廣益

Annual Report 07

FORTUNA 廣益

國際集團有限公司

Stock Code : 530 INTERNATIONAL HOLDINGS LIMITED

Contents

Corporate Information

EXECUTIVE DIRECTORS

WONG Ching Ping, Alex *(Chairman)*
WONG Tak Chung, Andrew

INDEPENDENT NON-EXECUTIVE DIRECTORS

HUI Wai Man, Shirley
TANG Yiu Wing
TSO Hon Sai, Bosco

AUDIT COMMITTEE

TSO Hon Sai, Bosco *(Chairman)*
HUI Wai Man, Shirley
TANG Yiu Wing

REMUNERATION COMMITTEE

TANG Yiu Wing *(Chairman)*
HUI Wai Man, Shirley
TSO Hon Sai, Bosco

COMPANY SECRETARY

CHEUNG Ka Lok

QUALIFIED ACCOUNTANT

CHEUNG Ka Lok

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank Limited
Bank of China (Hong Kong) Limited
Nanyang Commercial Bank Limitd
The Bank of East Asia Limited

AUDITOR

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

REGISTRAR IN BERMUDA

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

REGISTRAR IN HONG KONG

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 1901, 19/F, Hutchison House
10 Harcourt Road
Central
Hong Kong

STOCK CODE

530

RESULTS

Turnover of Fortuna International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2007 (the "Year 2007") was approximately HK$88.1 million (2006: HK$47.4 million) and net loss attributable to the shareholders was approximately HK$35.7 million (2006: net profit of HK$73.6 million). The turnover for the Year 2007 had increased by approximately 86% as compared to the year ended 31 December 2006 ("Previous Year"), but the Group's business was suffering losses. The profit for the Previous Year was mainly due to the gain on disposal of Right Emperor Commercial Building in December 2006. Part of the proceeds from the disposal was used to develop new business of the Group. In June 2007, the Group acquired Quick Treasure Investments Limited, the operating arm of a cruise liner, to expand the business scope of the Group. Despite the growth in the turnover of the Group contributed by the cruise liner operation, the results of the Group were not satisfactory for the Year 2007. There was no sale of property during the Year 2007, and therefore the profit derived from this segment had materially decreased. Besides, the restaurant and the cruise liner were operating at loss.

BUSINESS REVIEW

The first half of the Year 2007 was a milestone development for the Group. The shareholders of the Company had duly approved the disposal of the pro-long years of loss operating businesses, namely the distribution of wine, trading of jewellery, artwork design and general trading. The disposal of these operations was completed on 16 April 2007. There was a gain of approximately HK$4.6 million derived from the disposal. As the Group disposed of its debt laden business, more resources can now be deployed for exploiting new business and working capital.

In July 2007, the Company raised approximately HK$71.3 million by way of open offer to the shareholders of the Company. The proceeds were used to settle part of the consideration for acquiring Quick Treasure Investments Limited. As a result, part of the business of the Group had successfully restructured itself from trading to leisure and entertainment related business.

Restaurant operation

The Year 2007 was not a profitable year for the restaurant operation. Despite the turnover remained steady as compared to the Previous Year, it was operating at loss during the Year 2007. The loss was approximately HK$7.6 million (2006: profit HK$571,000). The Group had expanded its restaurant operation during the Year 2007, but the result of the expansion was not satisfactory due to the increasing operating costs, market competition and capital outlay for the development of new shop.

Management Discussion and Analysis

Glass eel trading business

The glass eel trading business remained a steady income base for the Group. The turnover was approximately HK$49.2 million for the Year 2007 (2006: HK$26.8 million). The profit was approximately HK$2.9 million for the Year 2007 (2006: HK$205,000). Despite the satisfactory growth in the turnover and profit, the profit margin of the business remained slim. The business was subject to seasonal fluctuation and the increasing costs due to the decreasing supply of glass eel in the market.

Property investment

The turnover of this segment was mainly contributed by rental receipt and by sale of property. Comparing the turnover and profit of the Year 2007 with the Previous Year, there was a substantial decrease of 81% and 95% respectively. In the Previous Year, there was the disposal of the Right Emperor Commercial Building resulting in a substantial profit. However, it was an one-off transaction. Since there was no sale of property in the Year 2007, the results for this segment for the Year 2007 had dropped accordingly. The rental income for the Group during the Year 2007 also dropped as a result of the disposal. However, the Directors considered that the drop in profit in the property investment sector was not an indicator of difficult business environment, but rather it was the Directors' decision not to sell the properties for profit. The Group is now holding 2 residential and 1 industrial premises for rental purpose and as long term investment.

Cruise and cruise-related operation

With the cash from the disposal of the Right Emperor Commercial Building and the proceeds from open offer of 408,054,546 shares of the Company, the Group had acquired Quick Treasure Investments Limited, the holding company of a cruise liner, in late June 2007. However, the result of the cruise liner operation for the Year 2007 was not as promising as expected. The segment recorded a loss of approximately HK$28.1 million due to the high operating costs of the cruise liner and the increasing competition arising from those newly established 6-star Las Vegas style hotel in Macau.

PROSPECTS

In March 2008, the Group has gradually trimmed down its glass eel trading with a view to close down the business. The Directors take this strategic move to streamline its business to focus on leisure and entertainment relating business. The Directors consider that the cessation of the glass eel trading is beneficial to the Group as the business environment of the glass eel trading has become more and more difficult. The business has been utilizing a substantial amount of cash flow, leaving limited resources for the growth of the other business of the Group. As the European eels have been classified as endangered species, the Directors anticipate that the supply of glass eel will decrease in the future and more stringent licensing control is expected to be enacted in the year 2009. As the Group's glass eel are mainly from Europe, the Directors expect that the costs of running the business may therefore increase.

The Group will reallocate the resources from the glass eel trading business to strengthen the cruise liner and restaurant business. The Directors believe that the coming Olympics in Beijing and Hong Kong in August 2008 can boost the business of the cruise liner and the restaurant operation of the Group as a result of the influx of tourists into Hong Kong.

FINANCIAL INFORMATION

The Group financed its operations by cash generated from operations, proceeds from open offer of Company's shares.

As at 31 December 2007, the Group's gearing ratio was nil (2006: 0.005) (calculated on the basis of total bank and other borrowings over shareholders' fund).

As at 31 December 2007, the Group had no bank and other borrowing (2006: HK$701,000).

The Group's core operation was in Hong Kong and had limited exposure to the fluctuations in exchange rates, bank balances and borrowings were mainly denominated in Hong Kong dollars.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, the Group has 355 employees (2006: 86). Total staff costs were approximately HK$19.6 million (2006: HK$9.7 million). Employee remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to Mandatory Provident Fund Scheme, share option scheme, medical allowances and other fringe benefits.

CONTINGENT LIABILITY

On 6 October 2006, a subsidiary of the Group signed a tenancy agreement with the lease term from 6 October 2006 to 5 October 2012 for a restaurant operation. During the year, the subsidiary of the Group ceased the said restaurant operation and surrendered the property to the landlord on 25 October 2007. In November 2007, the subsidiary of the Group received a demand letter from the landlord in respect of the payment of rental and other fees in arrear up to 25 October 2007. After deducting the rental deposit paid by the subsidiary of the Group, the amount involved was approximately $424,000 and accruals had been made in the financial statements for the year ended 31 December 2007.

Pursuant to the terms of the said rental agreement, the maximum contractual liability of the subsidiary of the Group in respect of the payment of rental and other fees for the remaining lease term is approximately $12.9 million. The liability of the subsidiary's shareholders towards settlement of aforesaid liability is limited to their issued share capital of this subsidiary, no further provision has been made at this stage.

CAPITAL STRUCTURE

On 23 July 2007, 408,054,546 ordinary shares ("Offer Shares") of HK$0.02 were issued at HK$0.18 per share by way of an open offer ("Open Offer") to the shareholders of the Company. The Offer Shares rank pari passu in all respects with the then existing shares of the Company. The premium (net of share issuing expenses of approximately HK$2,190,000) arising from the issue of the Offer Shares of approximately HK$63,099,000 was credited to share premium account. The Company used the net proceeds from the Open Offer of approximately HK$71,260,000 for settling part of the consideration payable for the acquisition of Quick Treasure Investments Limited by the Group.

Mr. Wong Ching Ping, Alex, *Chairman and Executive Director*

Mr. Wong, aged 53, graduated from University of Toronto, Canada, with a Master's Degree in Business Administration. Mr. Wong has extensive experience in the financial services sector and in the management of listed companies in Hong Kong. He joined the Company in August 2006.

