remained at breakeven. Meanwhile, our extensive experience in timber business has also increased our alertness to the payment business reinforcing with extensive marketing promotion and product and services diversification, such as valued-added card payment system, game and education business. All of our market responsiveness has entirely been reflected in our fourth quarter's performance. In spite of the reduction of

Chairman's Statement

transaction volumes on electronic ticketing industry due to the global economy downturn, the numbers of our new accounts have been increased significantly, which provide a great support to our business performance.

Our outstanding business performance in 2008 also reflects our creativity and intelligence.

Our strong financial indicators are associated with our abundant creativity and innovations. These factors are significant to our business this year and are key to the success and future development of our Group. In relation to our payment business, we have introduced an array of innovative payment products including C.A.T. system, Non-3D payment system for international credit card, B2B payment system, Fund Distribution system and so on. These new products contribute to the rapid growth in our payment business. In relation to timber business, we have achieved intense cooperation with our business partner in Indonesia with more than hundreds product portfolio in the form of sheets, components and finished goods. This further enhance our competitive edge over the control of resources business, leading to a remarkable market shares and profitable returns. Our spectacular headquarters building has also integrated with different innovative elements highlighting new experience and technology, extraordinary architectural engineering and design to achieve our new monument.

Our outstanding business performance in 2008 also reveals our strategic planning.

Our Group is always in alignment with diversification and professionalism. This strategic methodology has been accomplished through numerous acquisitions and investment decisions are testament to the tremendous business performance in 2008. Our Group strongly believes in the human asset with new inspirations and creativity which generate new ideas and energy to the continuous growth of the company. Our Group, in the mean time, upholds the globalization strategy; it becomes one of the major income sources to the entire financial composition. Our Group also successfully completed the acquisition of remittance service to pave the road for global business expansion. Our Group's well-established capital structure and sound liquidity will continue to facilitate its financing activities and enhance its financial flexibility to any business potentials swiftly in order to maximize shareholder value.

We strive to the excellence with the persistent innovations and stability in a constant changing business environment.

PERSPECTIVE

The recession of global economy is expected to sustain for a certain period of time. More and more business will get suffered with greater recession. The outcome is always unpredictable with so many uncertainties and volatilities. However, our Group is always ready for any challenges arising from any uncertainties. The year of 2009 is absolutely a challenging year to our Group, allowing us to equip better for capturing any opportunities in a bounce of our economy with superior edge.

Chairman's Statement

There are so many plans to be taken place in the future. Firstly, our core value is originated from the quality of our people that we hire. We are energized and committed to doing and being our best with our human assets. We will continue to recruit more talented people with full skills utilization to expand our Group's development opportunities and enhance operation efficiency. Secondly, we are given more rooms to facilitate effective training for our people to capture any market opportunities with the sound capital structure. More strategic cooperations and interactions with banks and capital markets are encouraged to reinforce the strong financial capability for our development strategy in order to seize suitable business opportunities quickly. The consideration of taking acquisition and strategic partnership with prudent monitoring and selection throughout the process is to achieve our progressive business expansion and growth in the future. We believe in a set of our traditional values and perspectives must nurture our strong team spirit and toughness in the event of any uncertainties and adversities.

Our unparalleled business performance over the past few years has been a testament to the great success in the market. We are gearing up for the fast-changing environment and aiming at sharpening our international competitive edge with stronger control of market variables, alertness and responsiveness for any opportunities capturing. The greater success is always ahead with our determination and strength.

APPRECIATION

With the trust of our shareholders, our people's hard working, colliding and sparking, this report is the masterpiece of our hard work.

On behalf of the Board, I would like to take this opportunity to express my sincere thankfulness to the shareholders, customers, strategic partners and our colleagues to the success of our Group and their dedication.

Lau Yeung Sang
Chairman

Hong Kong, 23 March 2009

Management Discussion and Analysis

FINANCIAL OVERVIEW

During the current fiscal year, the Group recorded a turnover of approximately HK$75,151,000, representing an increase of approximately 4% as compared to the last fiscal year. The profit attributable to shareholders of HK$22,426,000 in the current year, representing an increase of approximately 77% as compared to the last fiscal year. The slightly increase in turnover is mainly due to the fact that the growth of the Group's payment business is offset by performance of other business, which is affected by economic downturn. The significant increase in net profit is benefited from the growth of payment business. The booming payment business is attributable to the Group's continuous exploration of market demand after acquisition several years ago, and our staff's hard working, flexibility, creativity, and strategic persistency.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2008, the Group had net current assets of approximately HK$57,375,000. Current assets comprised inventories of approximately HK$20,634,000, debtors of approximately HK$7,790,000, trade deposits of approximately HK$4,661,000, other deposits, prepayments and other receivables of approximately HK$15,093,000, amounts due from related companies of approximately HK$13,000, financial assets at fair value through profit or loss of approximately HK$682,000, prepaid land lease premium of approximately HK$1,554,000, tax recoverable of approximately HK$4,000, pledged time deposits of approximately HK$800,000 and cash and bank balances of approximately HK$63,228,000. Current liabilities comprised unsecured bank overdrafts, of approximately HK$3,000, bank loans of approximately HK$9,095,000, trade payable of approximately HK$1,000, payable to merchants of approximately HK$36,456,000, deposits received, sundry creditors and accruals of approximately HK$11,482,000, amount due to a director of approximately HK$42,000 and amount due to an associate of approximately HK$5,000.

On 13 February 2008, the Company has issued a total of 217,000,000 new shares as partial consideration of HK$69,440,000 for the acquisition of the entire issued share capital of Universal iPayment International Limited. Through acquisition of Universal iPayment International Limited and its subsidiary, Universal iPayment China Limited, the Group obtained a land located in Shanghai. The land is the principal asset of Universal iPayment China Limited. The Group intended to establish the land as its headquarters. The construction cost of the headquarters will be mainly financed by banking borrowings.

The gearing ratio (defined as a percentage of total liabilities over total assets) of the Group at 31 December 2008 was 20% (2007: 39%).

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

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

REVIEW

Despite the global economy teetering on the abyss of severe recession, our Group was able to achieve tremendous business performances, particularly in the businesses of payment services, timber resources and property management, by our well-defined objectives and flexible strategies.

The outstanding performance of our payment business is driven by a number of factors. Firstly, various indicators, including transaction volumes, number of new merchant accounts and new memberships, income and net profit, showed that our payment business continued to grow at a rapid rate. Secondly, we have developed and introduced a range of innovative high quality products and services, such as C.A.T. system, Fund Distribution system, Value-added payment system, Non-3D payment system for international credit card, B2B payment system and direct banking system, to enrich our product diversity in meeting different needs of the corporations in the market. Thirdly, the extensive marketing initiatives further enhanced the brand awareness and exposure. Fourthly, our customer loyalty was enhanced. We strengthened our interaction with customers by providing them with most-updated information via prompt message and email system. Fifthly, apart from establishing strategic partnership with different banks to provide robust payment system, we received extensive recognition and application of our credit card payment system specially designed for small-to-medium sized banks. Sixthly, our progressive global expansion with foreign banks, foreign payment providers and foreign merchants produced exceptionally strong results to our profitability. Seventhly, the development of new projects such as the acquisition of a company providing remittance services laid solid foundation for the establishment of the cross-border remittance business. Meanwhile, we will continue researching on other payment business related projects in order to get valuable and intelligent information for future project selection and development. Eighthly, we are committed to provide excellent services. Through the construction of voice mail and authorized chatting room, as well as a set of risk control measures, we enhanced one-stop shop solutions and earned the loyalty of our customers. Ninthly, our payment system became PCI compliant this year. This symbolized that the technology and logistics management of our payment system, bolstered by our largest and most reliable network, had reached the international security standard. Finally, we treasure high-skilled and hard-working people and spare much effort in training up our people, especially those working for product development. This greatly shortened our time spent on product identification, R&D and bringing the product to market.

With the nature that most of our customers of the timber business belong to the high and luxury consumption group, the sales dropped mildly owing to the global financial turmoil. However, with our flexibility and responsiveness to the market change, we obtained a competitive edge over bargaining power from our supplier to lower the cost and received the right of fixing price by establishing a strategic partnership in Indonesia. In addition, we broadened the product distribution areas by initiating new business model for manufacturing in Indonesia and increasing product portfolio combination with the identification of different features of rosewood. In spite of the huge losses recorded by most of the peers in the industry, our Group's timber business still remained in a breakeven situation under the vulnerable global downturn economy.

Management Discussion and Analysis

Our Group has also successfully completed the land acquisition in the center of Shanghai city and the assessment assignments prior to the construction performed by the government have all been finished. The site will be the new monument of our Group's headquarters, which can provide our staff with more pleasant and spacious working environment and effectively raise our entire corporate image. Moreover, our Group will earn stable rental income from the headquarters after its completion. Our uniqueness will be strongly highlighted as a token of new page in our architectural engineering, design, innovation and new functions and experiences. Meanwhile, our new headquarters provides new opportunities for our property management project as a blueprint.

We always embrace business pursuits with more opportunities that can diversify our portfolio horizontally and vertically. We will continue to adhere to the in-depth development and horizontal integration in different business sectors.

Through raising the overall working standard in the areas of finance, human resources and administration, as well as spreading the traditional cultural values and perspectives, we strive to excel beyond our expectation and continue to cultivate a corporate culture with world-class service standard.

PROSPECTIVE

With the consideration and evaluation of current global economic market situation, we have established our vision to pursuit our steady development and wait for opportune moment to breakthroughs.

The preservation of our corporate cultural heritage nurtures a progressive team spirit with world-class services to achieve our long term strategies. We will retain our recruitment activities for more talented people to join our team and develop their potentials to accomplish our missions and commitment.

In relation to our payment business, we attempt to capture any opportunities arising from external uncertainties together with our steady growth strategy to maximize our values. Business expansion by increasing our market share will be our top priority. At the same time, we will focus on increasing usage of our account users through reinforcing the integrated measures such as enhanced application. Secondly, with the aim of product diversification, we will continue our quality improvement with our clients' feedback and develop extensive and sophisticated product portfolio with innovation to meet the diversified needs included but not limited to the seamless online and offline electronic payment methods. The devotion of more efforts and resources in marketing promotions and quality service assurance are highly committed to retain customer loyalty and generate more new accounts. Remittance project is expected to have a rapid growth in light of the integration of global economy.

