Radford

Annual Report 2007

Radford Capital Investment Limited
萊福資本投資有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 901)

Contents

Corporate Information

DIRECTORS

Executive Directors

CHUNG Yuk Lun *(Chairman)*
NAKAJIMA Toshiharu *(Chief Executive Officer)*
SHIMAZAKI Koji

Independent Non-executive Directors

CHAN Sze Hung
KAN Kwok Shu, Albert
WONG Wai Man, Raymond

COMPANY SECRETARY

TONG So Yuet

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2108, China United Centre
28 Marble Road
North Point
Hong Kong

AUDITORS

HLM & Co.
Certified Public Accountants

PRINCIPAL BANKER

Standard Chartered Bank

CUSTODIAN

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

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on Monday, 26th May 2008 at 9:00 a.m. for the following purposes:–

1. To receive and consider the audited financial statements and the reports of the Board and auditors for the year ended 31st December 2007.

2. To re-elect Mr. Shimazaki Koji, Mr. Chan Sze Hung and Mr. Chung Yuk Lun and to authorise the board of directors ("Board") to fix their remuneration. *(Note 6)*

3. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions of the Company:–

ORDINARY RESOLUTIONS

A. "**THAT** the re-appointment of Messrs. HLM & Co. as auditors of the Company until the next annual general meeting at a remuneration to be fixed by the Board be and is hereby approved."

B. "**THAT**:–

(a) subject to paragraph (b) below, the exercise by the Board during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on the Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the shares which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company ("Articles") or any applicable law to be held; or

(iii) the date on which the authority given to the Board set out in the Resolution is revoked or varied by passing of an ordinary resolution of the shareholders of the Company in general meeting."

C. "**THAT**:–

(a) subject to paragraph (c) below, the exercise by the Board during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK$0.10 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power, subject to and in accordance with the requirements of the Listing Rules as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorize the Board during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Board pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares as scrip dividends pursuant to the Articles from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted and approved by the shareholders of the Company for the grant or issue of shares or rights of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law to be held; or

(iii) the date on which the authority given to the Board set out in this Resolution is revoked or varied by passing of an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares in the Company, or an offer of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Board to the shareholders of the Company on the register of members on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong applicable to the Company)."

D. "**THAT** subject to the passing of Ordinary Resolutions 3B and 3C set out in the notice convening this meeting, the general mandate granted to the Board and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares pursuant to Ordinary Resolution 3C set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution 3B set out in the notice convening this meeting, provided that such amount of shares shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution."

By Order of the Board
Tong So Yuet
Company Secretary

Dated the 24th April 2008

Notes:

1. Every member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, not less than 48 hours before the time appointed for the holding of the Annual General Meeting, or adjourned meeting.

3. Where there are joint registered holders of any share, any one of such persons may vote at the meeting either personally or by proxy, in respect of such shares as if they were solely entitled thereto, but if more than one of such joint holders be present at the Annual General Meeting personally or by proxy, that the person whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

4. An explanatory statement as required by the Listing Rules in connection with the proposed repurchase mandate under resolution 3B above will be dispatched to members together with the 2007 Annual Report of the Company.

5. A form of proxy for use in connection with the Annual General Meeting is enclosed.

6. The biographical details of the directors subject to re-election are contained in page 11 of the Company's 2007 Annual Report.

BUSINESS REVIEW

The Group is principally engaged in investment in listed and unlisted companies in Hong Kong and overseas market.

As at 31st December 2007, the Group's investment portfolio covered companies in a wide range of industries which includes investment holdings, investment in securities, property investment and management, manufacture and sales of accessories for photographic, electrical and multimedia products, provision of brokerage and financial services, construction and operation of toll highway, metal trading and development and trading of communication equipment, etc.

The turnover of the Group was approximately HK$1,101,897,000 representing an increase of 3.78 times as compared to that of approximately HK$230,698,000 in last financial year. The net loss of the Group was increased by 4.13% which was approximately HK$29,720,000 in the year of 2007 compared to approximately HK$28,541,000 in last financial year. The loss is mainly caused by an increase in the unrealised holding loss on investment in listed financial assets due to the downward correction in the stock market.

As at 31st December 2007, the total assets of the Group were approximately HK$487,024,000 of which the non-current portion and the current portion were approximately HK$275,000 and approximately HK$486,749,000 respectively. The current liabilities of the Group were increased to approximately HK$69,519,000 as at 31st December 2007 from approximately HK$5,813,000 as at 31st December 2006 as the Group increased its borrowings to broadening its investment portfolio. The net assets of the Group as at 31st December 2007 were approximately HK$417,505,000 compared to approximately HK$160,445,000 as at 31st December 2006.

The Group had outstanding minimum lease payments under non-cancellable operating leases of approximately HK$190,000 within five years from 31st December 2007.

OUTLOOK

Sub-prime mortgage loans turned into a nightmare to all investors as they caused the global credit crunch. People in Hong Kong do not even know this terminology not long ago. However, we have come across CDOs, ABS, MBS and other structured financial products recently. The worst is the destructive power of the global credit crunch tantamounts to that of a tsunami. Most major markets have experienced a substantial drop in the prices of stocks, bonds, foreign currencies and commodities. As a result, many investors suffered substantial losses in their investment portfolios.

Looking back at the causes of the credit crunch, they are mainly abundant money supply and the loose credit control in granting the sub-prime mortgage loans to home buyers who do not have prudent repayment ability. U.S. market had enjoyed low interest rates for many years. In order to get more income and a higher yield, merchant banks packaged the sub-prime mortgage loans together with the prime mortgage loans and get a credit rating from the credit rating agencies. This enabled them to sell the structured financial products to financial institutions not only in U.S. but European countries, U.K. and Australia as well. These structured financial products were labelled as low risk and high return. This has been proved to be wrong now. Eventually, market forces had self-regulated the over-lending situation in U.S. when the mortgagors failed to repay their instalment loans. These non-performing debts caused many structured financial products to become worthless because nobody wanted to buy them anymore. Accountants did not know how to value them because they no longer had a market price. As a result, banks refused to lend even to their counterparts in U.S. which inevitably caused the credit crunch to occur. Along with the credit crunch, banks had to make huge provisions for the structured financial products and, as a matter of course, demand customers for early repayment of loans before maturity or put up with additional collaterals. This in return triggered selloffs in global stocks markets and finally caused liquidity problem to major financial institutions such as Bear Stearns and Carlyle.

We expect the correction in U.S. market to continue in the next 3 to 4 years. Property price will continue to drop, unemployment rate will continue to increase as more firms go into liquidation, domestic consumption will continue to decrease as more people lose their jobs. All these will drive U.S. into a recession. The correction process will continue until and unless the over-lending situation is corrected and the market confidence restored.