Mr. Wong Tak Chung, Andrew, *Executive Director*

Mr. Wong, aged 47, is a Fellow of the Institute of Commercial Management in the United Kingdom. He holds a Bachelor's Degree in Science and a Master's Degree in Management. He has more than 18 years' experience in the investment services sector and has extensive experience in corporate restructuring, investment strategy and business development. Mr. Wong has been engaged as consultant for the business development of a number of listed companies in Hong Kong as well as advisory board member for companies abroad. Mr. Wong has been a visiting lecturer for various universities and distinguished speaker for government and industry conferences. He has also been admitted to the International Who's Who of Professional since 2001. He joined the Company in September 2005.

Mr. Tso Hon Sai, Bosco, *Independent Non-Executive Director*

Mr. Tso, aged 43, is a solicitor practising in Hong Kong since 1990. He is a partner of Tso Au Yim & Yeung, Solicitors. He graduated from King's College London in the United Kingdom in 1987. Mr. Tso is the independent non-executive director of Rising Development Holdings Limited and Neolink Cyber Technology (Holding) Limited, which are listed public companies in Hong Kong. He joined the Company in July 2003.

Ms. Hui Wai Man, Shirley, *Independent Non-Executive Director*

Ms. Hui, aged 40, is a practising accountant in Hong Kong. She has over 20 years of professional experience in public accounting and corporate finance. She is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also the non-executive director and chairman of Eco-Tek Holdings Limited and the independent non-executive director of Freeman Corporation Limited, New Media Group Holdings Limited and Mascotte Holdings Limited which are listed public companies in Hong Kong. She joined the Company in June 2006.

Mr. Tang Yiu Wing, *Independent Non-Executive Director*

Mr. Tang, aged 41, is a practising solicitor in Hong Kong. He holds a Bachelor's Degree in Law, a Postgraduate Certificate in Law from the University of Hong Kong and a Master's Degree in Law from the City University of Hong Kong. He is a member of the Law Society of Hong Kong and was admitted as a solicitor of the Supreme Court of England and Wales and a barrister and solicitor of the Supreme Court of Tasmania. He joined the Company in September 2006.

Report of the Directors

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 103.

The Directors did not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate and after adjustment for the effect of the prior year adjustment in 2007 is set out below.

	Year ended 31 December				
	2007	2006	2005	2004	2003
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER					
Continuing operations	**88,136**	47,364	26,481	141,619	–
Discontinued operations	**1,152**	3,813	258	2,475	195,456
	89,288	51,177	26,739	144,094	195,456
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(35,463)**	73,426	(150,640)	(50,682)	(36,693)

ASSETS, LIABILITIES AND MINORITY INTERESTS	As at 31 December 2007 HK$'000	2006 (Restated) HK$'000	2005 (Restated) HK$'000	2004 (Restated) HK$'000	2003 (Restated) HK$'000
Total assets	**197,176**	154,471	95,255	307,422	566,697
Total liabilities	**(22,653)**	(19,616)	(59,846)	(126,966)	(298,189)
Minority interests	**–**	(207)	(179)	(1,078)	(107,453)
	174,523	134,648	35,230	179,378	161,055

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group are set out in notes 16 and 17 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company for the year ended 31 December 2007 are set out in notes 27 and 28 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution to shareholders at 31 December 2007 as computed in accordance with the Companies Act 1981 of Bermuda (as amended) amounting to approximately HK$20,582,000. The Company's share premium account as at 31 December 2007 is HK$86,370,000.

DIRECTORS

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

Executive Directors
Wong Ching Ping, Alex *(Chairman)*
Wong Tak Chung, Andrew

Independent Non-executive Directors
Tso Hon Sai, Bosco
Hui Wai Man, Shirley
Tang Yiu Wing

In accordance with Bye-laws 99(B) of the Company's Bye-laws, Mr. Wong Tak Chung, Andrew and Mr. Tang Yiu Wing will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive Director, is the period up to his retirement by rotation in accordance with the Bye-laws of the Company.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance of the Laws of Hong Kong (the "SFO")) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in ordinary shares of HK$0.02 each of the Company:

Name of Director	Nature of interest	Number of ordinary shares held	Percentage holdings
Wong Ching Ping, Alex	Through controlled corporation	175,805,214	28.72%

Save as disclosed above, as at 31 December 2007, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Long Position in underlying shares

Under the share option scheme of the Company, share options may be granted to Directors, employees and other eligible participants to subscribe for shares. No share options was granted to any Director during the year and as at 1 January 2007 and 31 December 2007, no Director has any outstanding interest in any share options. No share options was exercised, cancelled or lapsed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

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

Ms. Yiu Kwan Fung, a director of a subsidiary of the Company, entered into a conditional sale and purchase agreement dated 2 March 2007 to acquire the entire issued share capital of Firstone Enterprises Limited (an indirect wholly-owned subsidiary of the Company) and shareholder's loan at a nominal consideration of HK$50,000 through Profit Leap International Limited, a company which is wholly-owned by Ms. Yiu. The transaction was completed on 16 April 2007.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company, or any of its subsidiaries a party to any arrangement whose objects were to enable a Director or his respective spouse or minor children to acquire benefits by means of acquisition of shares of the Company or any other body corporate, or were any such rights exercised by them.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2007, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of issued share capital carrying rights to vote in all circumstances at general meetings of the Company or had any option in respect of such capital:

Name	Nature of Interest	Number of shares interested or deemed to be interested (long position)	Percentage to the issued share capital of the Company %
Mega Earn Management Limited	Beneficial	169,488,189 (Note 1)	27.69
Expert Rich Investments Limited	Through controlled corporation	175,805,214 (Note 2)	28.72
Mr. Wong Ching Ping, Alex ("Mr. Wong")	Through controlled corporation	175,805,214 (Note 3)	28.72
Ms. Gomes Maria Da Silva Rubi Angela	Family	175,805,214 (Note 3)	28.72

Notes:

1. Mega Earn Management Limited is a company wholly-owned by Byford Group Limited. The entire issued share capital of Byford Group Limited is held by Expert Rich Investments Limited which in turn was wholly owned by Mr. Wong.

2. Expert Rich Investments Limited is deemed to be interested in the 175,805,214 shares through its interests in Byford Group Limited. The 175,805,214 shares comprise (i) 6,317,025 shares directly held by Byford Group Limited and 169,488,189 shares held by Mega Earn Management Limited.

3. Mr. Wong is deemed to be interested in the 175,805,214 shares through his interests in Expert Rich Investments Limited. Ms. Gomes Maria Da Silva Rubi Angela is the spouse of Mr. Wong and therefore, she is also deemed to be interested in the shares.

Save as disclosed above, as at 31 December 2007, so far as is known to the Directors or chief executive of the Company, no other person (not being a Director or chief executive of the Company) had any interests or short positions in shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of issued share capital carrying rights to vote in all circumstances at general meetings of the Company or held any option in respect of such capital.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 52% of the Group's total sales for the year and sales to the largest customer included therein amount to 50%. Purchases from the Group's five largest suppliers accounted for 68% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 28%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

CONNECTED TRANSACTIONS

There was no connected transactions that was not exempted under rule 14A.31 of the Listing Rules during the year. The following transaction commenced in March 2007 and was completed in April 2007.

Preciseworth Investments Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement dated 2 March 2007 with Profit Leap International Limited ("Profit Leap") to dispose the entire issued share capital of Firstone Enterprises Limited and the entire shareholder's loan due to the Group at a nominal consideration of HK$50,000.

Profit Leap is an investment holding company and is wholly-owned by Ms. Yiu Kwan Fung, a director of a subsidiary of the Company, and therefore, Profit Leap is a connected person of the Company as defined in the Listing Rules and the transaction was constituted as a major and connected transaction, which was completed on 16 April 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 15 to 20.

BOARD PRACTICES

The Company had received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company was of the view that all the independent non-executive Directors met the independence guidelines as set out in rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint the auditor, CCIF CPA Limited.

On behalf of the Board
Fortuna International Holdings Limited

Wong Ching Ping, Alex
Chairman

Hong Kong, 21 April 2008

The Board is committed to maintaining a high standard of corporate governance.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the "Code on Corporate Governance Practices" (the "Code"), as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2007, except with the deviation from code provision A.4.1 in respect of the requirement for all non-executive directors be appointed for a specific term. The terms of reference of audit committee has been revised during the year.

BOARD OF DIRECTORS

Mr Wong Ching Ping, Alex is the Chairman of the Board. The Board consists of two executive Directors (including Mr. Alex Wong) and three independent non-executive Directors. Names and biographies of the Directors are set out in "Biographies of Directors" section of the Directors' report. The independent non-executive Directors are high calibre professionals with diversified industry expertise to discharge directors' duties and safeguarding the interests of shareholders and the Company as a whole. Each independent non-executive Directors has confirmed that he/she has satisfied the criteria of independence as set out in the Listing Rules and the Directors has assessed and affirmed their independence.