In relation to timber business, we will further sharpen our competitive edge over the cost control in procurement with our vendors. In the mean time, we will expand our sales points through distributors and retail outlets.

Our spectacular headquarters building will soon be one of the remarkable buildings in the heart of Shanghai city. This also provides the possibilities in exploring more new business opportunities.

Management Discussion and Analysis

Identifying business opportunities with thorough marketing intelligent analysis enables us to grab any market opportunities. We do not rule out any possibilities of capital acquisition or merging with any strategic partnerships for our payment business, timber business, property construction and other business aspects to enhance our Group with stability and energy.

EMPLOYEES

At 31 December 2008, the total number of employees of the Group was 220 (2007: 150). The dedication and contribution of the Group's staff during the year are greatly appreciated and recognized.

Employees (including directors) are remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance. In addition, the Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the pension scheme in PRC.

TREASURY POLICIES

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 13 February 2008, the Group acquired the entire issued share capital of Universal iPayment International Limited ("UII"), an investment holding company incorporated in Hong Kong. UII held the entire 100% interest of Universal iPayment China Limited ("UIC") which was an investment holding company and incorporated in the PRC. The principal asset of UIC was a piece of land located at 1178 Tian Yao Qiao Road, Long Hua Street, Xu Hui District, Shanghai ("the Land"). The Group intended to establish the Land as its headquarters in Shanghai for business development. The consideration for the acquisition amounted to HK$72,500,000 and was satisfied as to HK$3,060,000 in cash financed by the Group's internal resources and as to the remaining balance of HK$69,440,000 by the issuance of 217 million consideration shares at the issue price of HK$0.32 per consideration share. The acquired business contributed revenues of approximately HK$4,000 and net loss of approximately HK$1,941,000 to the Group for the period from 13 February 2008 to 31 December 2008.

On 24 July 2008, the Group acquired the entire 100% equity interest in Universal Unipass Limited ("Unipass"), a company incorporated in the PRC and not yet commenced business. The consideration for the acquisition amounted to RMB1,000,000. The acquired business did not contribute any revenue but net loss of approximately HK$200 to the Group for the period from 24 July 2008 to 31 December 2008.

Management Discussion and Analysis

The Group originally held 20% equity interest in Universal ECPAY Limited ("ECPAY"). On 12 December 2008, the Group further acquired 80% equity interest in ECAPY which was engaged in provision of internet based remittance services and incorporated in the PRC. The consideration for the acquisition amounted to RMB33,610,000. The acquired business contributed revenues of approximately HK$1,000 and net profit of approximately HK$100 to the Group for the period from 12 December 2008 to 31 December 2008.

On 25 December, 2008, the Group acquired the entire 100% equity interest in Shanghai Puluma Trading Limited ("PLM") which was engaged in trading of timber and incorporated in the PRC. The consideration for the acquisition amounted to RMB2,800,000. The acquired business did not contribute any revenue but net loss of approximately HK$2,000 to the Group for the period from 25 December 2008 to 31 December 2008.

Details of the assets and liabilities arising from the above acquisitions are set out in note 32 to the financial statements.

CHARGES ON GROUP'S ASSETS

At 31 December 2008, time deposit of HK$800,000 was pledged as collateral for a service contract with a customer of a subsidiary of the Group. At 31 December 2007, time deposit of HK$2,000,000 was pledged to a bank to secure the general banking facilities granted to a subsidiary of the Group.

At 31 December 2008, the property held under medium-term lease with a net book value of HK$1,859,000 (2007: Nil) and the prepaid land lease premium with a net book value of HK$3,970,000 (2007: Nil) were pledged to a bank to secure general banking facilities granted to a subsidiary of the Group.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group acquired a land located in Shanghai during the year. The Group intended to develop the land into headquarters building with 6-storey over ground and 1-storey under ground. The Group will initially occupy half of the building and lease the rest to third parties. The estimated capital expenditure to be incurred for the land development is around HK$50 million, which will be mainly financed by bank borrowings. Financing through internal resources or external equity may also be considered.

CURRENCY RISK

Currently, the market anticipates moderate appreciation pressure on Renminbi. The Group has not implemented any formal policy in dealing with this foreign exchange risk. However, in view of the fact that the Group's core business is mainly transacted in Renminbi and significant portion of assets are denominated in Renminbi, the exposure of the Group's risk from exchange rate fluctuation was minimal. For the year ended 31 December 2008, the Group did not enter into any arrangement to hedge its foreign exchange exposure.

CONTINGENT LIABILITIES

The Directors consider that the Group had no contingent liabilities at 31 December 2008.

Directors, Senior Management and Consultants

DIRECTORS

Executive Directors

Mr. Lau Yeung Sang

Mr. Lau, aged 62, is one of the founders, the Chairman of the Board and an executive director of the Group. Mr. Lau is responsible for the overall strategic planning and coordination of all the directors and key management of the Group. He has over 30 years experience in the business operation in the PRC. Mr. Lau is the father of Mr. Lau Sik Suen, an executive director of the Company. Mr. Lau is also the brother of Mr. Liu Ruisheng, an executive director of the Company.

Mr. Lau Sik Suen

Mr. Lau, aged 38, is one of the founders, an executive director, compliance officer and authorized representative of the Group. Mr. Lau is responsible for the overall business development of the Group. Before founding the Group, Mr. Lau worked for a conglomerate company in Hong Kong and was responsible for business development in the PRC. Mr. Lau has substantial experience and knowledge of the internet industry and of investment in technology companies in the PRC. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and EMBA from China Europe International Business School. Mr. Lau is the son of Mr. Lau Yeung Sang, the Chairman of the Board and an executive director of the Company. Mr. Lau is also the nephew of Mr. Liu Ruisheng, an executive director of the Company.

Mr. Liu Ruisheng

Mr. Liu, aged 64, is an executive director of the Group. Mr. Liu is mainly responsible for the overall strategic planning of the Group. Mr. Liu is a businessman in the PRC, with years of solid experiences gained from e-commerce related companies in the PRC. Mr. Liu is the brother of Mr. Lau Yeung Sang, the Chairman of the Board and an executive director of the Company. Mr. Liu is also the uncle of Mr. Lau Sik Suen, an executive director of the Company. Mr. Liu joined the Group in March 2004.

Madam Luan Yumin

Madam Luan, aged 32, holds a Bachelor Degree of Human Resource from Nanjing University of Science and Technology. Before joining the Group, Madam Luan was the human resources supervisor in AMD. She has assumed the office of human resources manager, business executive and senior management since she joined the Group in 2001. With a profound understanding of the market and business pattern of payment industry and experience, Madam Luan does a great job in expanding business while handling the risks well under control.

Directors, Senior Management and Consultants

Non-executive Director

Mr. Chow Cheuk Lap

Mr. Chow, aged 57, is a Solicitor in Hong Kong. He graduated from University of London with a Bachelor of Economics. Mr. Chow has more than 20 years experience in civil litigation and commercial matters. He is currently a partner of Messrs. C.L. Chow & Macksion Chan, Solicitors.

Independent non-executive Directors:

Mr. Meng Lihui

Mr. Meng, aged 46, is currently a General Manager of a company jointly established by several professors of Shanghai Fudan University, the PRC. The principal activity of the company is provision of consultancy services on ecological environment protection to both private companies and local government authorities in various cities in the PRC. Mr. Meng graduated from Shanghai Fudan University with a bachelor degree of Economics.

Mr. Wan Xieqiu

Mr. Wan, aged 53, is currently a professor and the Dean of School of Finance in Suzhou University. Mr. Wan also acts as a committee member of the Economic Committee, the Financial Committee and the Taxation Committee respectively of Jiangsu Province in the PRC.

Mr. Fong Heung Sang

Mr. Fong, aged 49, is a certified public accountant in the United States of America. He has extensive experience in corporate finance, accounting and auditing. Mr. Fong worked for international accounting firms and a number of public listed companies for more than 20 years. From December 2006 to January 2009, Mr. Fong served as an Executive Vice President of Corporate Development of Fuqi International, Inc. (whose shares are listed on Nasdaq). Mr. Fong is now the Chief Financial Officer and a director of Apollo Solar Energy, Inc. (whose shares are quoted on the OTC Bulletin Board in the United States of America). He is an independent director and chairman of audit committee of Zhejiang Kandi Vehicles Co., Ltd. (whose shares are listed on Nasdaq) and Diguang International Development Company Limited (whose shares are quoted on the OTC Bulletin Board in the United States of America). He is also an independent director and audit committee member of Zhaoheng Hydropower Company Limited (whose shares are quoted on the OTC Bulletin Board in the United States of America). Mr. Fong holds a master degree in Business Administration and a master degree in Accountancy.

Directors, Senior Management and Consultants

QUALIFIED ACCOUNTANT

Mr. Tang Chi Wai

Mr. Tang, aged 35, is the qualified accountant, the company secretary and one of the authorized representatives. Mr. Tang joined the Group as Financial Controller in June 2008. Mr. Tang is a member of the Hong Kong Institute of Certificate Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. Mr. Tang has over 10 years experience in auditing, accounting and financial management.

CONSULTANTS

Mr. Zhang Wei Dong

Mr. Zhang, aged 45, is the Investment Consultant of the Group. He holds an MA from Renmin University and a Diploma of PMD from Harvard Business School. He has about 10 years of investment banking experience, and served as the managing director and the head of corporate finance & China sales at ICEA and Alpha Alliance Finance respectively. He has worked in the foreign branches and the headquarters of ICBC for over 10 years and has served as the deputy division chief and division chief. He has taken charge of listing H-Share and Red Chip enterprises on HKSE, e.g. TravelSky Technology Ltd., Xin' Ao Gas Holdings Ltd., Hi Sun Technology Ltd., etc. He serves as the deputy CEO in OP Financial Investments Ltd, assisting CEO in private equity investment and operation management. Mr. Zhang was invited to be the Group's Investment Consultant in March 2005.

Directors' Report

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the subsidiaries are set out in note 16 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at 31 December 2008 are set out in the financial statements on pages 33 to 97.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2008.