Turning to PRC, we did mention last time that the high officials were very determined to cure inflation, by tightening the money supply and various austerity measures. We expect the overall direction will continue in the near future. However, given the global credit crunch and the cut in Fed lending rates recently, we believe PRC will not raise the interest rates because this will further attract hot money and escalate the inflation. Another concern is that interest rate hikes will increase the production cost of exportors which may further dampen the export industry especially the U.S. market and cause unemployment rate to deteriorate. Instead, PRC government will use other measures such as increasing the banks' deposit reserve rate, controlling banks' overall lending limit, controlling prices in certain important daily necessities and other administrative measures to cure the inflation.

OUTLOOK *(continued)*

Having reviewed the U.S. economy and the PRC economy, we believe that there are opportunities lying ahead of us. The reasons being U.S. sub-prime mortgage loans are already known to the market and their related problems have been mostly digested by the market. Therefore, such market uncertainty has been removed temporarily, at least. Secondly, Hong Kong has followed U.S. to lower the interest rates to a very low level which will drive the deposits from banks to the stock market. Last but not the least, the austerity measures in PRC are aimed to control the inflation before it is out of hand so that her economic growth will be on a more steady and substained basis. Hong Kong will certainly benefit from PRC substained economic growth. In conclusion, many Hong Kong companies have good earning potentials and their stock prices are very attractive. Therefore, we believe Hong Kong stock market will outperform other stock markets once the selloffs by hedge funds is over in the near future.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2006: NIL).

PLEDGE OF ASSETS

At the balance sheet date, the Group's investments in listed financial assets at fair value through profit or loss with carrying value amounting to HK$474,867,871 (2006: HK$151,753,841) were pledged to brokers to secure margin financing provided to the Group.

EMPLOYEES

As at 31st December 2007, the Group had approximately 5 employees with remuneration of approximately HK$1.11 million (2006: HK$1.18 million) for the Year. The Group's emolument policies are formulated on the performance of individual employee and will be reviewed regularly every year.

The Group has established a share option scheme for its employees and other eligible participants with a view to providing an incentive to or as a reward for their contribution to the Group. During the Year, the Group had issued 78,960,000 (2006: 39,600,000) options to eligible participants.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to the management and staff members for their continued dedication and contribution. I would like to express our gratitude to our shareholders for their support to the Group.

For and on behalf of the Board
CHUNG Yuk Lun
Chairman

Hong Kong, 3rd April 2008.

EXECUTIVE DIRECTORS

Mr. CHUNG Yuk Lun, aged 47, Chairman of the Company, is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants. Mr. Chung has over 20 year's experience in finance and project investment. He is currently the executive director of Ming Fung Jewellery Group Limited and the independent non-executive director of Heritage International Holdings Limited and Forefront Group Limited, all of which are companies listed on the Stock Exchange of Hong Kong Limited.

Mr. NAKAJIMA Toshiharu, aged 71, Chief Executive Officer of the Company, has over 41 years of experience in investment advisory and asset management. He holds a Bachelor of Economics degree from Waseda University in Tokyo, Japan. Mr. Nakajima is currently the independent non-executive director of Willie International Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited.

Mr. SHIMAZAKI Koji, aged 38, holds a Bachelor of Science degree in Engineering and a Master degree in Electronic Engineering from Kanagawa University in Yokohama, Japan. He has over 6 years of experience in web developing and programming, production and quality control engineering.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Sze Hung, aged 55, has over 20 years of experience in the legal profession and is a consultant of Chan, Lau & Wai, a firm of solicitors in Hong Kong. Mr. Chan is currently the independent non-executive directors of Asia Orients Holdings Limited, Heritage International Holdings Limited and Mascotte Holdings Limited, all of which are companies listed on the Stock Exchange of Hong Kong Limited. Mr. Chan graduated from the University of Hong Kong with a degree in law.

Mr. KAN Kwok Shu, Albert, aged 50, holds a Bachelor degree in Commerce from the University of Calgary, Canada. Mr. Kan held various senior positions in leading fund management companies such as Jardine Fleming Investment Management Limited, Euro Pacific Advisers Limited and Thornton Management (Asia) Limited. Mr. Kan has over 20 years of investment experience in the Asia-Pacific region, in particular the Greater China Market.

Mr. WONG Wai Man, Raymond, aged 43, holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 15 years experience in finance and accounting.

CORPORATE GOVERNANCE PRACTICES

For the year ended 31st December 2007, in the opinion of the Board, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules with deviation from code provision A.4.1 of the Code in respect of the service term of independent non-executive Directors.

Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by Directors of the Company. Having made specific enquiries of all Directors, the Company has confirmed that all Directors have compiled with the requirements set out in the Model Code for the year ended 31st December 2007.

The Board

Composition and appointment

As at 31st December 2007, the Board comprises six Directors, including three executive Directors and three independent non-executive Directors. Names and biographies of the Directors are set out on page 11 of this annual report. The term of office for all of the Directors (including non-executive Directors) is not specified.

None of the existing non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, not less than one-third of the Directors of the Company (both executive and independent non-executive) are subject to retirement by rotation at each annual general meeting under the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those provided in the Code.

The Company has complied with Rules 3.10 (1) and (2) of the Listing Rules, one of the independent non-executive Directors possess the requisite appropriate professional qualifications. The Board confirmed that the independence and eligibility of the independent non-executive Directors are in compliance with the relevant requirements of the Listing Rules.

The Board has effectively overseen and monitored the activities of the Company, ensured a proper internal control system is in place and the decisions were made in the best interests of the Company. During the financial year ended 31st December 2007, the Board convened a total of 47 meetings, performing its duties in considering, inter alia, rights issue, placing of the Company's shares, and financial and other matters pursuant to the provisions of the Articles of Association of the Company. Real-time teleconference system was adopted at each meeting to increase the attendance rate. The attendance rate of executive directors was over 96%.

Statistics of Directors' attendance at the Board meetings during the year ended 31st December 2007:

Name of Director	Attendance Times	Rate (%)	Title
Chung Yuk Lun	45	96%	Chairman, Executive Director
Nakajima Toshiharu	45	96%	Chief Executive Officer, Executive Director
Shimazaki Koji	46	98%	Executive Director
Chan Sze Hung	4	9%	Independent Non-Executive Director
Kan Kwok Shu, Albert	5	11%	Independent Non-Executive Director
Wong Wai Man, Raymond	4	9%	Independent Non-Executive Director
Wong Kai Cheong (resigned on 30th September 2007)	3	6%	Independent Non-Executive Director

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Chairman and chief executive officer

The office of chairman and chief executive officer of the Company has been segregated by different individuals, namely Mr. Chung Yuk Lun, the Chairman, and Mr. Nakajima Toshiharu, the Chief Executive Officer, since February 2006 and, hence, the Company has complied with A.4.2 of the Code. Mr. Chung and Mr. Nakajima are not related to each other in financial, business or family aspects.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities for preparing the financial statements of the Group. The directors ' responsibilities in the preparation of the financial statements and the auditors ' responsibilities are set out in the Report of the Auditors. The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditors about their reporting responsibility is set out in the Report of the Auditors.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