Directors' Securities Transactions

All Directors disclose to the Board on their first appointment their interests as director and such declarations of interests are updated half yearly. The Directors' interests as at 31 December 2007 in shares, underlying shares and debentures of the Company and its associated corporations are set out in the "Directors' and Chief Executives' Interests in Securities" section of the Directors' report. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules as its code of conduct ("Model Code") regarding Directors' and relevant employees' securities trading. Having made specific enquiry to all Directors of the Company, all of them have confirmed that they have complied with the required standard of dealings as set out in the Model Code.

The Board is accountable to the shareholders for leading the Company in a responsible and effective manner. It formulates overall directions and strategies of the Group, monitors its financial performance and maintains effective oversight over the management. Specific Board committees are set up with delegated powers and clear terms of reference. Daily operations and administration are led by Mr. Wong Tak Chung, Andrew. Matters reserved to the Board are those affecting the Company's overall strategic policies, finances and shareholders. The Board is also responsible for presenting a balanced, clear and understandable of the financial and other information contained in the Company's accounts and have an effective internal control system.

The Board of Directors held eight meetings during 2007. A least 14 days' notice of all regular Board meetings is given to all Directors and they are provided with the opportunity to include matters for discussion in the agenda if the need arise. The agenda and the accompanying Board papers are sent to all Directors at least 3 days before the date of every regular Board meeting. Minutes of every Board meeting are circulated to all Directors for their perusal and comment. All the signed Board minutes are kept by the Company Secretary.

The following tables summarizes the attendance of individual Director and committee member in 2007:

	Meetings held/attended in 2007		
	Board	**Audit Committee**	**Remuneration Committee**
Number of meetings held during the year	8	3	1
Independent non-executive Directors			
Tso Hon Sai, Bosco	8/8	3/3	1/1
Hui Wai Man, Shirley	8/8	3/3	1/1
Tang Yiu Wing	7/8	3/3	1/1
Executive Directors			
Wong Ching Ping, Alex	6/8	N/A	N/A
Wong Tak Chung, Andrew	8/8	N/A	N/A

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Wong Ching Ping, Alex is the Chairman of the Board and has assumed the responsibility to manage the Board, ensuring all Directors receive adequate information and properly briefed on issues arising at Board meetings. Mr. Wong Tak Chung, Andrew, an executive Director of the Company, is responsible to lead the day to day management of the Company's operation, ensuring the decisions of the Board are properly implemented.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company deviates from Code Provision A.4.1 as the independent non-executive Directors were appointed without a specific term. However, the Bye-laws of the Company has been amended to effect that one-third of the Directors for the time being shall retire by rotation from office, subject to re-election. The Board is of the opinion that the current arrangement is fair and reasonable but will review the structure from time to time and will make appropriate changes when necessary.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises three independent non-executive Directors, namely . Mr. Tang Yiu Wing (Chairman), Mr. Tso Hon Sai, Bosco and Ms. Hui Wai Man, Shirley.

The Remuneration Committee was established on 7 July 2005 with specific written terms of reference. One meeting was held in 2007 to review the director's fee, the attendance of which was set out on page 16 of this annual report.

The Company has adopted a share option scheme on 28 January 2004, which serves as an incentive to attract, retain and motivate talented eligible staff, including the Directors. Details of the share option scheme are set out in note 28 to the financial statements. The structure of the emolument payable to executive Directors comprises basic salary and pension. Details of the Directors' remuneration are set out in note 11 to the financial statements.

The major roles and functions of the Remuneration Committee are as follows:

1. To review annually and recommend to the Board the overall remuneration policy for the Directors, and key senior management officers.

2. To review annually the performance of the Executive Directors and key senior management officers and recommend to the Board specific adjustments in remuneration and/or reward payments.

3. To ensure that the level of remuneration of non-executive directors and independent non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board of the respective companies in the Group.

4. To review and approve the compensation payable to executive Directors and key senior management officers in connection with any loss or termination of their office or appointment.

5. To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

6. To ensure that no Director is involved in deciding his own remuneration.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2007, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards, which also include the Hong Kong Accounting Standards and Interpretations, which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Company was established in September, 2004 with specific written terms of reference. The committee comprises three independent non-executive Directors, namely. Mr. Tso Hon Sai, Bosco (Chairman), Ms. Hui Wai Man, Shirley and Mr. Tang Yiu Wing.

The Audit Committee had convened three meetings in 2007, the attendance of which is set out on page 16 of this annual report.

During the meetings held in 2007, the Audit Committee had performed the following works:

(i) reviewed the financial reports for the year ended 31 December 2006 and for the six months ended 30 June 2007;

(ii) reviewed the recommendation from the external auditors in relation to the audit of the Group for the year ended 31 December 2006;

(iii) approved external auditors to perform non-audit services and appointment of independent financial advisor to advise the independent shareholders on an open offer;

(iv) reviewed the independence of the external auditors;

(v) reviewed and revised the terms of reference of audit committee; and

(vi) reviewed the internal control systems.

The major roles and functions of the Audit Committee are as follows:

1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Group.

2. To discuss with the external auditors the nature and scope of the audit.

3. To review the interim and annual financial statements before submission to the Board of Directors.

4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss.

5. To review the external auditors' management letters and management's response.

6. To review the Group's internal control systems.

7. To consider the major findings of internal investigations and management's response.

INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Company, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The management has carried out an annual review of the implemented system and procedures, including areas covered accounting, business and legal compliance. The scope of review was discussed with and agreed by the audit committee. A report after the review has been submitted to the audit committee and the Board. In addition to the annual review, the management will conduct any special review as required.

The Board is responsible for the system of internal control and reviewing its effectiveness. For the year under review, the Board considered that the Company's internal control system is adequate and effective and the Company has complied with the code provisions on internal control of the Code.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid to the Company's auditor, CCIF CPA Limited, is set out as follows:

Services rendered	fees paid/payable
	HK$'000
Audit services	872
Non-audit services (preparation of accountant's report for the acquisition of shares in Quick Treasure Investments Limited and acted as the reporting accountants of the Company in relation to an open offer)	520
	1,392

NOMINATION OF DIRECTORS

No nomination committee has been established by the Company. The appointment of a new Director is a matter for consideration and approval by the Board. The Board would consider a number of criterion, including the past experience, qualifications and overall integrity of the potential candidate.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company communicated with the shareholders by the following modes of communication: (1) convening annual general meeting and special general meetings; and (2) providing information on the Company's performance and activities in the annual report and interim report. In addition to the annual general meeting, the Company has held three special general meetings in 2007. During the general meetings, each substantial separate issues was proposed by a separate resolution. The rights of shareholders to demand a poll were disclosed in all circulars sent to the shareholders and the procedures for demanding a poll by shareholders were explained at the commencement of the meeting. All shareholders are encouraged to attend the general meetings.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FORTUNA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Fortuna International Holdings Limited (the "Company") set out on pages 24 to 103, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitations in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Scope limitation – Prior year's audit scope limitation affecting opening balances

As detailed in our report dated 19 April 2007 on the Group's financial statements for the year ended 31 December 2006, because of the significance of the possible effects arising from the limitation in evidence made available to us, we were unable to obtain sufficient and appropriate evidence to satisfy ourselves as to whether the financial statement items were fairly stated and free from material misstatement in the following areas: (i) deconsolidation of Jafoon Limited and its subsidiaries that give rise to a net loss of HK$16,061,000 recorded in the year ended 31 December 2005; (ii) deconsolidation of Excel Harvest Corporation Limited and its subsidiaries and Silver Dragons Limited and its subsidiaries that give rise to a net gain of HK$11,716,000 recorded in the year ended 31 December 2006; and (iii) the carrying amount of the net liabilities of Daiwah Company Limited and its subsidiaries of HK$5,638,000 as at 31 December 2006 and the loss for the year ended 31 December 2006 of HK$1,950,000. Any adjustment found to be necessary in respect thereof had we obtained sufficient and appropriate evidence would have had a consequential effect on the net assets of the Group as at 31 December 2007, and of its result for the current year and the prior year and the related disclosures thereof in the financial statements. In respect of the limitation of scope in prior year in the areas as described above, we are unable to express our opinion as to whether the balances brought forward as at 1 January 2007 and the comparative figures were fairly stated in the financial statements.