FINANCIAL SUMMARY

The summary of the consolidated results of the Group for the year ended 31 March 2005 and the period ended 31 December 2005 and each of the three years ended 31 December 2008 and the assets and liabilities of the Group at 31 March 2005 and 31 December 2005, 2006, 2007 and 2008 are set out on page 98.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PREMIUM

The Group purchased property, plant and equipment amounting to approximately HK$5,908,000 during the year. Details of movements in property, plant and equipment and prepaid land lease premium during the year are set out in notes 13 and 14 to the financial statements respectively.

SHARE CAPITAL

Details of movements in share capital of the Group and the Company during the year are set out in note 29 to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Lau Sik Suen
Mr. Liu Ruisheng
Madam Luan Yumin
Mr. Lau Yeung Sang *(appointed on 27 June 2008)*

Non-executive director:

Mr. Chow Cheuk Lap *(appointed on 3 March 2008)*

Independent non-executive directors:

Mr. Meng Lihui
Mr. Wan Xieqiu
Mr. Fong Heung Sang

The executive director, Mr. Lau Yeung Sang, was appointed for an initial term of two years commencing from 27 June 2008 and will continue thereafter subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with article 87 of the Company's Articles of Association.

The non-executive director, Mr. Chow Cheuk Lap, was appointed for an initial term of one year commencing from 3 March 2008 and will continue thereafter on an annual basis until terminated by not less than two months' notice in writing served by either party on the other.

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

In accordance with article 86 of the Company's Articles of Association, Mr. Lau Yeung Sang shall retire, and being eligible, offer himself for re-election at the forthcoming annual general meeting.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

In accordance with article 87 of the Company's Articles of Association, Mr. Lau Sik Suen and Madam Luan Yumin for the time being shall retire from office by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

CONNECTED TRANSACTIONS

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

SHARE OPTIONS

Pursuant to the written resolutions passed by all the shareholders of the Company on 12 October 2001, the Company adopted the following share option schemes:–

(A) Share Option Scheme

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

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

Directors' Report

SHARE OPTIONS *(Continued)*

(A) Share Option Scheme *(Continued)*

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

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

					Number of share options				
Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2008
Initial management, shareholders and employees	7 February 2002	Fully vested on 7 February 2002	7 February 2002 to 6 February 2012	HK$1.300	350,000	–	–	–	350,000
Senior management and staff of the Group	9 April 2002	Fully vested on 9 April 2002	9 April 2002 to 8 April 2012	HK$1.400	70,000	–	–	–	70,000
Director, senior management and staff of the Group	21 May 2007	Fully vested on 21 May 2007	21 May 2007 to 20 May 2009	HK$0.228	25,410,000	–	–	(120,000)	25,290,000
Director, senior management and staff of the Group	22 February 2008	Fully vested on 22 February 2008	22 February 2008 to 21 February 2011	HK$0.300	–	30,000,000	–	(2,220,000)	27,780,000
		22 February 2008 to 22 February 2009	22 February 2009 to 21 February 2011	HK$0.300	–	30,000,000	–	(2,220,000)	27,780,000
		22 February 2008 to 22 February 2010	22 February 2010 to 21 February 2011	HK$0.300	–	30,000,000	–	(2,220,000)	27,780,000
					25,830,000	90,000,000	–	(6,780,000)	109,050,000

Note:–

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

Directors' Report

SHARE OPTIONS *(Continued)*

(B) Pre-IPO Share Option Schemes

The grantees of these schemes exercised all options before 1 January 2008 and there was no share option outstanding at 31 December 2008.

At 31 December 2008, the number of shares in respect of which options had been granted and outstanding under the Share Option Schemes was 109,050,000, representing approximately 7% of the issued share capital of the Company.

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

At 31 December 2008, the interests or short positions of the directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:–

Name of directors	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares *(Note 2)*	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests				
Executive directors:							
Mr. Lau Sik Suen	–	–	–	–	–	–	–
Mr. Lau Yeung Sang *(Note 1)*	–	–	416,720,000	416,720,000	–	416,720,000	27.71%
Mr. Liu Ruisheng *(Note 2)*	–	–	–	–	5,100,000	5,100,000	0.34%
Madam Luan Yumin *(Note 2)*	–	–	–	–	7,200,000	7,200,000	0.48%
Non-executive director:							
Mr. Chow Cheuk Lap *(Note 3)*	–	–	67,540,000	67,540,000	–	67,540,000	4.49%
Independent non-executive directors:							
Mr. Wan Xieqiu	–	–	–	–	–	–	–
Mr. Meng Lihui	–	–	–	–	–	–	–
Mr. Fong Heung Sang *(Note 2)*	–	–	–	–	900,000	900,000	0.06%

Directors' Report

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

Notes:–

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

2. The interests of Mr. Liu Ruisheng, Madam Luan Yumin and Mr. Fong Heung Sang in underlying shares of the Company represent the interests in share options granted to them under the Share Option Schemes of the Company.

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

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

4. There were no debt securities nor debentures issued by the Group at any time during the year ended 31 December 2008.

Save as disclosed above, at 31 December 2008, none of the directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

The directors confirmed that at 31 December 2008 and for the year ended 31 December 2008:

(i) the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings according to Rules 5.48 to 5.67 of the GEM Listing Rules; and

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

Directors' Report

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

So far as is known to any director or chief executive of the Company, at 31 December 2008, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:–

(a) Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of interests
World One Investments Limited *(Note 1)*	Beneficial owner	416,720,000	27.71%
Ever City Industrial Limited *(Note 2)*	Beneficial owner	106,000,000	7.05%

Notes:–

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

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

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

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

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

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

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding" above, at 31 December 2008, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

Directors' Report

COMPETING INTERESTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 54% of the total sales for the year and sales to the largest customer included therein amounted to approximately 42%. Purchases from the Group's five largest suppliers accounted for approximately 94% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 73%.

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

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

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

PRE-EMPTIVE RIGHTS

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

COMPLIANCE

In the opinion of the directors, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the financial year ended 31 December 2008.

Directors' Report

CORPORATE GOVERNANCE REPORT

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

(A) Directors' Securities Transactions

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the directors throughout the year ended 31 December 2008.

(B) Board of Directors

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

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

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

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

Directors' Report

CORPORATE GOVERNANCE REPORT *(Continued)*

(B) Board Of Directors *(Continued)*

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

Directors	Attendance
Mr. Lau Sik Suen	4/4
Mr. Lau Yeung Sang *(appointed on 27 June 2008)*	2/2
Mr. Liu Ruisheng	4/4
Madam Luan Yumin	4/4
Mr. Meng Lihui	4/4
Mr. Wan Xieqiu	4/4
Mr. Fong Heung Sang	4/4
Mr. Chow Cheuk Lap *(appointed on 3 March 2008)*	4/4

(C) Chairman And The Chief Executive Officer

Before 8 September, 2008, Mr. Lau Sik Suen assumed the role of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Lau led the Board and was responsible for the proceedings and workings of the Board. He ensured that:–

– the Board acted in the best interests of the Group; and

– the Board functioned effectively, and that all key and appropriate issues were properly briefed and discussed by the Board.

The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision in the Corporate Governance Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:–

– The non-executive directors form the half of the Board of which three out of eight are independent.

– Audit Committee composed exclusively of independent non-executive directors.

– The independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Directors' Report

CORPORATE GOVERNANCE REPORT *(Continued)*

(C) Chairman And The Chief Executive Officer *(Continued)*

However, in order to perform best practice and comply with the code provision in the Corporate Governance Code of having a clear separation of the roles and responsibility of the chairman and chief executive officer and having the two positions being held by two different members of the Board, the Board appointed Mr. Lau Yeung Sang as a new chairman on 8 September, 2008. Mr. Lau Yeung Sang is an executive director and the father of Mr. Lau Sik Suen. Mr. Lau Yeung Sang is responsible for the Group's overall strategic planning and provides leadership to the Board so that the Board works effectively and all important issues are discussed in a timely manner. The chief executive officer and executive director, Mr. Lau Sik Suen, is responsible for the daily operation and business direction of the Group.

(D) Remuneration Committee

The Remuneration Committee was established in July 2006. The remuneration Committee comprises three independent non-executive directors, Mr. Meng Lihui, Mr. Wan Xieqiu and Mr. Fong Heung Sang. The Remuneration Committee held one meeting in the 12 months ended 31 December 2008, which was attended by all members.

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

(E) Nomination Of Directors

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

(F) Auditors' Remuneration

Auditors' remuneration of approximately HK$462,000 was charged to the Group's income statement for the year ended 31 December 2008 (2007: HK$400,000).

Directors' Report

CORPORATE GOVERNANCE REPORT *(Continued)*

(G) Audit Committee

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

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

The Audit Committee held four meetings in the 12 months ended 31 December 2008, which were attended by all members. The Group's first quarterly report 2008, interim report 2008, third quarterly report 2008 and annual report 2008 have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the annual report 2008, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the GEM Listing Rules.

AUDITORS

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

On behalf of the Board
Lau Yeung Sang
Chairman

Hong Kong, 23 March 2009

Independent Auditor's Report

大信梁學濂（香港）會計師事務所

Accountants &
business advisers

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

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

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

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Universal Technologies Holdings Limited (the "Company") set out on pages 33 to 97, which comprise the consolidated and Company's balance sheets 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 are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

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

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

OPINION

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

PKF
Certified Public Accountants

Hong Kong, 23 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	4	**75,151**	72,265
Cost of sales/services rendered		**(8,653)**	(27,338)
Gross profit		**66,498**	44,927
Other income	4	**2,474**	2,796
Impairment loss on goodwill		**–**	(22)
General and administrative expenses		**(46,967)**	(33,471)
Profit from operations		**22,005**	14,230
Finance costs		**(1,235)**	(248)
Share of results of an associate		**(13)**	–
Profit before income tax	5	**20,757**	13,982
Income tax credit/(expense)	7	**1,626**	(1,334)
Profit for the year		**22,383**	12,648
Attributable to :			
Shareholders of the Company	9	**22,426**	12,648
Minority interests		**(43)**	–
Profit for the year		**22,383**	12,648
Dividend	10	**–**	–
Earnings per share (in cents)			
Basic	11	**1.52**	1.11
Diluted	11	**1.52**	1.09