The Board reviews the effectiveness of the Group's material internal controls. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

REMUNERATION COMMITTEE

The Company has a remuneration committee for determining the remuneration of Directors. The members of the remuneration committee are: ***Chung Yuk Lun, Chan Sze Hung and Wong Wai Man, Raymond***. During the financial year ended 31st December 2007, the committee held 1 meeting to discuss remuneration related matters. The individual attendance of each member is as follows:–

Name of member	**Attendance Times**	**Rate** *(%)*	**Title**
Chan Sze Hung	1	100	Chairman, Independent Non-Executive Director
Wong Wai Man, Raymond	1	100	Independent Non-Executive Director
Chung Yuk Lun	1	100	Executive Director

Mr. Chan Sze Hung is the chairman of the remuneration committee. The remuneration committee is responsible for the following functions: determining the policy for remuneration of Directors and senior management, assessing performance of executive Directors, as well as determining the emolument policy of the Company.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors and Chan Sze Hung serves as the chairman of the audit committee. No member of the audit committee is a member of the former or existing auditor of the Company.

During the year ended 31st December 2007, the audit committee held 2 committee meetings. The attendance of each of the members at such meetings is as follows:–

Name of member	Attendance Times	Rate (%)	Title
Chan Sze Hung	2	100	Independent Non-Executive Director
Kan Kwok Shu, Albert	1	50	Independent Non-Executive Director
Wong Wai Man, Raymond	2	100	Independent Non-Executive Director
Wong Kai Cheong (resigned on 30th September 2007)	1	50	Independent Non-Executive Director

Responsibilities of the audit committee include:

(1) to be in charge of the appointment of external auditors, auditing expenses and any matters regarding the resignation or dismissal of the external auditors;

(2) to discuss with the external auditors on the nature and scope of audit prior to the commencement of the auditing procedures; and

(3) to review the interim and annual accounts.

The audit committee has reviewed the auditing performance, the internal controls and the audited financial statements of the Company for the year ended 31st December 2007.

Auditors' Remuneration

For the year ended 31st December 2007, the auditors of the Company have carried out the audit works amounted to HK$160,000 for the Company.

The directors submit their annual report and the audited financial statements for the year ended 31st December 2007 (the "Year").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. During the Year, the Group is engaged principally in the investments in listed securities in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2007 are set out in the consolidated income statement on page 22.

The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Year in the property, plant and equipment of the Group and the Company are set out in note 15 to the financial statements.

CAPITAL STRUCTURE AND SHARE CAPITAL

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

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out in note 21 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year, the Company did not purchase, sell or redeem any of the Company's own securities.

DIRECTORS

The directors of the Company during the Year and up to the date of this report were:

Mr. CHUNG Yuk Lun, Chairman
Mr. NAKAJIMA Toshiharu, Chief Executive Officer
Mr. SHIMAZAKI Koji
Mr. CHAN Sze Hung#
Mr. KAN Kwok Shu, Albert#
Mr. WONG Wai Man, Raymond#
Mr. WONG Kai Cheong# (resigned on 30th September 2007)

Independent non-executive directors

According to article 88(1) of the Company's articles of association, Mr. Shimazaki Koji, Mr. Chan Sze Hung and Mr. Chung Yuk Lun, who are subject to retirement by rotation, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 31st December 2007, the following persons (other than the directors or chief executive of the Company) had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO"):

Name of Shareholders	Number of ordinary shares	Percentage
– Dollar Group Limited *(Note a)*	230,000,000	12.66%
– Pearl Decade Limited *(Note b)*	132,039,405	7.27%

Notes:

(a) Dollar Group Limited is a wholly-owned subsidiary of Heritage International Holdings Limited, a company listed on the Stock Exchange.

(b) Pearl Decade Limited is a wholly-owned subsidiary of Willie International Holdings Limited, a company listed on the Stock Exchange.

Save as disclosed above, the Company had not been notified by any other person (other than the directors or chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31st December 2007.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURE

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the Year was the Company or its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. The Company did not grant any right to subscribe for the shares in the Company to any directors or chief executive of the Company or their respective spouse or children under the age of 18 during the Year.

SHARE OPTION SCHEME

Pursuant to a resolution passed by shareholders of the Company on 7th February 2005, the Company adopted a share option scheme (the "Share Option Scheme"), the principal terms of which are set out in the circular of the Company dated 12th January 2005.

Details of options granted under the Share Option Scheme are summarised as follows:

Date of grant	Eligible person	Outstanding at 01.01.2007	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.12.2007	Exercise period	Exercise price per share
8.2.2007	Employees of Investee Companies	–	78,960,000	78,960,000	–	–	–	8.2.2007– 7.2.2009	HK$0.053
		–	78,960,000	78,960,000	–	–	–		

Save as disclosed above, no option was granted, exercised or cancelled during the Year. The Directors consider that it is not appropriate to state the value of the share options granted during the Year on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

PLEDGE OF ASSETS

Details of pledge of assets are set out in note 23 to the financial statements.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme are set out in note 24 to the financial statements.

CONNECTED TRANSACTIONS

The following connected transactions occurred during the Year.

1. **Custodian Agreement**

   On 11th February 2002 Standard Chartered Bank (the "Custodian") entered into the custodian agreement with the Company pursuant to which the Custodian agreed to provide services to the Company including the safe custody and physical settlement of the securities in the investment portfolio of the Company and its subsidiaries, and the collection of dividends and other entitlements in respect of such securities. The custodian agreement will continue in force until terminated by either the Company or the Custodian giving to the other not less than 90 days' notice in writing expiring at any time. During the Year, the Group has paid to the Custodian HK$4,485 (2006: HK$4,680).

   The Custodian is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the custodian agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

2. **Investment Management Agreements**

   CU Investment Management Limited ("CUIM") has been appointed as the investment manager of the Company since 3rd November 2003. CUIM is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the investment management agreement constitutes a continuing connected transaction of the Company.

   On 16th November 2005, the Company has agreed with CUIM the investment management fee should be HK$68,000 per month with effect from 1st January 2007.

   The aggregate investment management fee paid/payable to CUIM for the Year amounted to HK$816,000 (2006: HK$960,000).

CONNECTED TRANSACTIONS *(continued)*

3. Grant of Waiver

The waiver from strict compliance with the disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules has been expired on 31st December 2006. Since the annual investment management fee for the year 2007 was HK$816,000 and will further be reduced to HK$50,000 per month with effect from 1st March 2008, the Company will not apply for the waiver as it is unnecessary to do so under the Listing Rules.

PUBLIC FLOAT

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

AUDIT COMMITTEE

The audit committee, currently comprising three independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters of the Company and has reviewed the annual results of the Group for the year ended 31st December 2007.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, although there are no restrictions against such rights under the laws in the Cayman Islands.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. HLM & Co. as auditors of the Company.