2. Scope limitation – Disposal of subsidiaries

As further explained in notes 13 and 31(b) to the financial statements, on 16 April 2007 (the "Disposal Date"), the Group disposed of certain subsidiaries (the "Disposal Group"). The Disposal Group presented into: i) Disposal of subsidiaries; and ii) Disposal of subsidiaries attributed to discontinued operations. The directors had no direct access to the books and records of the Disposal Group as the management of Disposal Group declined to co-operate with the Company and had not submitted sufficient financial information to the Company. We were unable to carry out alternative audit procedures to obtain sufficient and appropriate evidence on the financial statements of the Disposal Group for the period from 1 January 2007 to the Disposal Date. Consequently, we were unable to satisfy ourselves as to whether the value of the net assets disposed of by the Group as at the Disposal Date was fairly stated and correspondingly, the loss on disposal of subsidiaries of HK$2,037,000 and the gain on disposal of subsidiaries attributed to discontinued operations of HK$4,499,000 arising thereon, the net inflow of cash and cash equivalents of HK$50,000 in respect of the disposal of subsidiaries and net outflow of cash and cash equivalents of HK$779,000 in respect of the disposal of subsidiaries attributed to discontinued operations. Any adjustment found to be necessary to the above amounts would affect the amounts recorded in the consolidated income statement in respect of the Disposal Group up until the Disposal Date, with corresponding effect on the amounts recorded in the consolidated cash flow statement and the related disclosures thereof in the financial statements.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the possible effects of the scope limitations in evidence made available to us in each of the areas as set out in paragraphs (1) and (2) in the basis for disclaimer of opinion section, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2007 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 21 April 2008

Kwok Cheuk Yuen
Practising Certificate Number P02412

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 (Restated) HK$'000
CONTINUING OPERATIONS			
TURNOVER	6	**88,136**	47,364
Cost of sales		**(80,102)**	(29,628)
Gross profit		**8,034**	17,736
Other revenue and gains	7	**6,276**	1,699
Gain on disposal of investment properties		**–**	39,710
Selling and distribution costs		**(3,483)**	(140)
Administrative expenses		**(42,274)**	(21,305)
Other operating expenses	8(b)	**(5,761)**	(2,347)
(LOSS)/PROFIT FROM OPERATIONS	8	**(37,208)**	35,353
Finance costs	9	**(321)**	(1,130)
Negative goodwill arising from acquisition of subsidiaries		**–**	6,613
Loss on disposal of subsidiaries		**(2,037)**	–
Gain on deconsolidation of subsidiaries	10	**–**	11,716
(LOSS)/PROFIT BEFORE TAXATION		**(39,566)**	52,552
Income tax	12	**(603)**	11,941
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(40,169)**	64,493
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	13	**4,499**	9,061
(LOSS)/PROFIT FOR THE YEAR		**(35,670)**	73,554
ATTRIBUTABLE TO:			
Equity holders of the Company		**(35,463)**	73,426
Minority interests		**(207)**	128
		(35,670)	73,554
(LOSS)/EARNINGS PER SHARE			
Basic	15(a)		
– Continuing operations		**(10.38 cents)**	39.84 cents
– Discontinued operations		**1.17 cents**	5.61 cents
		(9.21 cents)	45.45 cents
Diluted	15(b)	**N/A**	N/A

The notes on pages 30 to 103 form part of these financial statements.

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**126,656**	7,468
Investment properties	17	**19,630**	16,290
Goodwill	18	**–**	455
Available-for-sale investment	20	**–**	–
		146,286	24,213
CURRENT ASSETS			
Inventories	21	**1,096**	755
Trade and other receivables	22	**5,335**	7,625
Cash and cash equivalents	23	**44,459**	121,878
		50,890	130,258
CURRENT LIABILITIES			
Trade and other payables	24	**19,132**	15,909
Current tax payable	26(a)	**1,425**	1,492
Bank overdrafts	23	**–**	701
Due to minority shareholders	25	**1,160**	1,160
		21,717	19,262
NET CURRENT ASSETS		**29,173**	110,996
TOTAL ASSETS LESS CURRENT LIABILITIES		**175,459**	135,209
NON-CURRENT LIABILITIES			
Deferred taxation	26(b)	**936**	354
NET ASSETS		**174,523**	134,855
EQUITY			
Share capital	27	**12,242**	4,081
Reserves	30(a)	**162,281**	130,567
Equity attributable to equity holders of the Company		**174,523**	134,648
Minority interests		**–**	207
TOTAL EQUITY		**174,523**	134,855

WONG Ching Ping, Alex
Director

WONG Tak Chung, Andrew
Director

The notes on pages 30 to 103 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total Equity HK$'000
At 1 January 2006	136,018	564,123	(3,416)	31	191,389	(852,915)	35,230	179	35,409
Capital reorganisation	(134,658)	(564,123)	–	–	698,781	–	–	–	–
Set off accumulated losses	–	–	–	–	(688,054)	688,054	–	–	–
Open offer, net of expenses	2,721	23,271	–	–	–	–	25,992	–	25,992
Acquisition 5% of subsidiary	–	–	–	–	–	–	–	(40)	(40)
Deconsolidation of subsidiaries	–	–	–	–	–	–	–	(60)	(60)
Profit for the year	–	–	–	–	–	73,426	73,426	128	73,554
At 31 December 2006	4,081	23,271	(3,416)	31	202,116	(91,435)	134,648	207	134,855
At 1 January 2007	4,081	23,271	(3,416)	31	202,116	(91,435)	134,648	207	134,855
Open offer, net of expenses (Note 27)	8,161	63,099	–	–	–	–	71,260	–	71,260
Released upon disposal of subsidiaries	–	–	3,416	(31)	693	–	4,078	–	4,078
Loss for the year	–	–	–	–	–	(35,463)	(35,463)	(207)	(35,670)
At 31 December 2007	12,242	86,370	–	–	202,809	(126,898)	174,523	–	174,523

The notes on pages 30 to 103 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation			
– Continuing operations		(39,566)	52,552
– Discontinued operations		4,499	9,061
		(35,067)	61,613
Adjustments for :			
Finance costs		321	1,246
Bank interest income		(2,529)	(414)
Dividend income		–	(3)
Loss on disposal of property, plant and equipment		78	1,733
Write off of property, plant and equipment		4,928	–
Gain on disposal of investment properties		–	(39,710)
Gain on disposal of discontinued operations	31(b)&(c)	(4,564)	(11,160)
Loss on disposal of subsidiaries	31(b)	2,037	–
Depreciation on owned assets		5,073	818
Fair value gains on investment properties		(3,340)	(883)
Negative goodwill arising from acquisition of subsidiaries		–	(6,613)
Impairment loss on goodwill		455	–
Impairment loss on other receivables		300	2,267
Gain on deconsolidation of subsidiaries	10	–	(11,716)
Gain on disposal of listed securities		(80)	(227)
Operating loss before working capital changes		(32,388)	(3,049)
Decrease in inventories		995	103
(Increase)/decrease in trade and other receivables		(7,494)	1,753
Increase in trade and other payables		17,021	5,234
Cash (used in)/generated from operations		(21,866)	4,041
Hong Kong Profits Tax paid		(85)	(32)
Net cash (used in)/generated from operating activities – page 28		(21,951)	4,009

The notes on pages 30 to 103 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Net cash (used in)/generated from operating activities – page 27		**(21,951)**	4,009
INVESTING ACTIVITIES			
Interest received		**2,529**	414
Dividend received		**–**	3
Payment for the purchases of property, plant and equipment		**(296)**	(11,343)
Proceeds from disposal of property, plant and equipment		**5**	1,050
Proceeds from disposal of investment properties		**–**	159,710
Increase in equity holding of a subsidiary		**–**	(176)
Payment for acquisition of subsidiaries	31(a)	**(127,295)**	(99,545)
Disposal of discontinued operations	31(b)&(c)	**(779)**	(2)
Disposal of subsidiaries	31(b)	**50**	–
Deconsolidation of subsidiaries	31(d)	**–**	1,566
Purchases of listed securities		**(37)**	–
Proceeds from disposal of listed securities		**117**	986
Net cash (used in)/generated from investing activities		**(125,706)**	52,663
FINANCING ACTIVITIES			
Proceeds from issue of shares	27	**73,450**	27,204
Share issue expenses	27	**(2,190)**	(1,212)
Increase in amounts due to minority shareholders		**–**	560
Interest paid		**(321)**	(1,130)
Interest element on finance lease payments		**–**	(116)
Capital element of finance lease payments		**–**	(965)
Net cash generated from financing activities		**70,939**	24,341
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(76,718)**	81,013
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**121,177**	40,164
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**44,459**	121,177

The notes on pages 30 to 103 form part of these financial statements.

Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	–	–
Interest in subsidiaries	19	**117,517**	55,063
Available-for-sale investment	20	–	–
		117,517	55,063
CURRENT ASSETS			
Other receivables	22	**79**	73
Cash and cash equivalents	23	**3,060**	21
		3,139	94
CURRENT LIABILITIES			
Bank overdrafts		–	354
Other payables and accruals	24	**1,462**	1,542
		1,462	1,896
NET CURRENT ASSETS/(LIABILITIES)		**1,677**	(1,802)
NET ASSETS		**119,194**	53,261
EQUITY			
Share capital	27	**12,242**	4,081
Reserves	30(b)	**106,952**	49,180
TOTAL EQUITY		**119,194**	53,261

WONG Ching Ping, Alex
Director

WONG Tak Chung, Andrew
Director

The notes on pages 30 to 103 form part of these financial statements.