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13(a)	**13,868**	9,583
Prepaid land lease premium	14	**79,034**	5,063
Goodwill	15	**79,870**	43,050
Interest in an associate	17	**5**	–
Deposit paid for acquisition of a subsidiary		**–**	3,060
		172,777	60,756
CURRENT ASSETS			
Inventories	18	**20,634**	9,514
Debtors	19	**7,790**	23,862
Deposits paid to merchant		**–**	15,000
Trade deposits		**4,661**	6,006
Other deposits, prepayments and other receivables	20	**15,093**	9,403
Amounts due from related companies	21	**13**	2,889
Financial assets at fair value through profit or loss	22	**682**	375
Prepaid land lease premium	14	**1,554**	139
Tax recoverable		**4**	–
Pledged time deposits	23	**800**	2,000
Unpledged time deposits	23	**–**	280
Cash and bank balances	24	**63,228**	97,176
		114,459	166,644
DEDUCT:			
CURRENT LIABILITIES			
Bank overdrafts, unsecured		**3**	–
Bank loans	25	**9,095**	–
Trade payable		**1**	7,444
Payable to merchants		**36,456**	72,420
Deposits received, sundry creditors and accruals	26	**11,482**	4,829
Amount due to a director	27	**42**	29
Bills payable		**–**	3,623
Amount due to an associate		**5**	–
		57,084	88,345

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NET CURRENT ASSETS		**57,375**	78,299
TOTAL ASSETS LESS CURRENT LIABILITIES		**230,152**	139,055
DEDUCT:			
NON-CURRENT LIABILITY			
Deferred tax liability	8(a)	**1,798**	3,030
NET ASSETS		**228,354**	136,025
REPRESENTING :–			
CAPITAL AND RESERVES			
Share capital	29	**15,039**	12,869
Reserves	31(a)	**208,553**	123,156
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**223,592**	136,025
MINORITY INTERESTS		**4,762**	–
TOTAL EQUITY		**228,354**	136,025

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 23 MARCH 2009

LAU SIK SUEN
DIRECTOR

LAU YEUNG SANG
DIRECTOR

Balance Sheet

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13(b)	**640**	823
Interests in subsidiaries	16	**244,291**	160,124
Deposit paid for acquisition of a subsidiary		**–**	3,060
		244,931	164,007
CURRENT ASSETS			
Amounts due from related companies	21	**13**	–
Other deposits, prepayments and other receivables	20	**543**	420
Cash and bank balances		**2,011**	2,526
		2,567	2,946
DEDUCT:			
CURRENT LIABILITIES			
Deposits received, sundry creditors and accruals	26	**604**	519
Amounts due to subsidiaries	28	**39,337**	35,076
		39,941	35,595
NET CURRENT LIABILITIES		**(37,374)**	(32,649)
NET ASSETS		**207,557**	131,358
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital	29	**15,039**	12,869
Reserves	31(b)	**192,518**	118,489
TOTAL EQUITY		**207,557**	131,358

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 23 MARCH 2009

LAU SIK SUEN
DIRECTOR

LAU YEUNG SANG
DIRECTOR

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**20,757**	13,982
Adjustments for:–			
Pledged time deposits		**1,200**	(1,896)
Interest income		**(774)**	(767)
Interest expenses		**185**	1
Impairment loss on goodwill		**–**	22
Depreciation		**2,132**	1,650
Amortisation of prepaid land lease premium		**1,155**	9
Loss on disposal of property, plant and equipment and prepaid land lease premium		**705**	1
Loss on change in fair value of financial assets		**204**	–
Gain on disposal of financial assets		**(21)**	–
Share of results of an associate		**13**	–
Bad debts written off		**–**	109
Equity-settled share-based payment expenses		**4,317**	2,642
Operating profit before working capital changes		**29,873**	15,753
Increase in inventories		**(10,501)**	(7,307)
Decrease/(increase) in debtors		**16,182**	(21,001)
Decrease/(increase) in deposits paid to merchant		**15,000**	(15,000)
Decrease/(increase) in trade deposits		**1,345**	(6,006)
Increase in other deposits, prepayments and other receivables		**(5,680)**	(7,006)
(Decrease)/increase in trade payable		**(10,364)**	7,444
(Decrease)/increase in payable to merchants		**(35,964)**	45,262
Increase in deposits received, sundry creditors and accruals		**1,270**	934
(Decrease)/increase in bills payable		**(3,623)**	3,623
Increase in amount due to a director		**13**	–
Cash (used in)/generated from operations		**(2,449)**	16,696
Interest received		**774**	767
Interest paid		**(185)**	(1)
Tax (paid)/refund		**(4)**	4
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(1,864)**	17,466

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at fair value through profit or loss		**385**	–
Payments to acquire property, plant and equipment		**(5,908)**	(5,699)
Payments to acquire prepaid land lease premium		**–**	(5,211)
Sale proceeds of property, plant and equipment		**403**	5
Instalments paid for acquisition of subsidiaries		**(1,120)**	(22,280)
Deposit paid for acquisition of a subsidiary		**–**	(3,060)
Payments to acquire financial assets at fair value through profit or loss		**(875)**	(375)
Net cash (outflow)/inflow on acquisition of a subsidiary	32	**(29,525)**	15
NET CASH USED IN INVESTING ACTIVITIES		**(36,640)**	(36,605)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares to a minority shareholder		**4,805**	–
New bank loans raised		**9,095**	–
Decrease/(increase) in amounts due from related companies		**2,876**	(2,889)
Proceeds from exercise of share options		**–**	22,571
Proceeds from issue of new shares		**–**	40,019
NET CASH FROM FINANCING ACTIVITIES		**16,776**	59,701
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(21,728)**	40,562
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(12,503)**	(1,198)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**97,456**	58,092
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**63,225**	97,456
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank overdrafts, unsecured		**(3)**	–
Unpledged time deposits		**–**	280
Cash and bank balances		**63,228**	97,176
		63,225	97,456

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1.1.2007	9,808	76,528	1,093	10,754	1,095	1,934	1,147	(43,026)	59,333	–	59,333
Issue of new shares	1,993	38,026	–	–	–	–	–	–	40,019	–	40,019
Equity-settled share-based transactions	–	–	–	–	–	2,642	–	–	2,642	–	2,642
Exercise of share options	1,068	23,471	–	–	–	(1,968)	–	–	22,571	–	22,571
Transferred to accumulated losses	–	–	–	–	–	(1,934)	–	1,934	–	–	–
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	–	–	–	–	(1,188)	–	–	–	(1,188)	–	(1,188)
Profit for the year	–	–	–	–	–	–	–	12,648	12,648	–	12,648
Transferred to statutory reserve	–	–	–	–	–	–	1,495	(1,495)	–	–	–
At 31.12.2007	12,869	138,025	1,093	10,754	(93)	674	2,642	(29,939)	136,025	–	136,025
At 1.1.2008	**12,869**	**138,025**	**1,093**	**10,754**	**(93)**	**674**	**2,642**	**(29,939)**	**136,025**	**–**	**136,025**
Issue of new shares	**2,170**	**67,270**	**–**	**–**	**–**	**–**	**–**	**–**	**69,440**	**–**	**69,440**
Issue of shares to a minority shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,805**	**4,805**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**–**	**4,317**	**–**	**–**	**4,317**	**–**	**4,317**
Transferred to accumulated losses	**–**	**–**	**–**	**–**	**–**	**(460)**	**–**	**460**	**–**	**–**	**–**
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	**–**	**–**	**–**	**–**	**(8,616)**	**–**	**–**	**–**	**(8,616)**	**–**	**(8,616)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,426**	**22,426**	**(43)**	**22,383**
Transferred to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**2,297**	**(2,297)**	**–**	**–**	**–**
At 31.12.2008	**15,039**	**205,295**	**1,093**	**10,754**	**(8,709)**	**4,531**	**4,939**	**(9,350)**	**223,592**	**4,762**	**228,354**

Notes to the Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented, except that reclassification of certain held for trading financial assets is now permitted by Amendments to HKAS 39 and HKFRS 7.

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Measurement basis

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

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

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

(d) Subsidiaries

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

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

(e) Associates

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

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

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in provision of products or services (business segment), or in provision of 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.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment balances and inter-segment transactions are eliminated as part of the consolidation.

(g) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Translation of foreign currencies *(Continued)*

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:–

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment and depreciation

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Prepaid land lease premium

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

(j) Goodwill

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

(k) Impairment of assets

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

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Investments

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Investments *(Continued)*

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

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

(m) Inventories

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

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other receivables

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

(o) Cash equivalents

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

(p) Share capital

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

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax

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

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

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

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

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

(s) Employee benefits

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

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

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

(t) Provisions and contingent liabilities

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

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

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Recognition of revenue

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

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

Handling income from payment solutions services is recognised when the transaction is authorised and completed.

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

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

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

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

(v) Leases

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

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

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties

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

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

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

The following Hong Kong Financial Reporting Standards in issue at 31 December 2008 have not been applied in the preparation of the Group's financial statements for the year ended 31 December 2008 since they were not yet effective for the annual period beginning on 1 January 2008:–

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates
Amendments to HKAS 39	Eligible Hedged Items
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Improvements to HKFRSs	

Notes to the Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The Group is required to initially apply HKAS 1 (Revised), HKAS 23 (Revised), HKFRS 8, amendments to HKAS 32 and HKAS 1, amendments to HKFRS 2, amendments to HKFRS 1 and HKAS 27, HK(IFRIC)-Int 13, HK(IFRIC)-Int 15, HK(IFRIC)-Int 16 and Improvements to HKFRSs (except for the amendments to paragraphs 8A, 36A and 44C of HKFRS 5 and paragraphs 34C and 47L of HKFRS 1) in its annual financial statements beginning on 1 January 2009, and to initially apply HKAS 27 (Revised), HKFRS 1 (Revised), HKFRS 3 (Revised), HK(IFRIC)-Int 17, amendments to HKAS 39 and Improvements to HKFRSs regarding the amendments to paragraphs 8A, 36A and 44C of HKFRS 5 and paragraphs 34C and 47L of HKFRS 1 in its annual financial statements beginning on 1 January 2010.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

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

(i) Inventories

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

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

Notes to the Financial Statements

For the year ended 31 December 2008

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

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

(ii) Depreciation

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

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

(iii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was HK$79,870,000. Details of the impairment loss calculation are provided in note 15 to the financial statements.