On behalf of the Board
CHUNG Yuk Lun
Chairman

Hong Kong, 3rd April 2008

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

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TO THE MEMBERS OF RADFORD CAPITAL INVESTMENT LIMITED 萊福資本投資有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Radford Capital Investment Limited 萊福資本投資有限公司(the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 61, which comprise the consolidated and Company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

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

HLM & Co.
Certified Public Accountants
Hong Kong, 3rd April 2008

Consolidated Income Statement

For the year ended 31st December 2007

	Notes	2007 HK$	2006 HK$
Turnover	(5)	**1,101,896,960**	230,697,848
Purchase costs of financial assets at fair value through profit or loss		**(1,040,452,441)**	(218,242,649)
Net unrealised holding loss on financial assets at fair value through profit or loss		**(85,075,745)**	(34,531,924)
Realised gain arising from financial instruments designated as derivatives		**–**	1,565
Other operating income	(7)	**1,072,358**	638,910
Administrative and other operating expenses		**(5,498,693)**	(6,172,708)
Loss from operations	(8)	**(28,057,561)**	(27,608,958)
Finance costs	(9)	**(1,662,596)**	(932,074)
Loss before taxation		**(29,720,157)**	(28,541,032)
Taxation	(12)	**–**	–
Net loss attributable to shareholders		**(29,720,157)**	(28,541,032)
Dividend	(13)	**–**	–
			(Restated)
Loss per share	(14)		
Basic		**(0.117)**	(0.178)
Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31st December 2007

	Notes	2007 HK$	2006 HK$
Non-current assets			
Property, plant and equipment	(15)	**275,180**	489,112
Current assets			
Financial assets at fair value through profit or loss	(17)	**481,969,061**	162,402,815
Accounts receivable, deposit and prepayment		**99,340**	751,000
Cash and bank balances		**4,680,122**	2,614,871
		486,748,523	165,768,686
Current liabilities			
Borrowings	(18)	**58,000,000**	–
Creditors and accrued expenses		**11,518,964**	5,812,525
		69,518,964	5,812,525
Net current assets		**417,229,559**	159,956,161
Net assets		**417,504,739**	160,445,273
Capital and reserves			
Share capital	(19)	**36,344,729**	31,584,908
Reserves	(21)	**381,160,010**	128,860,365
Total shareholders' fund		**417,504,739**	160,445,273

The financial statements on pages 22 to 61 were approved and authorised for issue by the directors on 3rd April 2008 and are signed on its behalf by:

Chung Yun Lun
Director

Shimazaki Koji
Director

Balance Sheet

As at 31st December 2007

	Notes	2007 HK$	2006 HK$
Non-current assets			
Property, plant and equipment	(15)	**275,180**	489,112
Investments in subsidiaries	(16)	**474,170,166**	158,227,898
		474,445,346	158,717,010
Current assets			
Deposit and prepayment		**40,000**	40,000
Cash and bank balances		**4,179,793**	2,103,606
		4,219,793	2,143,606
Current liabilities			
Short term borrowings	(18)	**58,000,000**	–
Other payables and accrued expenses		**3,160,400**	415,343
		61,160,400	415,343
Net current (liabilities)/assets		**(56,940,607)**	1,728,263
Net assets		**417,504,739**	160,445,273
Capital and reserves			
Share capital	(19)	**36,344,729**	31,584,908
Reserves	(21)	**381,160,010**	128,860,365
Total shareholders' fund		**417,504,739**	160,445,273

Chung Yun Lun
Director

Shimazaki Koji
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2007

	Share capital HK$	Share premium HK$	Capital redemption reserves HK$	Accumulated losses HK$	Total HK$
At 1st January 2006	15,840,908	225,049,662	168,800	(99,915,265)	141,144,105
Issue of shares by placing	14,160,000	29,445,000	–	–	43,605,000
Issue of shares for share options exercised	1,584,000	2,653,200	–	–	4,237,200
Loss for the year	–	–	–	(28,541,032)	(28,541,032)
At 31st December 2006 and 1st January 2007	31,584,908	257,147,862	168,800	(128,456,297)	160,445,273
Issue of shares by placing	22,963,153	99,827,305	–	–	122,790,458
Issue of shares for share options exercised	3,158,400	1,026,480	–	–	4,184,880
Issue of shares by converting the convertible notes	24,000,000	16,800,000	–	–	40,800,000
Capital reduction *(Note 1)*	(82,961,023)	–	–	82,961,023	–
Rights issue	37,599,291	87,227,349	–	–	124,826,640
Shares issue expenses	–	(5,822,355)	–	–	(5,822,355)
Loss for the year	–	–	–	(29,720,157)	(29,720,157)
As 31st December 2007	**36,344,729**	**456,206,641**	**168,800**	**(75,215,431)**	**417,504,739**

Note 1:

By the approval of the Grand Court of the Cayman Island dated 16th July 2007 with respect to the reduction of share capital. Reserve arising on capital reduction was used to set off the accumulated losses.

Consolidated Cash Flow Statement

For the year ended 31st December 2007

	2007 HK$	2006 HK$
Operating activities		
Loss before taxation	**(29,720,157)**	(28,541,032)
Adjustments for:		
Depreciation on property, plant and equipment	**129,744**	147,106
Net unrealised holding loss on financial assets at fair value through profit or loss	**85,075,745**	34,531,924
Loss on disposal of property, plant and equipment	**84,188**	–
Interest expenses	**1,662,596**	932,074
Interest income	**(568,407)**	(39,527)
Dividend income from financial assets at fair value through profit or loss	**(1,135,222)**	(1,188,277)
Operating cash flows before movements in working capital	**55,528,487**	5,842,268
Increase in financial assets at fair value through profit or loss	**(404,641,991)**	(34,632,801)
Decrease/(increase) in accounts receivable, deposit and prepayment	**711,000**	(619,211)
Increase/(decrease) in creditors and accrued expenses	**5,706,439**	(5,973,512)
Net cash used in operations	**(342,696,065)**	(35,383,256)
Interest paid	**(1,662,596)**	(932,074)
Net cash used in operating activities	**(344,358,661)**	(36,315,330)
Investing activities		
Interest received	**568,407**	39,527
Dividend received from financial assets at fair value through profit or loss	**1,075,882**	1,188,277
Purchase of property, plant and equipment	**–**	(153,579)
Net cash generated from investing activities	**1,644,289**	1,074,225
Financing activities		
Net proceeds from issue of shares	**286,779,623**	47,842,200
Increase/(decrease) in borrowings	**58,000,000**	(15,000,000)
Net cash generated from financing activities	**344,779,623**	32,842,200
Net increase/(decrease) in cash and cash equivalents	**2,065,251**	(2,398,905)
Cash and cash equivalents at beginning of the year	**2,614,871**	5,013,776
Cash and cash equivalents at end of the year	**4,680,122**	2,614,871
Cash and cash equivalents represent:		
Cash and bank balances	**4,680,122**	2,614,871

1. GENERAL

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal office of business in Hong Kong is at Room 2108, China United Centre, 28 Marble Road, North Point, Hong Kong.