1. CORPORATE INFORMATION

Fortuna International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 October 1992. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is located at Room 1901, 19/F Hutchison House, 10 Harcourt Road, Central, Hong Kong.

The activities of its principal subsidiaries are set out in note 19 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These financial statements have been prepared, in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. A summary of the significant accounting policies adopted by the Company and its subsidiary (the "Group") is set out below. The measurement basis used in the preparation of the financial statements is the historical cost basis convention except for the investment properties of which are stated at their fair value as further explained below.

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

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

During the year, the Group disposed of certain operations which constituted discontinued operations under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Therefore, the results derived from such operations are presented as discontinued operations in current accounting period. The comparative figures for the corresponding period in 2006 have been reclassified to conform with current year's presentation.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. Adjustments are made to bring in line any dissimilar accounting policies that may exist.

The acquisition of subsidiaries during the year has been accounted for using the purchase method. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(c) SUBSIDIARIES

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

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

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiary, and in respect of which the Group had not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet with equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) SUBSIDIARIES *(Continued)*

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2 (e)), unless the investment is classified as held for sale.

(d) GOODWILL

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(e)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) IMPAIRMENT OF ASSETS

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiary (see note 2e(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) IMPAIRMENT OF ASSETS *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) IMPAIRMENT OF ASSETS *(Continued)*

(ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);

– investments in subsidiaries (except for those classified as being held for sale); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) IMPAIRMENT OF ASSETS *(Continued)*

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(e)).

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, are stated in the balance sheet at cost less accumulated depreciation and any impairment losses (see note 2(e)).

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

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

– Cruise liner is depreciated to their estimated residual values on a straight-line basis over 20 years; and

– Other assets are depreciated on a straight-line method over their estimated useful lives at annual rates as follows:

Machinery and equipment	20% – 33%
Furniture and fixtures	20% – 25%
Motor vehicles	20%

Initial expenditure incurred for crockery, utensils, linens and uniforms is capitalised and no depreciation is provided thereon. The cost of subsequent replacement for these items is recognised in profit or loss as and when incurred.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(m) (ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment properties is accounted for as if it were held under finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

(h) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating lease, with the following exception:

– Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) LEASED ASSETS *(Continued)*

(ii) Operating lease charges

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

(i) OTHER INVESTMENTS IN EQUITY SECURITIES

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries are as follows:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with a resultant gain or loss being recognised in the profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as they are recognised in accordance with the policies set out in note 2(m)(vi) and (v).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(e)).

Other investments in securities are classified as available-for-sale equity securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(m)(vi) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(m)(v). When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) OTHER INVESTMENTS IN EQUITY SECURITIES *(Continued)*

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or when they expire.

(j) DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

(k) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expenses in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) INCOME TAX

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) INCOME TAX *(Continued)*

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

– in the case of current tax assets and liabilities, the Company or the Group intends either settle on a net basis, or to realise the assets and settle the liability simultaneously; or

– in the case if deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settle or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) REVENUE RECOGNITION

Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, on the following bases:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, net of discounts and returns, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods gold.

(ii) Rental income from operating lease

Rental income receivable under operating lease is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Income from cruise-related operation

Revenue from room rental, food and beverage sales and other ancillary services on the cruise liner are recognised when the relevant services have been rendered.

(iv) Rental income from gaming hall in the cruise liner

Rental income represents a percentage of net profit generated by the lessee and is recognised as income in the periods in which it is earned.

(v) Interest income

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

(vi) Dividend income

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) TRANSACTION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchanges rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit and loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) EMPLOYEE BENEFITS

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The share options are measured at fair value at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credit to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) EMPLOYEE BENEFITS *(Continued)*

(iii) Termination benefits

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

(q) RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of the party referred to in (i) or is an entity under the control, joint control, or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with bank and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(s) PROVISIONS AND CONTINGENT LIABILITIES

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

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

(t) DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business, the operations, and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) DISCONTINUED OPERATIONS *(Continued)*

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(u) SEGMENT REPORTING

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

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 purpose of these 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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. 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. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial Instruments: Disclosures and the amendment to HKAS 1, *Presentation of financial statements:* Capital disclosures, there have been some additional disclosures provided as follows:

As a results of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout those financial statements, in particular in note 32.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 30(e).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measure of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 38).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Impairment of trade and other receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of trade and other receivables, where applicable, at each balance sheet date. The estimates are based on the ageing of the accounts receivable and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

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

Impairment of property, plant and equipment

The recoverable of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

5. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

During the year, the Group discontinued the operations of trading of wine and artwork design by way of disposal of subsidiaries (see note 13).

The Group comprise the following main business segments:

- Property investment: the leasing of properties to generate rental income
- Japanese restaurant: the operating of Japanese restaurant
- Trading of glass eel: the trading of glass eel
- Cruise and cruise-related operation: the leasing of gaming hall to generate rental income, room rental income, food and beverage sales

5. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

2007

Group

	Continuing operations					Discontinued operations			
	Property investment	Japanese restaurant	Trading of glass eel	Cruise and cruise-related operation	Sub-total	Trading of wine	Artwork design	Sub-total	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:									
Sales to external customers	771	16,955	49,218	21,192	88,136	1,152	–	1,152	89,288
Other revenue and gains	3,446	155	–	–	3,601	166	–	166	3,767
Total	4,217	17,110	49,218	21,192	91,737	1,318	–	1,318	93,055
Segment results	2,273	(7,617)	2,909	(28,091)	(30,526)	(67)	–	(67)	(30,593)
Interest income					2,527	2	–	2	2,529
Unallocated income					148	–	–	–	148
Unallocated expenses					(9,357)	–	–	–	(9,357)
Loss from operations					(37,208)			(65)	(37,273)
Finance costs					(321)	–	–	–	(321)
Gain/(loss) on disposal of subsidiaries					(2,037)	419	4,145	4,564	2,527
(Loss)/profit before taxation					(39,566)			4,499	(35,067)
Income tax					(603)	–	–	–	(603)
(Loss)/profit for the year					(40,169)			4,499	(35,670)

5. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

2007

Group

	Continuing operations				Discontinued operations		
	Property investment	Japanese restaurant	Trading of glass eel	Cruise and cruise-related operation	Trading of wine	Artwork design	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	33,080	4,118	23,975	132,550	–	–	193,723
Unallocated assets							3,453
Total assets							197,176
Segment liabilities	153	4,056	6,316	8,276	–	–	18,801
Unallocated liabilities							3,852
Total liabilities							22,653
Other segment information:							
Depreciation	12	1,461	118	3,449	4	–	5,044
Unallocated amounts							29
Total							5,073
Impairment loss on other receivables	62	–	–	–	–	–	62
Unallocated amounts							238
Total							300
Capital expenditure	–	272	14	5	–	–	291
Unallocated amounts							5
Total							296
Impairment loss on goodwill	–	449	6	–	–	–	455

5. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

2006

Group

	Continuing operations				Discontinued operations				
	Property investment HK$'000	Japanese restaurant HK$'000	Trading of glass eel HK$'000	Sub-total HK$'000	Skin and health care HK$'000	Trading of wine HK$'000	Artwork design HK$'000	Sub-total HK$'000	Consolidated HK$'000
Segment revenue:									
Sales to external customers	3,969	16,588	26,807	47,364	–	3,813	–	3,813	51,177
Other revenue and gains	40,621	151	–	40,772	20	189	–	209	40,981
Total	44,590	16,739	26,807	88,136	20	4,002	–	4,022	92,158
Segment results	43,326	571	205	44,102	(27)	(136)	(1,834)	(1,997)	42,105
Interest income				400	–	14	–	14	414
Unallocated income				237	–	–	–	–	237
Unallocated expenses				(9,386)	–	–	–	–	(9,386)
Profit from operations				35,353				(1,983)	33,370
Finance costs				(1,130)	–	–	(116)	(116)	(1,246)
Negative goodwill arising from acquisition of subsidiaries				6,613	–	–	–	–	6,613
Gain on disposal of subsidiaries				–	11,160	–	–	11,160	11,160
Gain on deconsolidation of subsidiaries				11,716	–	–	–	–	11,716
Profit before taxation				52,552				9,061	61,613
Income tax				11,941	–	–	–	–	11,941
Profit for the year				64,493				9,061	73,554

5. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

2006

Group

	Continuing operations			Discontinued operations		
	Property investment	Japanese restaurant	Trading of glass eel	Trading of wine	Artwork design	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	125,741	9,773	16,973	1,517	38	154,042
Unallocated assets						429
Total assets						154,471
Segment liabilities	400	4,546	2,669	1,851	3,611	13,077
Unallocated liabilities						6,539
Total liabilities						19,616
Other segment information:						
Depreciation	2	693	115	8	–	818
Unallocated amounts						–
Total						818
Impairment loss on other receivables	–	–	–	1	35	36
Unallocated amounts						2,231
Total						2,267
Capital expenditure	4,264	7,059	2	18	–	11,343

5. SEGMENT REPORTING *(Continued)*

Geographical segments

In presenting information on the basis of geographical segments. Segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2007			2006		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Revenue from external customers						
International waters	21,192	–	21,192	–	–	–
Hong Kong	66,944	1,152	68,096	47,364	3,813	51,177
	88,136	1,152	89,288	47,364	3,813	51,177

	2007			2006		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Segment assets						
International waters	126,292	–	126,292	–	–	–
Hong Kong	70,884	–	70,884	152,916	1,555	154,471
	197,176	–	197,176	152,916	1,555	154,471

	2007			2006		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Capital expenditure during the year						
International waters	5	–	5	–	–	–
Hong Kong	291	–	291	11,325	18	11,343
	296	–	296	11,325	18	11,343

6. TURNOVER

The principal activities of the Group are trading of glass eel, operation of Japanese restaurants, cruise and cruise-related operation and property investment.