(b) Critical judgements

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2008

4. TURNOVER AND REVENUE

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

	2008	2007
	HK$'000	HK$'000
Payment solutions and related services income	**66,484**	37,398
Timber trading and furniture manufacturing	**8,665**	24,102
Other trading, system integration and related technical support services	**2**	10,765
Turnover	**75,151**	72,265
Interest on bank deposits	**774**	767
Exchange gain	**114**	1,415
Others	**1,586**	614
	77,625	75,061

Notes to the Financial Statements

For the year ended 31 December 2008

5. PROFIT BEFORE INCOME TAX

	2008 **HK$'000**	2007 HK$'000
Profit before income tax is arrived at after charging/(crediting):–		
Auditors' remuneration		
– Current year	**450**	400
– Under-provision for previous year	**12**	–
	462	400
Cost of inventories recognised as expenses	**6,922**	26,116
Staff costs (including directors' remuneration - Note 6)		
– Salaries and other benefits	**14,938**	9,163
– Pension scheme contributions	**3,082**	1,344
– Equity-settled share-based payment expenses	**4,317**	2,642
	22,337	13,149
Depreciation	**2,132**	1,650
Amortisation of prepaid land lease premium	**1,155**	9
Sale proceeds of property, plant and equipment and prepaid land lease premium	**(403)**	(5)
Less: Carrying amounts of property, plant and equipment and prepaid land lease premium	**1,108**	6
Loss on disposal of property, plant and equipment and prepaid land lease premium	**705**	1
Bad debts written off	**–**	109
Gain on disposal of financial assets	**(21)**	–
Loss on change in fair value of financial assets	**204**	–
Minimum operating lease rentals	**4,511**	2,915
Interest on bank loans and overdraft wholly repayable within five years	**185**	1

Notes to the Financial Statements

For the year ended 31 December 2008

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

The remuneration of each director for the year ended 31 December 2008 and 31 December 2007 are set out below:–

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

	Year ended 31 December 2007						
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 *(Note i)*	Bonuses HK$'000	Pension scheme contributions HK$'000	Sub-total HK$'000	Share based payment HK$'000	Total HK$'000
Mr. Lau Sik Suen	–	180	15	9	204	–	204
Mr. Liu Ruisheng	36	–	–	–	36	239	275
Madam Luan Yumin	36	204	9	23	272	93	365
Mr. Meng Lihui	36	–	–	–	36	–	36
Mr. Wan Xieqiu	36	–	–	–	36	–	36
Mr. Fong Heung Sang	52	–	–	–	52	23	75
Madam Zhou Zhiyun *(Note iv)*	14	–	–	–	14	–	14
	210	384	24	32	650	355	1,005

Notes to the Financial Statements

For the year ended 31 December 2008

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

(a) Directors *(Continued)*

Notes:–

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

ii. Appointed on 27 June 2008.

iii. Appointed on 3 March 2008.

iv. Appointed on 1 July 2006 and resigned on 14 September 2007.

During the year, 12,300,000 share options were granted to executive directors in respect of their services to the Group.

No directors waived any emolument during the year.

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, one is a director of the Company and the details of their remuneration have already been disclosed above.

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

	2008 **HK$'000**	2007 HK$'000
Salaries, allowances and other benefits in kind	**1,547**	1,315
Pension scheme contributions	**106**	38
Equity-settled share-based payment expenses	**1,137**	482
	2,790	1,835

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

During the year, 23,700,000 share options were granted to the above four non-directors, highest paid employees in respect of their services to the Group.

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

Notes to the Financial Statements

For the year ended 31 December 2008

7. INCOME TAX (CREDIT)/EXPENSE

(a) On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 31 December 2008. The tax rate used is 16.5% (2007: 17.5%) for the year ended 31 December 2008.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"). The New CIT Law reduces the corporate income tax rate from 27% or 33% to 25% with effect from 1 January 2008. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 31 December 2008. The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (2007: 27% or 33%).

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong for the year.

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

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

	2008	2007
	HK$'000	HK$'000
Current tax:–		
Current year	**–**	–
Deferred taxation - *Note 8(a)*:–		
Current year	**(1,626)**	2,304
Reduction of PRC tax rate	**–**	(970)
	(1,626)	1,334
	(1,626)	1,334

Notes to the Financial Statements

For the year ended 31 December 2008

7. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

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

	Hong Kong		PRC		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss)/profit before income tax	**(356)**	(9,197)	**21,113**	23,179	**20,757**	13,982
Applicable tax rate (%)	**16.5**	17.5	**25**	27/33	**N/A**	N/A
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	**(59)**	(1,609)	**5,278**	6,580	**5,219**	4,971
Tax effect of non-deductible expenses in determining taxable profit	**189**	2,460	**948**	646	**1,137**	3,106
Tax effect of non-taxable revenue in determining taxable profit	**(19)**	(1,890)	**(68)**	(1,083)	**(87)**	(2,973)
Tax effect of unrecognised decelerated depreciation allowances	**31**	9	**–**	–	**31**	9
Tax effect of unrecognised tax losses	**346**	1,030	**1,005**	–	**1,351**	1,030
Tax effect of utilisation of tax losses	**(488)**	–	**(185)**	(505)	**(673)**	(505)
Tax effect on 100% tax free concession	**–**	–	**(8,737)**	(5,441)	**(8,737)**	(5,441)
Tax effect of change of tax rate	**–**	–	**–**	(970)	**–**	(970)
Under-provision of deferred tax in previous years	**–**	–	**133**	2,107	**133**	2,107
Income tax (credit)/expense	**–**	–	**(1,626)**	1,334	**(1,626)**	1,334

Notes to the Financial Statements

For the year ended 31 December 2008

8. DEFERRED TAXATION

(a) The Group

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

	Unutilised tax losses HK$'000	Others HK$'000	Total HK$'000
At 1.1.2007	2,473	(4,165)	(1,692)
Charged to income statement for the year	(2,304)	–	(2,304)
Decrease in deferred tax assets/ liabilities resulting from a reduction of corporate income tax rate	(42)	1,012	970
Exchange adjustments	6	(10)	(4)
At 31.12.2007 and 1.1.2008	133	(3,163)	(3,030)
(Charged)/credited to income statement for the year - *Note 7(b)*	(149)	1,775	1,626
Exchange adjustments	16	(410)	(394)
At 31.12.2008	**–**	**(1,798)**	**(1,798)**

At the balance sheet date, the Group has unused tax losses of HK$61,639,000 (2007: HK$28,433,000) available for offset against future profits. No deferred tax asset has been recognised of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$23,703,000 (2007: HK$1,147,000) that will expire within five years from the date of incurrence. Other losses can be carried forward indefinitely.

(b) The Company

At the balance sheet date, the Company has unused tax losses of HK$20,052,000 (2007: HK$22,373,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

Notes to the Financial Statements

For the year ended 31 December 2008

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a profit of approximately HK$2,442,000 (2007: loss of HK$5,960,000) which has been dealt with in the financial statements of the Company.

10. DIVIDEND

No dividend has been paid or declared by the Company since the date of its incorporation.

11. EARNINGS PER SHARE

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

	2008	2007
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**22,426**	12,648

	2008	2007
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic earnings per share	**1,478,434,322**	1,142,561,159
Effect of dilutive potential ordinary shares:–		
Share options	**–**	22,922,972
Weighted average number of shares in issue for the purpose of calculation of diluted earnings per share	**1,478,434,322**	1,165,484,131

For the year ended 31 December 2008, diluted earnings per share is equal to the basic earnings per share because the exercise price of the Group's share options was higher than the average market price of the Group's shares.

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For the year ended 31 December 2008

12. RETIREMENT BENEFIT COSTS

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

The Group's contribution to such scheme for the year ended 31 December 2008 amounted to approximately HK$102,000 (2007: HK$103,000).

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

The Group's contribution to the state-sponsored retirement plan for the year ended 31 December 2008 amounted to approximately HK$2,979,000 (2007: HK$1,241,000).

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For the year ended 31 December 2008

13. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Properties held under medium-term lease HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1.1.2007								
Cost	–	–	278	3,297	167	3,643	–	7,385
Aggregate depreciation	–	–	(133)	(1,406)	(89)	(227)	–	(1,855)
Net book value	–	–	145	1,891	78	3,416	–	5,530
For the year ended 31.12.2007								
Opening net book value	–	–	145	1,891	78	3,416	–	5,530
Exchange adjustments	–	–	–	5	–	5	–	10
Additions	2,491	263	716	1,284	–	945	–	5,699
Disposals	–	–	(2)	(4)	–	–	–	(6)
Depreciation	(2)	(19)	(153)	(651)	(31)	(794)	–	(1,650)
Closing net book value	2,489	244	706	2,525	47	3,572	–	9,583
At 31.12.2007								
Cost	2,491	263	992	4,529	167	4,593	–	13,035
Aggregate depreciation	(2)	(19)	(286)	(2,004)	(120)	(1,021)	–	(3,452)
Net book value	2,489	244	706	2,525	47	3,572	–	9,583
For the year ended 31.12.2008								
Opening net book value	**2,489**	**244**	**706**	**2,525**	**47**	**3,572**	**–**	**9,583**
Exchange adjustments	**–**	**35**	**43**	**332**	**–**	**390**	**51**	**851**
Acquisition of subsidiaries	**–**	**–**	**–**	**251**	**–**	**–**	**416**	**667**
Additions	**–**	**197**	**23**	**935**	**93**	**580**	**4,080**	**5,908**
Disposals	**(278)**	**–**	**–**	**(67)**	**–**	**(664)**	**–**	**(1,009)**
Depreciation	**(62)**	**(28)**	**(203)**	**(862)**	**(37)**	**(940)**	**–**	**(2,132)**
Closing net book value	**2,149**	**448**	**569**	**3,114**	**103**	**2,938**	**4,547**	**13,868**
At 31.12.2008								
Cost	**2,213**	**498**	**1,070**	**14,235**	**260**	**4,689**	**4,547**	**27,512**
Aggregate depreciation	**(64)**	**(50)**	**(501)**	**(11,121)**	**(157)**	**(1,751)**	**–**	**(13,644)**
Net book value	**2,149**	**448**	**569**	**3,114**	**103**	**2,938**	**4,547**	**13,868**

At 31 December 2008, the property held under medium-term lease with a net book value of HK$1,859,000 (2007: Nil) was pledged to a bank to secure general banking facilities granted to a subsidiary of the Group.