The Group is principally engaged in investment holding and trading of financial assets at fair value through profit or loss.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

[1] *Effective for annual periods beginning on or after 1st January 2009*

[2] *Effective for annual periods beginning on or after 1st March 2007*

[3] *Effective for annual periods beginning on or after 1st January 2008*

[4] *Effective for annual periods beginning on or after 1st July 2008*

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

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in financial assets at fair value through profit or loss.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group companies are eliminated on consolidation.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Sales proceeds of investments in financial assets at fair value through profit or loss are recognised on a trade date basis.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rates applicable.

Dividend income from investments in financial assets at fair value through profit or loss is recognised when the Group's rights to receive payment have been established.

Borrowing costs

All borrowing costs are recognised as expenses in the year in which they are incurred.

Retirement benefit schemes

(i) Mandatory Provident Fund Scheme

The retirement benefit costs charged to the consolidated income statement represent the Group's contributions payable in respect of the current year to the retirement funds scheme.

(ii) Employees' share options

The Company issues equity-settled share-based payments to certain employees and other eligible participants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates:

Leasehold improvement	20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicle	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year in which the item is derecognised.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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

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

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

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

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

Available-for-sale financial assets

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Available-for-sale financial assets *(continued)*

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

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

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

***Impairment of financial assets** (continued)*

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, where the carrying amount is reduced through the use of an allowance account.

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

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

Financial liabilities and equity instruments

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these consolidated financial statements.

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 intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

(a) Market price risk

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

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

The Group's investment activities expose it to the various types of market risks which are associated with the markets in which it invests and to the extent of the amount invested in equities and debts totaling HK$473,046,971 as at year end (2006: HK$151,116,019).

(b) Credit risk

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

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

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

(c) Interest rate risk

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

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

(d) Foreign currency risk

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

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

(e) Fair values

As at 31st December 2007, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the balance sheet at amounts approximating to their fair values.

5. TURNOVER

The Group is principally engaged in investment holding and trading of financial assets at fair value through profit or loss. An analysis of turnover is as follows:

	2007	2006
	HK$	*HK$*
Proceeds from sale of financial assets at fair value through profit or loss	**1,100,761,738**	229,509,571
Dividend income from financial assets at fair value through profit or loss	**1,135,222**	1,188,277
	1,101,896,960	230,697,848

6. SEGMENT INFORMATION

During the years ended 31st December 2006 and 2007, the Group's turnover and net losses were mainly derived from investment holding and trading of financial assets at fair value through profit or loss in Hong Kong. The directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is trading of financial assets, it is not considered meaningful to provide a business segment analysis of operating losses. The Group's segment assets and liabilities for the Year, analysed by geographical market, are as follows:

	PRC (except Hong Kong)		Hong Kong		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment assets	**–**	1,161,796	**487,023,703**	165,096,002	**487,023,703**	166,257,798
Segment liabilities	**–**	–	**69,518,964**	5,812,525	**69,518,964**	5,812,525

7. OTHER OPERATING INCOME

	THE GROUP	
	2007	2006
	HK$	*HK$*
Included in other operating income are as follows:		
Bank interest income	**710**	559
Other interest income	**567,697**	38,968
Sundry income	**503,951**	599,383
	1,072,358	638,910

8. LOSS FROM OPERATIONS

	THE GROUP 2007 HK$	2006 HK$
Loss from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	**160,000**	155,000
Under-provision in prior years	**–**	18,000
Depreciation of plant and equipment	**129,744**	147,106
Net unrealised holding loss on investments in unlisted financial assets at fair value through profit or loss	**2,364,706**	19,753,704
Operating lease rentals in respect of rented premises	**250,000**	273,730
Staff costs		
Wages and salaries	**1,490,538**	1,547,050
Pension costs	**24,576**	53,138
Net unrealised holding loss on investments in listed financial assets at fair value through profit or loss	**82,711,039**	15,097,071

9. FINANCE COSTS

	THE GROUP 2007 HK$	2006 HK$
Interest on borrowings wholly repayable within five years	**1,662,596**	932,074

10. DIRECTORS' EMOLUMENTS

	THE GROUP	
	2007	2006
	HK$	*HK$*
Fees		
Executive directors	**–**	–
Independent non-executive directors	**405,000**	420,000
Other emoluments of executive directors		
Management remuneration	**520,000**	743,000
Contributions to pension schemes	**6,300**	12,950
Total emoluments	**931,300**	1,175,950

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

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office and no directors had waived any emoluments during the year.

10. DIRECTORS' EMOLUMENTS *(continued)*

The emoluments paid or payable to each of the seven (2006: 9) directors were as follows:

The Group

	Fees	Management remuneration	Employer's contributions to pension schemes	**2007** Total emoluments	2006 Total emoluments
	HK$	*HK$*	*HK$*	***HK$***	*HK$*
Executive directors					
Chung Yuk Lun	–	10,000	–	**10,000**	10,000
Nakajima Toshiharu	–	384,000	–	**384,000**	384,000
Shimazaki Koji	–	126,000	6,300	**132,300**	141,750
Szeto Siu Kit	–	–	–	**–**	21,000
Chung Wilson	–	–	–	**–**	199,200
Independent non-executive directors					
Chan Sze Hung	120,000	–	–	**120,000**	120,000
Kan Kwok Shu, Albert	120,000	–	–	**120,000**	120,000
Wong Wai Man, Raymond	120,000	–	–	**120,000**	120,000
Wong Kai Cheong *(Note 1)*	45,000	–	–	**45,000**	60,000
Total	405,000	520,000	6,300	**931,300**	1,175,950

Note:

1. Resigned on 30th September 2007.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2006: four) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining two individuals (2006: one) was as follows:

	THE GROUP	
	2007	2006
	HK$	*HK$*
Basic salaries and other benefits	**565,516**	360,000
Contributions to pension schemes	**18,276**	12,000
Total emoluments	**583,792**	372,000

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

12. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the Year.

Deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

12. TAXATION *(continued)*

The taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2007	2006
	HK$	*HK$*
		(Restated)
Loss before taxation	**(29,720,157)**	(28,541,032)
Tax at applicable rate	**(5,201,027)**	(4,994,681)
Tax effect of non-deductible expenses	**(19,197,089)**	3,425,942
Tax effect of non-taxable revenues	**(205,073)**	(227,989)
Tax effect of tax losses not recognised	**24,603,189**	1,796,728
Tax credit for the year	**–**	–

At the balance sheet date, the Group has unused estimated tax losses of HK$136,692,485 (2006 (restated): HK$106,589,560) available for offsetting against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

13. DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2006: nil).

14. LOSS PER SHARE

The calculation of basic loss per share for the Year is based on the net loss from ordinary activities attributable to shareholders for the Year of HK$29,720,157 (2006: HK$28,541,032) and the weighted average number of 254,617,839 (2006 (restated): 160,012,583) ordinary shares in issue during the Year. The basic loss per share has been adjusted to reflect the consolidation of shares and rights issue during the Year and the consolidation of shares subsequent to the balance sheet date.