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, rental income, income from operation of Japanese restaurants and cruise and cruise-related operation.

An analysis of turnover during the year is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006 (Restated)	**2007**	2006 (Restated)	**2007**	2006 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trading of glass eel	**49,218**	26,807	**–**	–	**49,218**	26,807
Trading of wine products	**–**	–	**1,152**	3,813	**1,152**	3,813
Gross rentals from investment properties	**771**	3,969	**–**	–	**771**	3,969
Operation of Japanese restaurants	**16,955**	16,588	**–**	–	**16,955**	16,588
Cruise and cruise-related operation	**21,192**	–	**–**	–	**21,192**	–
	88,136	47,364	**1,152**	3,813	**89,288**	51,177

7. OTHER REVENUE AND GAINS

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006 (Restated)	**2007**	2006 (Restated)	**2007**	2006 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other revenue						
Bank interest income*	**2,527**	400	**2**	14	**2,529**	414
Dividend income	**–**	3	**–**	–	**–**	3
Others	**329**	186	**166**	209	**495**	395
	2,856	589	**168**	223	**3,024**	812
Gains						
Gain on disposal of listed securities	**80**	227	**–**	–	**80**	227
Fair value gains on investment properties	**3,340**	883	**–**	–	**3,340**	883
	3,420	1,110	**–**	–	**3,420**	1,110
	6,276	1,699	**168**	223	**6,444**	1,922

* *Interest income on financial assets not at fair value through profit or loss.*

8. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006 (Restated)	**2007**	2006 (Restated)	**2007**	2006 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(a) Staff costs (including directors' remuneration (note 11)):						
Wages and salaries	**18,837**	8,358	**253**	969	**19,090**	9,327
Contributions to defined contribution retirement plan	**475**	337	**14**	41	**489**	378
	19,312	8,695	**267**	1,010	**19,579**	9,705
(b) Other operating expenses:						
Impairment loss on other receivables	**300**	2,231	**–**	36	**300**	2,267
Impairment loss on goodwill	**455**	–	**–**	–	**455**	–
Loss on disposal of property, plant and equipment	**78**	116	**–**	1,617	**78**	1,733
Write off of property, plant and equipment	**4,928**	–	**–**	–	**4,928**	–
	5,761	2,347	**–**	1,653	**5,761**	4,000
(c) Other items:						
Cost of inventories sold #	**80,102**	29,628	**643**	1,942	**80,745**	31,570
Auditor's remuneration						
– audit services	**872**	790	**–**	40	**872**	830
– other services	**520**	293	**–**	–	**520**	293
Depreciation on owned assets #	**5,069**	810	**4**	8	**5,073**	818
Minimum lease payment under operating leases on land and buildings	**5,034**	2,925	**58**	147	**5,092**	3,072
Exchange difference, net	**(6)**	(43)	**(2)**	(10)	**(8)**	(53)

Cost of inventories sold includes HK$2,954,000 (2006: Nil) relating to depreciation charges of cruise and cruise-related operation, which amount is also included in the depreciation on owned assets.

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006 (Restated)	**2007**	2006 (Restated)	**2007**	2006 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**–**	1,130	**–**	–	**–**	1,130
Interest on overdue payment	**321**	–	**–**	–	**321**	–
Finance charges on obligations under finance leases	**–**	–	**–**	116	**–**	116
Total interest expenses on financial liabilities not at fair value through profit or loss	**321**	1,130	**–**	116	**321**	1,246

10. GAIN ON DECONSOLIDATION OF SUBSIDIARIES

No deconsolidation of subsidiaries during the year ended 31 December 2007. Details of deconsolidation of subsidiaries during the year ended 31 December 2006 are as follows:

The Group had equity interest of 100% and 80% in Excel Harvest Corporation Limited and its subsidiaries (collectively "Excel Harvest Group") and Silver Dragons Limited and its subsidiaries (collectively "Silver Dragons Group"), the principal activities of which were engaged in jewellery trading business and general trading respectively. During the course of the preparation of the interim results for six months ended 30 June 2006 of the Company (the "2006 interim results"), the Directors had received the unaudited management accounts of Excel Harvest Group and Silver Dragons Group for the six months ended 30 June 2006. The details of the income statement of Excel Harvest Group and Silver Dragons Group as included in the unaudited 2006 interim results were summarised as follows:

	Excel Harvest Group	**Silver Dragons Group**	**Total**
	HK$'000	HK$'000	HK$'000
Turnover	–	–	–
Loss after taxation	(2,195)	(664)	(2,859)
Total assets as at 30 June 2006	7,381	12,808	20,189
Total liabilities as at 30 June 2006	(11,037)	(23,665)	(34,702)

10. GAIN ON DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

As outlined in the circular of the Company dated 26 March 2007, the Group had entered into an agreement on 2 March 2007 to dispose of Firstone Enterprises Limited of which both Excel Harvest Group and Silver Dragons Group are its subsidiaries. This disposal was completed on 16 April 2007. When the Directors of the Company informed the management of Excel Harvest Group and Silver Dragons Group that the Company intended to realise the investments in the two groups, the management of the two groups declined to cooperate with the Company and had not submitted any financial information to the Company. Therefore the financial statements of these two groups were not audited. As the Company no longer had control over the two groups, for the sake of more appropriate presentation in order to allow the public to evaluate the performance of the Group, the financial statements of Excel Harvest Group and Silver Dragons Group were excluded from consolidation for the year ended 31 December 2006. The details of gain arising from deconsolidation of Excel Harvest Group and Silver Dragons Group were as follows:

	Excel Harvest Group	**Silver Dragons Group**	**Total**
	HK$'000	HK$'000	HK$'000
Share of net liabilities as at 31 December 2005	(1,462)	(10,254)	(11,716)
Gain arising from deconsolidation of subsidiaries for the year ended 31 December 2006	1,462	10,254	11,716

11. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	2007 Total HK$'000
Executive directors:				
Mr. Wong Ching Ping, Alex	–	575	3	578
Mr. Wong Tak Chung, Andrew	–	382	11	393
Independent non-executive directors ("INED"):				
Ms. Hui Wai Man, Shirley	120	–	–	120
Mr. Tang Yiu Wing	120	–	–	120
Mr. Tso Hon Sai, Bosco	120	–	–	120
	360	957	14	1,331

11. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	2006 Total HK$'000
Executive directors:				
Mr. Kwok Ying Chuen#	–	500	5	505
Mr. Wong Ching Ping, Alex##	–	24	–	24
Mr. Wong Tak Chung, Andrew	–	120	3	123
Mr. Yu Won Kong, Dennis#	–	500	5	505
Independent non-executive directors:				
Mr. Cheng Wing Keung, Raymond*	86	–	–	86
Ms. Hui Wai Man, Shirley**	64	–	–	64
Mr. Kwok Chi Sun, Vincent*	56	–	–	56
Mr. Tang Yiu Wing**	34	–	–	34
Mr. Tso Hon Sai, Bosco	120	–	–	120
	360	1,144	13	1,517

Mr. Kwok Ying Chuen and Mr. Yu Won Kong, Dennis resigned as executive directors on 1 June 2006.

Mr. Wong Ching Ping, Alex was appointed as executive director on 9 August 2006.

* Mr. Cheng Wing Keung, Raymond and Mr. Kwok Chi Sun, Vincent resigned as INED on 20 September 2006 and 19 June 2006, respectively.