Notes to the Financial Statements

For the year ended 31 December 2008

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

(b) The Company

	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1.1.2007					
Cost	276	104	108	988	1,476
Aggregate depreciation	(133)	(32)	(50)	(142)	(357)
Net book value	143	72	58	846	1,119
For the year ended 31.12.2007					
Opening net book value	143	72	58	846	1,119
Depreciation	(55)	(21)	(22)	(198)	(296)
Closing net book value	88	51	36	648	823
At 31.12.2007					
Cost	276	104	108	988	1,476
Aggregate depreciation	(188)	(53)	(72)	(340)	(653)
Net book value	88	51	36	648	823
For the year ended 31.12.2008					
Opening net book value	**88**	**51**	**36**	**648**	**823**
Additions	**17**	**32**	**78**	**–**	**127**
Disposals	**–**	**(12)**	**–**	**–**	**(12)**
Depreciation	**(55)**	**(22)**	**(23)**	**(198)**	**(298)**
Closing net book value	**50**	**49**	**91**	**450**	**640**
At 31.12.2008					
Cost	**293**	**93**	**186**	**988**	**1,560**
Aggregate depreciation	**(243)**	**(44)**	**(95)**	**(538)**	**(920)**
Net book value	**50**	**49**	**91**	**450**	**640**

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14. PREPAID LAND LEASE PREMIUM

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

	The Group	
	2008	2007
	HK$'000	HK$'000
In Hong Kong, held on medium-term lease	**996**	1,121
Outside Hong Kong, held on medium-term lease	**79,592**	4,081
	80,588	5,202
Less: Current portion	**(1,554)**	(139)
Non-current portion	**79,034**	5,063
Representing:–		
Opening net book value	**5,202**	–
Exchange difference	**3,417**	–
Acquisition of subsidiaries	**73,223**	–
Additions	**–**	5,211
Disposals	**(99)**	–
Amortisation of prepaid land lease premium	**(1,155)**	(9)
Closing net book value	**80,588**	5,202

At 31 December 2008, the prepaid land lease premium with a net book value of HK$3,970,000 (2007: Nil) was pledged to a bank to secure general banking facilities granted to a subsidiary of the Group.

Notes to the Financial Statements

For the year ended 31 December 2008

15. GOODWILL – THE GROUP

	HK$'000
Cost:–	
At 1 January 2007	43,050
Arising on acquisition of a subsidiary - *Note 32*	22
At 31 December 2007 and 1 January 2008	43,072
Arising on acquisition of subsidiaries - *Note 32*	36,820
At 31 December 2008	**79,892**
Impairment loss:–	
At 1 January 2007	–
Charge for the year	22
At 31 December 2007 and 31 December 2008	**22**
Net book value:–	
At 31 December 2008	**79,870**
At 31 December 2007	43,050

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

	2008 **HK$'000**	2007 HK$'000
Payment solutions services - *Note 15(a)*	**43,050**	43,050
Internet based remittance services - *Note 15(b)*	**33,352**	–
Trading of timber - *Note 15(c)*	**3,402**	–
Others	**88**	22
	79,892	43,072

Notes to the Financial Statements

For the year ended 31 December 2008

15. GOODWILL – THE GROUP *(Continued)*

Notes:–

(a) The goodwill was related to the acquisition of 70.6% equity interest in IPSSH.

(b) The goodwill was related to the acquisition of 80% equity interest in Universal ECPAY Limited ("ECPAY"). The Group originally held 20% equity interest in ECPAY. On 12 December 2008, the Group further acquired 80% equity interest in ECPAY and therefore ECPAY became a wholly-owned subsidiary of the Group. The details of the acquisition are set out in note 32(c) to the financial statements.

(c) The goodwill was related to the acquisition of the entire 100% equity interest in Shanghai Puluma Trading Limited ("PLM"). The details of the acquisition are set out in note 32(d) to the financial statements.

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

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate ranged from 17% to 23% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using the growth rate from 0% to 2%.

Notes to the Financial Statements

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16. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**96,859**	96,859
Amounts due from subsidiaries - *Note 16(b)*	**147,432**	63,265
	244,291	160,124

Notes:–

(a) The details of the subsidiaries at 31 December 2008 are as follows:–

Name of company	Place of incorporation / establishment and operation	Particulars of issued share capital / registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Universal Cyberworks International Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Universal Enterprise Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Investment holding
iLogistics China Limited	Hong Kong	500,000 ordinary shares of US$1 each	–	60%	Investment holding
Hyle Maestro Wooding (Shanghai) Limited *	People's Republic of China	US$1,080,000	–	100%	Trading of timber and manufacturing of furniture
International Payment Solutions (Shanghai) Limited ("IPSSH")	People's Republic of China	RMB50,000,000	–	100%	Provision of payment solutions and related services

Notes to the Financial Statements

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16. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:– *(Continued)*

(a) The details of the subsidiaries at 31 December 2008 are as follows:– *(Continued)*

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

Notes to the Financial Statements

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16. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:– (Continued)

(a) The details of the subsidiaries at 31 December 2008 are as follows:– *(Continued)*

Name of company	Place of incorporation / establishment and operation	Particulars of issued share capital / registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Universal iPayment China Limited *	People's Republic of China	US$5,100,000	–	100%	Investment holding
Shanghai Puluma Trading Limited	People's Republic of China	RMB500,000	–	100%	Trading of timber
Universal ECPAY Limited	People's Republic of China	RMB5,000,000	–	100%	Provision of internet based remittance services
Shanghai Head Harvest Investment Limited	People's Republic of China	RMB10,000,000	–	58%	Not yet commenced business
Universal Unipass Limited	People's Republic of China	RMB1,000,000	–	100%	Not yet commenced business

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

(b) The amounts are interest-free, unsecured and have no fixed terms of repayment. The directors consider the carrying amounts of amounts due from subsidiaries approximate their fair values.

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17. INTEREST IN AN ASSOCIATE

	The Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**5**	–

Note:–

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

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

Summary financial information on an associate:–

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

Notes to the Financial Statements

For the year ended 31 December 2008

18. INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**8,631**	5,188
Work in progress	**8,045**	2,914
Finished goods	**3,958**	1,412
	20,634	9,514

19. DEBTORS

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

An ageing analysis of debtors is set out below:–

	The Group	
	2008	2007
	HK$'000	HK$'000
0 - 6 months	**6,742**	23,862
7 - 12 months	**1,032**	–
Over one year	**16**	–
	7,790	23,862
Neither past due nor impaired	**7,774**	23,862
Past due but not impaired	**16**	–
	7,790	23,862

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For the year ended 31 December 2008

20. OTHER DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Utilities and other deposits	**82**	169	**–**	–
Prepayments	**8,071**	1,619	**409**	417
Other receivables	**6,940**	7,615	**134**	3
	15,093	9,403	**543**	420

21. AMOUNTS DUE FROM RELATED COMPANIES

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

Name of company	Relationship
上海藍普信息科技有限公司	Controlled by directors, Mr. Liu Ruisheng and Madam Luan Yumin
Universal Enterprise (China) Investment Group Limited	Controlled by a director, Mr. Lau Yeung Sang
Universal Bio-Medical Group Limited	Controlled by a director, Mr. Lau Yeung Sang
Universal Wood Industrial Group Limited	Controlled by a director, Mr. Lau Yeung Sang

Notes to the Financial Statements

For the year ended 31 December 2008

21. AMOUNT DUE FROM RELATED COMPANIES *(Continued)*

(b) The Group

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

Name of company	At 1.1.2008 HK$'000	Balance outstanding Maximum during the year HK$'000	At 31.12.2008 HK$'000
上海藍普信息科技有限公司	2,889	2,889	**–**
Universal Enterprise (China) Investment Group Limited	–	3	**3**
Universal Bio-Medical Group Limited	–	5	**5**
Universal Wood Industrial Group Limited	–	5	**5**
	2,889		**13**

The amounts are interest-free, unsecured and repayable on demand. The directors consider the carrying amounts of amounts due from related companies approximate their fair values.

(c) The Company

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

Name of company	At 1.1.2008 HK$'000	Balance outstanding Maximum during the year HK$'000	At 31.12.2008 HK$'000
Universal Enterprise (China) Investment Group Limited	–	3	**3**
Universal Bio-Medical Group Limited	–	5	**5**
Universal Wood Industrial Group Limited	–	5	**5**
	–		**13**

The amounts are interest-free, unsecured and repayable on demand. The directors consider the carrying amounts of amounts due from related companies approximate their fair values.

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For the year ended 31 December 2008

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2008	2007
	HK$'000	HK$'000
Listed securities		
Equity securities – Hong Kong	**682**	375
Market value of listed securities	**682**	375

23. TIME DEPOSITS – THE GROUP

At 31 December 2008, time deposit of HK$800,000 was pledged as collateral for a service contract with a customer of a subsidiary of the Group. At 31 December 2007, time deposit of HK$2,000,000 was pledged to a bank to secure the general banking facilities granted to a subsidiary of the Group.

24. CASH AND BANK BALANCES – THE GROUP

At 31 December 2008, cash and bank balances of the Group denominated in Renminbi amounted to approximately HK$53,497,000 (2007: HK$90,847,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

Notes to the Financial Statements

For the year ended 31 December 2008

25. BANK LOANS

		The Group	
	Note	**2008**	2007
		HK$'000	HK$'000
Bank loan, secured	(a)	**3,411**	–
Bank loan, unsecured	(b)	**5,684**	–
		9,095	–

Notes:–

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

(b) The unsecured bank loan is interest-bearing, repayable within one year and denominated in Renminbi.

26. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits received and receipts in advance	**2,000**	1,802	**102**	88
Accruals	**2,081**	2,039	**502**	431
Other payables	**7,401**	988	**–**	–
	11,482	4,829	**604**	519

Notes to the Financial Statements

For the year ended 31 December 2008

27. AMOUNT DUE TO A DIRECTOR – THE GROUP

The amount is interest-free, unsecured and repayable on demand. The directors consider the carrying amount of amount due to a director approximates its fair value.

28. AMOUNTS DUE TO SUBSIDIARIES – THE COMPANY

The amounts are interest-free, unsecured and repayable on demand. The directors consider the carrying amounts of amounts due to subsidiaries approximate their fair values.