No diluted loss per share for the years ended 31st December 2007 and 2006 have been disclosed as no diluting events existed during these years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$*	Furniture and fixtures *HK$*	Office equipment *HK$*	Motor vehicle *HK$*	Total *HK$*
THE GROUP AND THE COMPANY					
COST					
At 1st January 2006	38,280	12,240	72,972	527,764	651,256
Additions	88,050	21,450	44,079	–	153,579
At 31st December 2006	126,330	33,690	117,051	527,764	804,835
Disposals	(88,050)	–	(11,945)	–	(99,995)
At 31st December 2007	**38,280**	**33,690**	**105,106**	**527,764**	**704,840**
DEPRECIATION AND IMPAIRMENT					
At 1st January 2006	27,118	10,200	43,338	87,961	168,617
Charge for the year	18,186	3,828	19,539	105,553	147,106
At 31st December 2006	45,304	14,028	62,877	193,514	315,723
Charge for the year	3,993	4,290	15,908	105,553	129,744
Write back on disposals	(14,015)	–	(1,792)	–	(15,807)
At 31st December 2007	**35,282**	**18,318**	**76,993**	**299,067**	**429,660**
NET BOOK VALUE					
At 31st December 2007	**2,998**	**15,372**	**28,113**	**228,697**	**275,180**
At 31st December 2006	81,026	19,662	54,174	334,250	489,112

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY 2007 HK$	2006 HK$
Overseas unlisted shares, at cost	**10,000,031**	10,000,031
Less: Impairment loss	**(10,000,031)**	(10,000,031)
	–	–
Amount due from subsidiaries less provision	**474,170,166**	158,227,898
	474,170,166	158,227,898

Details of the subsidiaries are set out as follows:

Name of subsidiary	Place of incorporation	Paid up issued/ registered ordinary share capital US$	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Winning Horsee Limited	British Virgin Islands	1	100	–	Trading of financial assets at fair value through profit or loss
Fortuneway Limited	British Virgin Islands	1	100	–	Investment holdings
Sunluck Investments Limited	British Virgin Islands	1	100	–	Investment holdings
Wellsmart Limited	British Virgin Islands	1	100	–	Dormant
Next Method Limited	British Virgin Islands	1	100	–	Investment holdings
Win-Win Business Limited	British Virgin Islands	1	–	100	Trading of financial assets at fair value through profit or loss
Winning Point Limited	British Virgin Islands	1	–	100	Dormant

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2007	2006
	HK$	*HK$*
Financial assets at fair value through profit or loss:		
Listed in Hong Kong	**460,242,271**	136,267,542
Listed overseas	**12,804,700**	14,848,477
Unlisted	**8,922,090**	11,286,796
	481,969,061	162,402,815
Market value of listed financial assets at fair value through profit or loss as at 31st December	**473,046,971**	151,116,019

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

Particulars of the 10 largest investments as at 31st December 2007 are as follows:

	Name of investee company	Number of shares held	Proportion of investee's capital owned	Cost *HK$*	Market value *HK$*	Unrealised holding gain/(loss) arising on revaluation *HK$*	Dividend received/ receivable during the year *HK$*
a)	Poly Investments Holdings Limited	96,000,000	3.69%	68,536,800	104,640,000	36,103,200	–
b)	Y.T. Realty Group Limited	35,436,000	4.43%	63,297,147	68,745,840	5,448,693	292,080
c)	Mascotte Holdings Limited	94,610,000	4.96%	71,137,564	63,388,700	(7,748,864)	–
d)	HSBC Holdings plc	340,000	Less than 0.01%	45,237,241	44,778,000	(459,241)	53,040
e)	Heritage International Holdings Limited	88,211,300	4.96%	81,679,399	32,197,124	(49,482,275)	–
f)	Forefront Group Limited	87,910,000	4.92%	57,559,292	25,493,900	(32,065,392)	–
g)	China Sci-Tech Holdings Limited	66,800,000	0.59%	21,550,129	21,710,000	159,871	–
h)	Willie International Holdings Limited	76,382,000	5.03%	39,447,347	21,386,960	(18,060,387)	–
i)	Wonson International Holdings Limited	102,692,800	0.60%	1,807,393	13,760,835	11,953,442	–
j)	Sinolink Worldwide Holdings Limited	6,676,000	0.20%	16,625,810	11,616,240	(5,009,570)	–

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

a) Poly Investments Holdings Limited ("Poly") was incorporated in Hong Kong and principally engaged in (i) investment holding; (ii) power generation; (iii) iron ore trading (iv) provision of finance, property investment and management; and (v) securities brokerage and investment.

For the year ended 31st December 2006, the audited consolidated loss from ordinary activities attributable to shareholders of Poly Investments was HK$259,651,000 and the basic loss per share was HK$1.96. As at 31st December 2006, its audited consolidated net asset value was HK$263,981,000.

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

b) Y.T. Realty Group Limited ("Y.T. Realty") was incorporated in Bermuda and principally engaged in (i) investment and management of tunnels; (ii) motoring schools and highway and tunnel toll system.

For the year ended 31st December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Y.T. Realty was HK$328,563,000 and the profit per share was HK41.1 cents. As at 31st December 2007, its audited consolidated net asset value was HK$2,987,422,000.

c) Mascotte Holdings Limited ("Mascotte") was incorporated in Bermuda and principally engaged in (i) investment holding; (ii) manufacture and sale of accessories for photographic, electrical and multimedia products; and (iii) property investment.

For the year ended 31st March 2007, the audited consolidated profit attributable to shareholders of Mascotte was HK$10,305,181 and the basic profit per share was HK2.4 cents. As at 31st March 2007, its audited consolidated net asset value was HK$279,783,474.

d) HSBC Holdings plc ("HSBC") is principally engaged in the provision of comprehensive range of banking and related financial services.

For the year ended 31st December 2007, the audited consolidated profit attributable to shareholders of HSBC was US$20,455,000,000 and the basic profit per share was US$1.65 cents. As at 31st December 2007, its audited consolidated net asset value was US$135,416,000,000.

e) Heritage International Holdings Limited ("Heritage") was incorporated in Bermuda and principally engaged in (i) property investment; (ii) the investment in securities; (iii) money lending; (iv) and investment holding.

For the year ended 31st March 2007, the audited consolidated net loss attributable to shareholders of Heritage was HK$228,445,000 and the basic loss per share was HK2.1 cents. As at 31st March 2007, its audited consolidated net asset value was HK$817,486,000.