** Mr. Tang Yiu Wing and Ms. Hui Wai Man, Shirley were appointed as INED on 20 September 2006 and 19 June 2006 respectively.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

11. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(b) Of the five individuals with the highest emoluments in the Group. One (2006: two) were executive directors of the Company whose remuneration are set out above. The remuneration of the remaining four (2006: three) highest paid individuals were as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**1,778**	1,208
Retirement scheme contributions	**51**	48
	1,829	1,256

The emoluments of the four (2006: three) highest paid employees were within the following band:

	Number of employees	
	2007	2006
Nil – HK$1,000,000	**4**	3

12. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(a) Income tax in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006 (Restated)	**2007**	2006 (Restated)	**2007**	2006 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax – Hong Kong Profits Tax						
Provision for the year	**98**	1,506	**–**	–	**98**	1,506
(Over)/under provision in prior years	**(77)**	12	**–**	–	**(77)**	12
	21	1,518	**–**	–	**21**	1,518
Deferred taxation (Note 26(b))						
Origination and reversal of temporary differences	**582**	(13,459)	**–**	–	**582**	(13,459)
	603	(11,941)	**–**	–	**603**	(11,941)

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

(b) Reconciliation between tax expenses/(recovered) and accounting (loss)/profit at applicable tax rates:

	2007	2006 (Restated)
	HK$'000	HK$'000
(Loss)/profit before taxation		
– Continuing operations	(39,566)	52,552
– Discontinued operations (Note 13)	4,499	9,061
	(35,067)	61,613
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profit in the tax jurisdictions concerned	(6,136)	10,783
Tax effect of non-taxable income	(993)	(28,171)
Tax effect of non-deductible expenses	567	3,139
Tax effect of accelerated tax allowance not recognised	1,646	1,635
Tax effect of unused tax losses not recognised	6,121	907
Tax effect of utilisation of unused tax losses not recognised in prior years	(525)	(246)
(Over)/under provision of taxation in prior years	(77)	12
Actual tax expenses/(recovered)	603	(11,941)

13. DISCONTINUED OPERATIONS

As described in note 31(b), the operations of Daiwah Company Limited and its subsidiaries (collectively "Daiwah Group") and Firstone Corporate Limited are classified as discontinued operations and the profit arising from discontinued operations is analysed as follows:

	2007			2006
	Daiwah Group	Firstone Corporate Limited	Total	(Restated)
	HK$'000	HK$'000	HK$'000	HK$'000
Loss on discontinued operations for the year	–	(65)	(65)	(2,099)
Gain on disposal of discontinued operations (see Note 31(b))	4,145	419	4,564	11,160
	4,145	354	4,499	9,061

13. DISCONTINUED OPERATIONS *(Continued)*

The results of the discontinued operations for the period from 1 January 2007 to 16 April 2007 (the date of disposal) which have been included in the consolidated income statement for the year ended 31 December 2007 are as follows:

	Notes	2007 Daiwah Group HK$'000	2007 Firstone Corporate Limited HK$'000	2007 Total HK$'000	2006 (Restated) HK$'000
Turnover	6	–	**1,152**	**1,152**	3,813
Cost of sales		–	**(643)**	**(643)**	(1,942)
Gross profit		–	**509**	**509**	1,871
Other revenue and gains	7	–	**168**	**168**	223
Operating expenses		–	**(742)**	**(742)**	(4,077)
Loss from operations		–	**(65)**	**(65)**	(1,983)
Finance costs	9	–	–	–	(116)
Loss before tax from discontinued operations		–	**(65)**	**(65)**	(2,099)
Income tax	12	–	–	–	–
Loss for the year from discontinued operations attributable to equity holders of the Company		–	**(65)**	**(65)**	(2,099)
The net cash flows attributable to discontinued operations are as follows:					
Net cash generated from/(used in) operating activities		–	**561**	**561**	(1,208)
Net cash generated from investing activities		–	**2**	**2**	1,045
Net cash used in financing activities		–	–	–	(359)
Net cash inflow/(outflow)		–	**563**	**563**	(522)

The carrying amounts of the assets and liabilities of the discontinued operations at the date of disposal are disclosed in note 31(b).

14. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity holders of the Company includes a loss of HK$5,327,000 (2006:HK$11,938,000) which has been dealt with in the financial statements of the Company.

15. (LOSS)/EARNINGS PER SHARE

(a) The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

(Loss)/earnings

	2007	2006
		(Restated)
	HK$'000	HK$'000
(Loss)/earnings attributable to ordinary equity holders of the Company used in the basic (loss)/earnings per share calculation		
From continuing operations	**(39,962)**	64,365
From discontinued operations	**4,499**	9,061
	(35,463)	73,426

	2007	2006
	'000	'000
Weighted average number of ordinary shares	**385,136**	161,545

(b) Diluted (loss)/earnings per share is not presented as there were no dilutive potential shares in issue during the years ended 31 December 2007 and 2006.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Cruise liner HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Crockery, utensils, linens and uniform HK$'000	Total HK$'000
Cost:						
1 January 2006	–	8,084	4,163	202	238	12,687
Additions	–	558	6,448	–	130	7,136
Acquisition of subsidiaries	–	–	3,015	–	–	3,015
Deconsolidation of subsidiaries	–	(55)	(859)	–	–	(914)
Disposals	–	(7,398)	(3,649)	–	(18)	(11,065)
31 December 2006	–	1,189	9,118	202	350	10,859
1 January 2007	–	1,189	9,118	202	350	10,859
Additions	–	24	268	–	4	296
Acquisition of subsidiaries	134,301	4,235	5,806	–	–	144,342
Disposal of subsidiaries	–	(222)	(28)	(49)	–	(299)
Disposals	–	(119)	–	–	–	(119)
Written off	–	–	(5,864)	–	(134)	(5,998)
31 December 2007	134,301	5,107	9,300	153	220	149,081
Accumulated depreciation:						
1 January 2006	–	5,076	3,599	56	–	8,731
Charge for the year	–	194	595	29	–	818
Acquisition of subsidiaries	–	–	3,008	–	–	3,008
Deconsolidation of subsidiaries	–	(50)	(834)	–	–	(884)
Written back on disposals	–	(4,832)	(3,450)	–	–	(8,282)
31 December 2006	–	388	2,918	85	–	3,391
1 January 2007	–	388	2,918	85	–	3,391
Charge for the year	2,752	462	1,828	31	–	5,073
Acquisition of subsidiaries	13,301	715	1,318	–	–	15,334
Disposal of subsidiaries	–	(208)	(10)	(49)	–	(267)
Written back on disposals	–	(36)	–	–	–	(36)
Written off	–	–	(1,070)	–	–	(1,070)
31 December 2007	16,053	1,321	4,984	67	–	22,425
Net book value:						
31 December 2007	118,248	3,786	4,316	86	220	126,656
31 December 2006	–	801	6,200	117	350	7,468

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

Group *(Continued)*

The write off of furniture and fixtures, crockery, utensils, liners and uniform with a net book value of HK$4,928,000 during the year ended 31 December 2007 was connected with the closure of a Japanese restaurant.

The machinery and equipment and furniture and fixtures with net book value of HK$2,667,000 disposed of during the year ended 31 December 2006 was connected with the artwork design business.

Company

	Furniture and fixtures HK$'000
Cost:	
1 January 2006	8
Disposals	(8)
31 December 2006, 1 January 2007 and 31 December 2007	–
Accumulated depreciation:	
1 January 2006	3
Written back on disposals	(3)
31 December 2006, 1 January 2007 and 31 December 2007	–
Net book value:	
31 December 2007	–
31 December 2006	–

17. INVESTMENT PROPERTIES

Group

	2007 HK$'000	2006 HK$'000
Beginning of the year	**16,290**	33,170
Additions	**–**	4,207
Acquisition of a subsidiary	**–**	120,000
Deconsolidation of subsidiaries	**–**	(21,970)
Disposal	**–**	(120,000)
Fair value adjustment	**3,340**	883
End of the year	**19,630**	16,290

(a) The Group's investment properties are all situated in Hong Kong and are held under medium term leases.

(b) Investment properties of the Group carried at fair value were revalued as at 31 December 2007 on an open market value adopted the direct comparison method assuming sale with the benefit of immediate vacant possession or existing tenancies and by reference to comparable market transactions. The valuations were carried out by an independent firm of surveyors, Dudley Surveyors Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

18. GOODWILL

Group

	HK$'000
Cost:	
1 January 2006, 31 December 2006 and 31 December 2007	124,881
Accumulated impairment losses:	
1 January 2006, 31 December 2006 and 1 January 2007	124,426
Impairment *(Note)*	455
31 December 2007	124,881
Carrying amount:	
31 December 2007	–
31 December 2006	455

Note:

The carrying amount of goodwill brought forward represented goodwill arising from the acquisition of subsidiaries in prior years engaging in operation of Japanese restaurant and trading of glass eel. In current year, due to group restructuring, the operation of Japanese restaurant have been transferred to a fellow subsidiary. In addition, as disclosed in note 35, the Group decided to cease the business of trading of glass eel by the end of March 2008. The Directors are of the opinion that these subsidiaries will no longer have profit generating ability and with minimal recoverable amount. The Directors considered that a full provision for impairment of the carrying amount of goodwill of HK$455,000 is required and the provision has been charged to the consolidated income statement for the year ended 31 December 2007.