29. SHARE CAPITAL

		The Group and the Company	
(a) Share capital	Note	Number of shares	HK$'000
Authorised:–			
Ordinary shares of HK$0.01 each			
At 31 December 2007 and 1 January 2008		2,000,000,000	20,000
Increase in authorised share capital	(i)	3,000,000,000	30,000
At 31 December 2008		**5,000,000,000**	**50,000**
Issued and fully paid:–			
At 1 January 2007		980,788,858	9,808
Issue of shares upon the exercise of share options		106,810,000	1,068
Issue of shares upon placing of shares		199,330,000	1,993
At 31 December 2007		1,286,928,858	12,869
At 1 January 2008		1,286,928,858	12,869
Issue of shares for consideration of acquisition of a subsidiary	(ii)	217,000,000	2,170
At 31 December 2008		**1,503,928,858**	**15,039**

Notes to the Financial Statements

For the year ended 31 December 2008

29. SHARE CAPITAL *(Continued)*

(a) Share capital *(Continued)*

Notes: –

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

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

(b) Capital management

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

The Group's equity capital management strategy was to maintain a reasonable proportion in total liabilities and total assets. The Group monitors equity capital on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratios at 31 December 2008 and at 31 December 2007 were as follows:–

	2008	2007
	HK$'000	HK$'000
Total liabilities	**57,084**	88,345
Total assets	**287,236**	227,400
Gearing ratio	**19.87%**	38.85%

Notes to the Financial Statements

For the year ended 31 December 2008

30. SHARE OPTIONS

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

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

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

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

Notes to the Financial Statements

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30. SHARE OPTIONS *(Continued)*

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

				Number of share options				
Option scheme adopted on	Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2008
12 October 2001	7 February 2002	7 February 2002 to 6 February 2012	HK$1.300	350,000	–	–	–	350,000
12 October 2001	9 April 2002	9 April 2002 to 8 April 2012	HK$1.400	70,000	–	–	–	70,000
12 October 2001	21 May 2007	21 May 2007 to 20 May 2009	HK$0.228	25,410,000	–	–	(120,000)	25,290,000
12 October 2001	22 February 2008	22 February 2008 to 21 February 2011	HK$0.300	–	30,000,000	–	(2,220,000)	27,780,000
		22 February 2009 to 21 February 2011	HK$0.300	–	30,000,000	–	(2,220,000)	27,780,000
		22 February 2010 to 21 February 2011	HK$0.300	–	30,000,000	–	(2,220,000)	27,780,000
				25,830,000	90,000,000	–	(6,780,000)	109,050,000

Notes to the Financial Statements

For the year ended 31 December 2008

30. SHARE OPTIONS *(Continued)*

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

	2008		2007	
	Weighted average of exercise price HK$	**Number of options**	Weighted average of exercise price HK$	Number of options
Outstanding at the beginning of the year	**0.247**	**25,830,000**	0.186	38,280,000
Granted during the year	**0.300**	**90,000,000**	0.228	99,720,000
Exercised during the year	**–**	**–**	0.211	(106,810,000)
Lapsed during year	**0.299**	**(6,780,000)**	0.176	(5,360,000)
Outstanding at the end of year	**0.288**	**109,050,000**	0.247	25,830,000
Exercisable at the end of year	**0.274**	**53,490,000**	0.247	25,830,000
Exercisable on 22 February 2009	**0.300**	**27,780,000**		
Exercisable on 22 February 2010	**0.300**	**27,780,000**		
		109,050,000		

No share options were exercised during the year. The weighted average share price at the date of exercise of share options during the year ended 31 December 2007 was HK$0.274.

Notes to the Financial Statements

For the year ended 31 December 2008

30. SHARE OPTIONS *(Continued)*

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

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

	2008	2007
	HK$	HK$
Fair value at measurement date	**0.0408 - 0.0894**	0.0265
Share price	**0.2550**	0.2260
Exercise price	**0.3000**	0.2280
Expected volatility	**72.07% - 89.19%**	40.04%
Expected dividend	**N/A**	N/A
Risk-free interest rate	**1.36% - 1.63%**	3.85%

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

Notes to the Financial Statements

For the year ended 31 December 2008

31. RESERVES

(a) The Group

	Share premium HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1.1.2007	76,528	1,093	10,754	1,095	1,934	1,147	(43,026)	49,525
Issue of new shares	38,026	–	–	–	–	–	–	38,026
Equity-settled share-based transactions	–	–	–	–	2,642	–	–	2,642
Exercise of share options	23,471	–	–	–	(1,968)	–	–	21,503
Transferred to accumulated losses	–	–	–	–	(1,934)	–	1,934	–
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	–	–	–	(1,188)	–	–	–	(1,188)
Profit for the year	–	–	–	–	–	–	12,648	12,648
Transferred to statutory reserve	–	–	–	–	–	1,495	(1,495)	–
At 31.12.2007	138,025	1,093	10,754	(93)	674	2,642	(29,939)	123,156
At 1.1.2008	**138,025**	**1,093**	**10,754**	**(93)**	**674**	**2,642**	**(29,939)**	**123,156**
Issue of new shares - *Note 29(a)(ii)*	**67,270**	**–**	**–**	**–**	**–**	**–**	**–**	**67,270**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**4,317**	**–**	**–**	**4,317**
Transferred to accumulated losses	**–**	**–**	**–**	**–**	**(460)**	**–**	**460**	**–**
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	**–**	**–**	**–**	**(8,616)**	**–**	**–**	**–**	**(8,616)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**22,426**	**22,426**
Transferred to statutory reserve	**–**	**–**	**–**	**–**	**–**	**2,297**	**(2,297)**	**–**
At 31.12.2008	**205,295**	**1,093**	**10,754**	**(8,709)**	**4,531**	**4,939**	**(9,350)**	**208,553**

Notes:–

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

(ii) The subsidiary established in PRC was required by PRC Company Law to appropriate 10% of its statutory after-tax profit to a general reserve fund until the balance of the fund reached 50% of share capital and thereafter any further appropriation was optional. The general reserve fund could be utilised to offset prior years' losses or to increase share capital on the condition that the general reserve fund must be maintained at a maximum of 25% of the share capital after such issuance. During the year, the board of directors of the subsidiary resolved to appropriate approximately HK$2,297,000 (2007: HK$1,495,000) from retained profits to general reserve fund.

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31. RESERVES *(Continued)*

(b) The Company

	Share premium HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1.1.2007	84,092	1,934	(23,748)	62,278
Equity-settled share-based transactions	–	2,642	–	2,642
Issue of new shares	38,026	–	–	38,026
Exercise of share options	23,471	(1,968)	–	21,503
Transferred to accumulated losses	–	(1,934)	1,934	–
Loss for the year	–	–	(5,960)	(5,960)
At 31.12.2007	145,589	674	(27,774)	118,489
At 1.1.2008	**145,589**	**674**	**(27,774)**	**118,489**
Equity-settled share-based transactions	**–**	**4,317**	**–**	**4,317**
Issue of new shares - *Note 29(a)(ii)*	**67,270**	**–**	**–**	**67,270**
Transferred to accumulated losses	**–**	**(460)**	**460**	**–**
Profit for the year	**–**	**–**	**2,442**	**2,442**
At 31.12.2008	**212,859**	**4,531**	**(24,872)**	**192,518**

Notes:–

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

(ii) At 31 December 2008, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$187,987,000 (2007: HK$117,815,000) subject to the restrictions as stated above.

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32. BUSINESS COMBINATION

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

	2008					2007
						IPS
	UII Group	**Unipass**	**ECPAY**	**PLM**	**Total**	Linqpay
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
	Note 32(a)	*Note 32(b)*	*Note 32(c)*	*Note 32(d)*		*Note 32(e)*
Cash and cash equivalents	**3,849**	**–**	**5,600**	**2**	**9,451**	15
Property, plant and equipment and prepaid land lease premium	**73,890**	**–**	**–**	**–**	**73,890**	–
Inventories	**–**	**–**	**–**	**619**	**619**	–
Debtors	**51**	**–**	**–**	**59**	**110**	–
Other receivables	**25**	**1,144**	**–**	**1,901**	**3,070**	–
Trade payable	**–**	**–**	**–**	**(2,921)**	**(2,921)**	–
Other payables	**(5,377)**	**(1)**	**–**	**(2)**	**(5,380)**	–
Amount due to a director	**–**	**–**	**–**	**–**	**–**	(29)
Accruals	**(3)**	**–**	**–**	**–**	**(3)**	(8)
	72,435	**1,143**	**5,600**	**(342)**	**78,836**	(22)
Minority interests	**–**	**–**	**(1,120)**	**–**	**(1,120)**	–
Net assets/(liabilities) acquired	**72,435**	**1,143**	**4,480**	**(342)**	**77,716**	(22)
Goodwill arising on acquisition	**65**	**1**	**33,352**	**3,402**	**36,820**	22
Total purchase consideration	**72,500**	**1,144**	**37,832**	**3,060**	**114,536**	–
Satisfied by:–						
Deposit paid for acquisition of a subsidiary in previous year	**3,060**	**–**	**–**	**–**	**3,060**	–
Prepayments paid in previous year	**–**	**–**	**–**	**3,060**	**3,060**	–
Issue of new shares - *Note 29(a)(ii)*	**69,440**	**–**	**–**	**–**	**69,440**	–
Cash consideration	**–**	**1,144**	**37,832**	**–**	**38,976**	–
	72,500	**1,144**	**37,832**	**3,060**	**114,536**	–
Cash and cash equivalents acquired	**3,849**	**–**	**5,600**	**2**	**9,451**	15
Cash consideration	**–**	**(1,144)**	**(37,832)**	**–**	**(38,976)**	–
Net cash inflow/(outflow) on acquisition	**3,849**	**(1,144)**	**(32,232)**	**2**	**(29,525)**	15

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32. BUSINESS COMBINATION *(Continued)*

(a) On 13 February 2008, the Group acquired the entire issued share capital of Universal iPayment International Limited ("UII"), an investment holding company incorporated in Hong Kong. UII held the entire 100% interest of Universal iPayment China Limited ("UIC") which was an investment holding company and incorporated in the PRC. The acquired business contributed revenues of approximately HK$4,000 and net loss of approximately HK$1,941,000 to the Group for the period from 13 February 2008 to 31 December 2008.

(b) On 24 July 2008, the Group acquired the entire 100% equity interest in Universal Unipass Limited ("Unipass"), a company incorporated in the PRC and not yet commenced business. The acquired business did not contribute any revenue but net loss of approximately HK$200 to the Group for the period from 24 July 2008 to 31 December 2008.