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

f) Forefront Group Limited ("Forefront") was incorporated in the Cayman Islands and principally engaged in (i) the trading of motor trucks, coaches and vehicle accessories; (ii) provision of motor vehicle repair and maintenance services; and (iii) provision of other motor vehicle related business.

For the year ended 31st December 2006, the audited consolidated net loss attributable to shareholders of Forefront was HK$24,752,000 and the basic loss per share was HK5.68 cents. As at 31st December 2006, its audited consolidated net asset value was HK$24,659,000.

g) China Sci-Tech Holdings Limited ("Sci-Tech") was incorporated in the Cayman Islands and principally engaged in (i) investment holding; (ii) secretarial services; (iii) securities investment; and (iv) property investment.

For the year ended 31st March 2007, the audited consolidated net loss attributable to shareholders of Sci-Tech was HK$63,045,000 and the basic loss per share was HK3.67 cents. As at 31st March 2007, its audited consolidated net asset value was HK$299,128,000.

h) Willie International Holdings Limited ("Willie") was incorporated in Hong Kong and principally engaged in (i) property related investments; (ii) investment in securities; (iii) provision of brokerage and financial services; and (iv) automobile sales and repairing in the PRC.

For the year ended 31st December 2006, the audited consolidated loss from ordinary activities attributable to shareholders of Willie was HK$114,761,000 and the basic loss per share was HK3.4 cents. As at 31st December 2006, its audited consolidated net asset value was HK$329,614,000.

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

i) Wonson International Holdings Limited ("Wonson") was incorporated in Bermuda and principally engaged in (i) investment holding; (ii) developing and trading of communication equipment; (iii) metals trading; and (iv) securities investment.

For the year ended 31st December 2006, the audited consolidated loss attributable to shareholders of Wonson was HK$61,789,000 and the basic loss per share was HK11.62 cents. As at 31st December 2006, its audited consolidated net asset value was HK$145,663,000.

j) Sinolink Worldwide Holdings Limited ("Sinolink") was incorporated in Bermuda and principally engaged in (i) investment holding; (ii) property development; and (iii) property management.

For the year ended 31st December 2007, the audited consolidated profit attributable to shareholders of Sinolink was HK$1,314,904,000 and the basic profit per share was HK35.95 cents. As at 31st December 2007, its audited consolidated net asset value was HK$4,542,092,000.

18. BORROWINGS

	2007	2006
	HK$	*HK$*
Other loans – unsecured and wholly repayable within one year	**58,000,000**	–

During the Year, the Group obtained new loans in the amount of HK$58,000,000. The loans bear interest at market rates and will be repayable within one year. The proceeds were used to finance the acquisition of financial assets through profit or loss.

19. SHARE CAPITAL

Authorised:	Notes	Number of ordinary shares of HK$0.20 each	Number of ordinary shares of HK$0.04 each	Number of ordinary shares of HK$0.02 each	HK$
At 1st January 2006		–	–	10,000,000,000	200,000,000
Share consolidation		–	5,000,000,000	(10,000,000,000)	–
At 31st December 2006 and 1st January 2007		–	5,000,000,000	–	200,000,000
Share consolidation	*a*	1,000,000,000	(5,000,000,000)	–	–
Capital reduction	*a*	(1,000,000,000)	–	10,000,000,000	–
At 31st December 2007		–	–	10,000,000,000	200,000,000
Issued and fully paid:					
At 1st January 2006		–	–	792,045,400	15,840,908
Share consolidation		–	396,022,700	(792,045,400)	–
Issue of shares by placing		–	354,000,000	–	14,160,000
Issue of shares by exercising the share options		–	39,600,000	–	1,584,000
At 31st December 2006 and 1st January 2007		–	789,622,700	–	31,584,908
Issue of shares at 1 rights share for 2 existing shares	*a*	–	394,811,350	–	15,792,454
Issue of shares by exercising the share options	*b*	–	78,960,000	–	3,158,400
Issue of shares by placing	*c*	–	441,078,810	–	17,643,153
Issue of shares by converting the convertible notes	*d*	–	600,000,000	–	24,000,000
Share consolidation (5 in 1)	*e*	460,894,572	(2,304,472,860)	–	–
Capital reduction (Shares of HK$0.2 each were reduced to shares of HK$0.02 each)	*e*	(460,894,572)	–	460,894,572	(82,961,023)
Issue of shares at 3 rights shares for 2 existing shares	*f*	–	–	1,090,341,858	21,806,837
Issue of shares by placing	*g*	–	–	266,000,000	5,320,000
At 31st December 2007		–	–	1,817,236,430	36,344,729

19. SHARE CAPITAL *(continued)*

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

(a) A rights issue of one rights share for every two shares held by members on the register of members on 29th December 2006, at an issue price of HK$0.04 per rights share (the "Rights Issue"), resulting in the issue of 394,811,350 ordinary shares of HK$0.04 each for a total cash consideration, before expenses, of approximately HK$15,800,000. Further details of the rights issue are set out in a prospectus of the Company dated 2nd January 2007.

(b) On 9th February 2007 and 28th February 2007, 56,360,000 and 22,600,000 shares were issued and allotted respectively to investee companies' employees respectively at HK$0.053 each by exercising the share options.

(c) On 2nd March 2007 and 15th June 2007, the Company had issued and allotted 157,000,000 and 284,078,810 new shares respectively at HK$0.073 and HK$0.12 each respectively by placing.

(d) On 28th March 2007, the Company and the placing agent entered into a placing agreement in relation to the 7.5% convertible notes due in year 2009. Further details of the convertible notes are set out in a circular of the Company dated 17th April 2007. On 23rd May 2007, 600,000,000 shares were issued to investors at conversion price HK$0.068 each.

(e) On 27th July 2007, every five shares of HK$0.04 each in the issued and unissued share capital of the Company was consolidated into one consolidated share of HK$0.2 each. The nominal value of every issued consolidated share was then reduced from HK$0.2 to HK$0.02 by the cancellation of the paid-up capital of the Company to the extent of HK$0.18 per consolidated share in issue and that the amount of issued capital cancelled be made available for issue of new shares so that the authorized capital of the Company of HK$200,000,000 remains unchanged. At the same time, the authorized but unissued share capital of the Company was subdivided by sub-dividing each of the authorized but unissued consolidated shares of HK$0.2 each into ten unissued new shares of HK$0.02 each. Further details of the share consolidation are set out in a circular dated 8th March 2007.

19. SHARE CAPITAL *(continued)*

(f) Another rights issue of three rights share for every two shares held by members on the register of members on 30th November 2007, at an issue price of HK$0.1 per rights share (the "Rights Issue"), resulting in the issue of 1,090,341,858 ordinary shares of HK$0.02 each for a total cash consideration, before expenses, of approximately HK$109,000,000. Further details of the rights issue are set out in a prospectus of the Company dated 3rd December 2007.

(g) On 3rd August 2007 the Company had issued and allotted 24,000,000 new shares and 150,000,000 new shares at HK$0.5 and HK$0.3 respectively by way of placing and on 8th October 2007 the Company had issued and allotted 92,000,000 new shares at HK$0.22 each by way of placing.

20. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 7th February 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 7th February 2015 (the "Option Period"). Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, etc. to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

20. SHARE OPTION SCHEME *(continued)*

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time during the Option Period. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The following table discloses details of the Company's share options and movements in such holdings during the Year:

	2007	2006
At beginning of year	**–**	–
Granted	**78,960,000**	39,600,000
Exercised	**(78,960,000)**	(39,600,000)
At balance sheet date	**–**	–

Total consideration received during the year for taking up the options granted is amounted to HK$7.

21. RESERVES

THE GROUP

	Share premium	Capital redemption reserves	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*
At 31st December 2005 and 1st January 2006	225,049,662	168,800	(99,915,265)	125,303,197
Issue of shares by placing	29,445,000	–	–	29,445,000
Issue of shares by exercising the share options	2,653,200	–	–	2,653,200
Loss for the year	–	–	(28,541,032)	(28,541,032)
At 31st December 2006 and 1st January 2007	257,147,862	168,800	(128,456,297)	128,860,365
Issue of shares by rights issue	87,227,349	–	–	87,227,349
Issue of shares by exercising the share options	1,026,480	–	–	1,026,480
Issue of shares by placing	99,827,305	–	–	99,827,305
Issue of shares by converting the convertible notes	16,800,000	–	–	16,800,000
Capital reduction	–	–	82,961,023	82,961,023
Shares issue expenses	(5,822,355)	–	–	(5,822,355)
Loss for the year	–	–	(29,720,157)	(29,720,157)
At 31st December 2007	**456,206,641**	**168,800**	**(75,215,431)**	**381,160,010**

21. RESERVES *(continued)*

THE COMPANY

	Share premium HK$	Capital redemption reserves HK$	Accumulated losses HK$	Total HK$
At 31st December 2005 and 1st January 2006	225,049,662	168,800	(99,915,265)	125,303,197
Issue of shares by placing	29,445,000	–	–	29,445,000
Issue of shares by exercising the share options	2,653,200	–	–	2,653,200
Loss for the year	–	–	(28,541,032)	(28,541,032)
At 31st December 2006 and 1st January 2007	257,147,862	168,800	(128,456,297)	128,860,365
Issue of shares by rights issue	87,227,349	–	–	87,227,349
Issue of shares by exercising the share options	1,026,480	–	–	1,026,480
Issue of shares by placing	99,827,305	–	–	99,827,305
Issue of shares by converting the convertible notes	16,800,000	–	–	16,800,000
Capital reduction	–	–	82,961,023	82,961,023
Shares issue expenses	(5,822,355)	–	–	(5,822,355)
Loss for the year	–	–	(29,720,157)	(29,720,157)
At 31st December 2007	**456,206,641**	**168,800**	**(75,215,431)**	**381,160,010**

At 31st December 2007, the Company's reserves available for cash distribution amounted to HK$381,160,010 (2006: HK$128,860,365). Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

22. COMMITMENTS

At the balance sheet date, the Group had outstanding minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007 HK$	2006 HK$
Within one year	190,000	240,000
In the second to fifth years inclusive	–	190,000
	190,000	430,000

Operating leases are negotiated and payments are fixed for an average of 2 years.

23. PLEDGE OF ASSETS

At the balance sheet date, the Group's investments in financial assets at fair value through profit or loss with carrying value accounting to HK$474,867,871 (2006: HK$151,753,841) were pledged to brokers to secure margin financing provided to the Group.

24. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

25. RELATED PARTY TRANSACTIONS

(a) The Group had the following related party transactions during the year which were carried out in the normal course of the Group's business:

Name of related party	Nature of transaction	2007 HK$	2006 HK$
CU Investment Management Limited *(Note)*	Investment management fee	816,000	960,000

Note:

On 3rd November 2003, the Company and CU Investment Management Limited ("CUIM") entered into an investment management agreement for appointing the CUIM as investment manager of the Group for a term of three years commencing on 3rd November 2003. On 16th November 2005, the Company and the CUIM entered into a supplemental investment management agreement for agreeing to reduce the investment management fee to HK$80,000 per month with effect from 1st January 2006. On 15th December 2006, the Company and the CUIM entered into another supplemental investment management agreement for agreeing to reduce the investment management fee to HK$68,000 per month with effect from 1st January 2007. The investment management fee was further reduced to HK$50,000 per month with effect from 1st March 2008.

25. RELATED PARTY TRANSACTIONS *(continued)*

(b) Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	2007	2006
	HK$	*HK$*
Directors' fee	**405,000**	420,000
Salaries, allowance and benefits in kind	**520,000**	743,000
Mandatory Provident Fund Contribution	**6,300**	12,950
	931,300	1,175,950

26. POST BALANCE SHEET EVENTS

(a) On 2nd January 2008, the Company entered into the placing agreement with the placing agent in relation to the placing of the placing shares. Pursuant to the placing agreement, the Company has agreed to place, through the placing agent, 145,300,000 Placing Shares to placees at the placing price of HK$0.091 per share. The placing was completed on 21st January 2008. The net proceeds from the placement of HK$12.6 million will be mainly used for the Company to repay the outstanding loans. Further details of the placing of new shares are also set out in the announcement of the Company dated 3rd January 2008.

(b) On 3rd January 2008, the Company announced a proposal to consolidate every five existing issued and unissued ordinary shares of nominal value of HK$0.02 each into one new ordinary share of nominal value of HK$0.10 each. The consolidation was completed on 26th February 2008.

	Year Ended 31st December				
	2007	2006	2005	2004	2003
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Results					
Turnover	**1,101,896,960**	230,697,848	246,265,715	154,085,366	54,907,966
Loss before taxation	**(29,720,157)**	(28,541,032)	(92,273,442)	(28,435,675)	(1,386,612)
Taxation	**–**	–	–	–	–
Net loss attributable to shareholders	**(29,720,157)**	(28,541,032)	(92,273,442)	(28,435,675)	(1,386,612)
Assets and Liabilities					
Total assets	**487,023,703**	166,257,798	167,930,142	162,722,424	146,801,275
Total liabilities	**(69,518,964)**	(5,812,525)	(26,786,037)	(739,320)	(6,030,096)
Net assets	**417,504,739**	160,445,273	141,144,105	161,983,104	140,771,179
Share capital	**36,344,729**	31,584,908	15,840,908	45,295,800	20,231,200
Reserves	**381,160,010**	128,860,365	125,303,197	116,687,304	120,539,979
Total shareholders' fund	**417,504,739**	160,445,273	141,144,105	161,983,104	140,771,179
		(Restated)			
Loss per share					
– Basic	**(11.70) HK cents**	(17.84) HK cents	(0.06) HK cents	(0.30) HK cents	(0.14) HK cents
– Diluted	**N/A**	N/A	N/A	N/A	N/A