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

(d) On 25 December 2008, the Group acquired the entire 100% equity interest in PLM which was engaged in trading of timber and incorporated in the PRC. The acquired business did not contribute any revenue but net loss of approximately HK$2,000 to the Group for the period from 25 December 2008 to 31 December 2008.

(e) On 29 October 2007, the Group acquired the entire issued share capital of IPS Linqpay Limited ("IPS Linqpay") (formerly known as "Seal Media Universal China Limited"), an investment holding company incorporated in Hong Kong. The acquired business did not contribute any revenue or net profit to the Group for the period from 29 October 2007 to 31 December 2007.

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33. COMMITMENTS

(a) Operating leases arrangements

(i) The Group

At 31 December 2008, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:–

	2008	2007
	HK$'000	HK$'000
Within one year	**2,419**	2,097
After one year but within five years	**441**	2,231
	2,860	4,328

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

(ii) The Company

At 31 December 2008, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating lease which falls due as follows:–

	2008	2007
	HK$'000	HK$'000
Within one year	**543**	543
After one year but within five years	**278**	821
	821	1,364

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

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33. COMMITMENTS *(Continued)*

(b) Capital commitments

(i) The Group

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

	2008 HK$'000	2007 HK$'000
Construction in progress	**29,153**	–

(ii) The Company

At 31 December 2008, the Company had no capital commitments.

34. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

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

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

(a) Credit risk

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

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

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

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

(a) Credit risk *(Continued)*

Carrying amounts of financial assets at 31 December 2008, which represented the amounts of maximum exposure to credit risks, were as follows:–

	2008 **HK$'000**	2007 HK$'000
Debtors	**7,790**	23,862
Other deposits and other receivables	**7,022**	7,784
Amounts due from related companies	**13**	2,889
Financial assets at fair value through profit or loss	**682**	375
Pledged time deposits	**800**	2,000
Unpledged time deposits	**–**	280
Cash and bank balances	**63,228**	97,176
	79,535	134,366

Except for debtors with carrying amount of HK$16,000 (2007: HK$Nil) which was past due but not impaired, the directors are satisfied with the credit quality of financial assets.

(b) Liquidity risk

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

Maturities of the financial liabilities of the Group at 31 December 2008 were as follows:–

	2008 **HK$'000**	2007 HK$'000
Total amounts of contractual undiscounted obligations:–		
Bank loans and overdrafts	**9,098**	–
Trade payable	**1**	7,444
Payable to merchants	**36,456**	72,420
Sundry creditors and accruals	**9,482**	3,027
Amount due to a director	**42**	29
Bills payable	**–**	3,623
Amount due to an associate	**5**	–
Due for payment within one year	**55,084**	86,543

Notes to the Financial Statements

For the year ended 31 December 2008

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

(c) Currency risk

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

Carrying amounts of monetary financial assets and monetary financial liabilities at 31 December 2008 that exposed to currency risks against Hong Kong dollars were as follows:–

	2008	2007
	HK$'000	HK$'000
Financial assets denominated in foreign currencies:		
Cash and bank balances	**53,607**	92,705
Debtors	**7,790**	23,850
Other deposits and other receivables	**6,277**	–
Financial liabilities denominated in foreign currencies:		
Bank loans	**9,095**	–
Trade payable	**1**	7,444
Payable to merchants	**33,836**	69,154
Sundry creditors and accruals	**6,577**	1,938
Net financial assets exposed to currency risks	**18,165**	38,019

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

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

Should Hong Kong dollars at 31 December 2008 devalue by 10% against all foreign currencies except United States dollars, the carrying amount of the net financial assets exposed to currency risk at 31 December 2008 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 31 December 2008 would be increased by HK$1,760,000 (2007: HK$3,582,000); and no effect on the profit for the year ended 31 December 2008 and 2007.

Notes to the Financial Statements

For the year ended 31 December 2008

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

(d) Market price risk

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

The Group is exposed to equity price risk arising from equity investments classified as financial assets at fair value through profit or loss (note 22). The Group is not exposed to commodity price risk.

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

(e) Interest rate risk

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

The Group's exposure to interest rate risk arises from its bank balances and bank loans. The bank balances bear interest at rates varied with the then prevailing market condition. If the market interest rate at 31 December 2008 had been 10 basis point lower or higher with all other variables held constant, there would be no significant change to the profit for the year.

At 31 December 2008, bank loans of HK$9,095,000 bearing fixed interests were exposed to fair value market rate risk. Since the loans were measured at amortised cost, their carrying amounts would not be affected by changes in market interest rate.

Notes to the Financial Statements

For the year ended 31 December 2008

35. RELATED PARTY TRANSACTIONS

(a) Apart from the transaction as disclosed in notes 21 and 27 to the financial statements, the Group had no other material transaction with its related party during the year.

(b) Key management compensation

	2008	2007
	HK$'000	HK$'000
Fees for key management personnel	**310**	72
Salaries, allowances and other benefits in kind	**2,903**	2,255
Pension scheme contributions	**297**	116
Equity-settled share-based payment expenses	**2,600**	940
	6,110	3,383

36. BANKING FACILITIES

At 31 December 2008, the Group's banking facilities to the extent of approximately HK$5,685,000 (2007: HK$4,000,000) were secured by:–

(a) unlimited cross guarantees executed by its subsidiaries; and

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

Notes to the Financial Statements

For the year ended 31 December 2008

37. CONTINGENT LIABILITIES

At 31 December 2008, the Group and the Company had no contingent liabilities.

38. SEGMENT REPORTING

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:–

(a) Payment solutions

Provision of payment solutions and ongoing technical support services.

(b) Timber trading and furniture manufacturing

Trading of timber and manufacturing of furniture.

(c) Trading and system integration

Trading, provision of system integration and related technical support services.

Other operating segment represents the operating segment which does not meet the quantitative threshold for determining reportable segment. It represents investment holding activities.

In determining the Group's geographical segments, revenues are attributable to the segments based on the location of the customers, and assets are attributable to the segments based on the location of the assets.

Notes to the Financial Statements

For the year ended 31 December 2008

38. SEGMENT REPORTING *(Continued)*

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments:–

	Payment solutions		Timber trading and furniture manufacturing		Trading and system integration		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue										
Revenue from external customers	**66,484**	42,028	**8,665**	24,102	**2**	6,135	**–**	–	**75,151**	72,265
Other revenue	**723**	1,869	**1,719**	637	**–**	38	**32**	252	**2,474**	2,796
Total revenue	**67,207**	43,897	**10,384**	24,739	**2**	6,173	**32**	252	**77,625**	75,061
Segment results	**40,874**	22,004	**2,012**	1,362	**1**	(352)	**(21,656)**	(9,551)	**21,231**	13,463
Interest income									**774**	767
Profit from operations									**22,005**	14,230
Finance costs									**(1,235)**	(248)
Share of results of an associate									**(13)**	–
Profit before income tax									**20,757**	13,982
Income tax credit/(expense)									**1,626**	(1,334)
Profit for the year									**22,383**	12,648
Attributable to:										
– Shareholders of the Company									**22,426**	12,648
– Minority interests									**(43)**	–
									22,383	12,648

Notes to the Financial Statements

For the year ended 31 December 2008

38. SEGMENT REPORTING *(Continued)*

(a) Business segments *(Continued)*

	Payment solutions		Timber trading and furniture manufacturing		Trading and system integration		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation for the year	**1,378**	1,234	**242**	121	**–**	–	**512**	295	**2,132**	1,650
Amortisation	**111**	–	**26**	9	**–**	–	**1,018**	–	**1,155**	9
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**–**	22	**–**	22
Segment assets	**110,311**	175,541	**37,198**	35,630	**–**	1	**139,727**	16,228	**287,236**	227,400
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total assets	**110,311**	175,541	**37,198**	35,630	**–**	1	**139,727**	16,228	**287,236**	227,400
Segment liabilities	**46,881**	75,685	**5,788**	12,044	**–**	–	**4,415**	616	**57,084**	88,345
Unallocated liabilities	**1,798**	3,030	**–**	–	**–**	–	**–**	–	**1,798**	3,030
Total liabilities	**48,679**	78,715	**5,788**	12,044	**–**	–	**4,415**	616	**58,882**	91,375
Capital expenditure incurred during the year	**1,141**	2,494	**532**	2,044	**–**	–	**4,235**	6,372	**5,908**	10,910

Notes to the Financial Statements

For the year ended 31 December 2008

38. SEGMENT REPORTING *(Continued)*

(b) Geographical segments

	PRC		Hong Kong		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**56,423**	48,481	**18,728**	23,784	**75,151**	72,265
Other revenue	**2,328**	908	**146**	1,888	**2,474**	2,796
Total revenue	**58,751**	49,389	**18,874**	25,672	**77,625**	75,061
Segment assets	**219,499**	145,337	**67,737**	82,063	**287,236**	227,400
Capital expenditure incurred during the year	**5,658**	8,043	**250**	2,867	**5,908**	10,910

Financial Summary

RESULTS

	Year ended 31 December			Period from 1 April 2005 to 31 December	Year ended 31 March
	2008	2007	2006	2005	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**75,151**	72,265	40,546	7,750	5,043
Profit/(loss) for the year/period	**22,383**	12,648	5,562	(9,380)	(9,060)
Attributable to:					
Shareholders of the Company	**22,426**	12,648	5,562	(9,380)	(9,060)
Minority Interests	**(43)**	–	–	–	–
	22,383	12,648	5,562	(9,380)	(9,060)

ASSETS AND LIABILITIES

	At 31 December				At 31 March
	2008	2007	2006	2005	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**172,777**	60,756	48,580	45,946	29,301
CURRENT ASSETS	**114,459**	166,644	65,770	31,547	15,965
DEDUCT :					
CURRENT LIABILITIES	**57,084**	88,345	31,045	32,199	9,357
NET CURRENT ASSETS/(LIABILITIES)	**57,375**	78,299	34,725	(652)	6,608
	230,152	139,055	83,305	45,294	35,909
DEDUCT :					
NON-CURRENT LIABILITIES	**(1,798)**	(3,030)	(23,972)	(35,182)	(10,000)
NET ASSETS	**228,354**	136,025	59,333	10,112	25,909