19. INTEREST IN SUBSIDIARIES

Company

	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	69,312
Due from subsidiaries	**141,661**	512,942
	141,662	582,254
Impairment loss	**(24,145)**	(527,191)
	117,517	55,063

Amounts due from subsidiaries are unsecured, interest-free and not expected to be recovered within one year.

Movements in impairment loss:

	Investments in subsidiaries	**Due from subsidiaries**	**Total**
	HK$'000	HK$'000	HK$'000
1 January 2006	60,551	459,178	519,729
Impairment loss charged during the year	8,761	–	8,761
Reversal of impairment loss upon disposal of subsidiaries	–	(1,299)	(1,299)
31 December 2006	69,312	457,879	527,191
1 January 2007	69,312	457,879	527,191
Reversal of impairment loss upon disposal of subsidiaries	(69,312)	(433,734)	(503,046)
31 December 2007	–	24,145	24,145

19. INTEREST IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name	Place of incorporation and operation	Particulars of issued and paid-up capital	Percentage of equity attributable to the Company Directly	Percentage of equity attributable to the Company Indirectly	Principal activities
Preciseworth Investments Limited	British Virgin Islands/ Hong Kong	US$1 ordinary share	100	–	Securities trading
Sky Path Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Glory Hero Corporation Limited	Hong Kong	HK$2 ordinary shares	–	100	Property holding
Main Benefit Limited	Hong Kong	HK$2 ordinary shares	–	100	Property holding
Lion Castle Limited	British Virgin Islands	US$1 ordinary shares	100	–	Investment holding
Pacific Glory Holdings Limited	British Virgin Islands	US$100 ordinary shares	–	80	Investment holding
Green Strength Limited (Formerly known as Suishaya Japanese Restaurant (Kowloon) Limited)	Hong Kong	HK$2 ordinary shares	–	80	Dormant
Cheerford Corporation Limited	Hong Kong	HK$2 ordinary shares	–	80	Tenancy agreement signing agent of fellow subsidiary
Grand Allied Profits Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Fisherton Holdings Limited	Hong Kong	HK$2 ordinary shares	–	100	Tenancy agreement signing agent of fellow subsidiary
Fisherton International Limited	Hong Kong	HK$2 ordinary shares	–	100	Trading of glass eel
Team Profit International Limited	Hong Kong	HK$1 ordinary share	–	100	Property investment

19. INTEREST IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operation	Particulars of issued and paid-up capital	Percentage of equity attributable to the Company Directly	Percentage of equity attributable to the Company Indirectly	Principal activities
State Empire Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Harbour Wealth Investment Company Limited	Hong Kong	HK$2,000,000 ordinary shares	–	100	Dormant
Sincere Chance Enterprises Limited	Hong Kong	HK$1 ordinary share	100	–	Provision of administrative services
Crown Rate Investment Limited	Hong Kong	HK$1 ordinary share	–	100	Operating Japanese restaurant
Gold Venture Corporation Limited	Hong Kong	HK$2 ordinary shares	–	100	Provision of administrative services
Sinostate Properties Limited	Hong Kong	HK$2 ordinary shares	–	100	Tenancy agreement signing agent
Quick Treasure Investments Limited	British Virgin Islands	US$10 ordinary shares	–	100	Investment holding
Ever Discovery Limited	British Virgin Islands	US$1 ordinary share	–	100	Provision of administrative services
Everjoyce Limited	Hong Kong	HK$2 ordinary shares	–	100	Port clearance agent
Golden Princess Cruise Limited	Hong Kong	HK$500,000 ordinary shares	–	100	Provision of travel agency service
Harbour Assets Limited	British Virgin Islands	US$1 ordinary share	–	100	Cruise liner owner
Million Gain Group Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Season Success Investment Limited	Hong Kong	HK$1 ordinary share	–	100	Cruise liner operation

20. AVAILABLE-FOR-SALE INVESTMENT

Group and Company

	2007 HK$'000	2006 HK$'000
Unlisted equity investment, at cost	**156,514**	156,514
Due from investee	**518**	518
Impairment loss	**(157,032)**	(157,032)
	–	–

Available-for-sale investment represents an unlisted investment (11.14% equity interest) in a company incorporated in the British Virgin Islands which owns a group of subsidiaries, the operations of which were terminated in prior year. Therefore, full impairment for the cost of investment and the amount due from investee was provided in prior years.

21. INVENTORIES

Group

	2007 HK$'000	2006 HK$'000
Finished goods	**1,096**	755

All inventories are expected to be recovered within one year.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**2,339**	5,281	**–**	–
Less: allowance for doubtful debts	**(1,044)**	(1,510)	**–**	–
	1,295	3,771	**–**	–
Prepayments	**4,028**	2,460	**–**	–
Other receivables	**12**	1,394	**79**	73
	5,335	7,625	**79**	73

All of the trade and other receivables are expected to be recovered within one year.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 days, except for certain well-established customers where the credit terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In view of the aforementioned and that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivable are non-interest bearing.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Age analysis

An age analysis of the trade receivables as at the balance sheet date, based on invoice date, and net of allowance for doubtful debt of HK$1,044,000 (2006: HK$1,510,000), is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current to 3 months	**1,294**	3,603
3 to 6 months	**1**	165
Over 6 months	**–**	3
	1,295	3,771

(b) Impairment of trade receivables

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

Movements in the allowance for doubtful debts:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**1,510**	1,510
Disposal of subsidiaries (Note)	**(466)**	–
At 31 December	**1,044**	1,510

Note:

The allowance for doubtful debts was released upon the disposal of subsidiaries (see note 31(b)).

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Trade receivables that are not impaired

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

	Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**1,294**	3,603
3 to 6 months	**1**	165
Over 6 months	**–**	3
	1,295	3,771

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fixed deposit	**35,381**	23,628	**–**	–
Bank balances and cash	**9,078**	98,250	**3,060**	21
Cash and cash equivalents in the balance sheet	**44,459**	121,878	**3,060**	21
Bank overdrafts, unsecured (payable on demand)	**–**	(701)		
Cash and cash equivalents in the consolidated cash flow statement	**44,459**	121,177		

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

	Group		Company	
	2007	2006	**2007**	2006
	'000	'000	**'000**	'000
US Dollars	**634**	19	**–**	–
Euro Dollars	**54**	90	**–**	–
Japanese Yen	**–**	36,995	**–**	–

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**7,121**	5,245	**–**	–
Other payables and accruals	**5,932**	9,930	**1,462**	1,542
Receipt in advance from customers	**6,079**	734	**–**	–
	19,132	15,909	**1,462**	1,542

The following is an age analysis of trade payables as at the balance sheet date:

	Group	
	2007	2006
	HK$'000	HK$'000
Current to 3 months	**6,351**	3,997
3 to 6 months	**–**	3
Over 6 months	**770**	1,245
	7,121	5,245

25. DUE TO MINORITY SHAREHOLDERS

The amounts due to minority shareholders were unsecured, interest free and repayable on demand.

26. INCOME TAX IN CONSOLIDATED BALANCE SHEET

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

	2007 HK$'000	2006 HK$'000
Provision for Hong Kong Profits Tax for the year	**98**	1,506
Provisional profits tax paid	**(85)**	(32)
	13	1,474
Balance of profits tax provision relating to prior years	**1,415**	(169)
Release upon disposal of subsidiaries	**(3)**	(23)
Release upon deconsolidation of subsidiaries	**–**	210
	1,425	1,492

26. INCOME TAX IN CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax liabilities

The components of deferred tax liabilities/(assets) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
1 January 2006	252	223	–	475
Acquisition of subsidiaries*	12,273	1,920	(567)	13,626
Deconsolidation of subsidiaries	(183)	(105)	–	(288)
(Credited)/charged to consolidated income statement during the year	(12,119)	(1,907)	567	(13,459)
31 December 2006	223	131	–	354
1 January 2007	223	131	–	354
(Credited)/charged to consolidated income statement during the year (note 12)	584	(2)	–	582
31 December 2007	807	129	–	936

* The deferred tax liabilities arising from acquisition of subsidiaries amounted to HK$12,273,000 was credited to consolidated income statement subsequent to the disposal of the investment properties in 2006.

(c) Deferred tax assets not recognised

At the balance sheet date, the Group has unused tax losses arising in Hong Kong of approximately HK$162,886,000 (2006: HK$130,909,000) available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax asset has not been recognised in respect of these losses due to the unpredictability of future profit steams. All tax losses do not expire under current tax legislation.

27. SHARE CAPITAL

	2007 HK$'000	2006 HK$'000
Authorised:		
12,500,000,000 ordinary shares of HK$0.02 each (2006: 12,500,000,000 ordinary shares of HK$0.02 each)	**250,000**	250,000
500 convertible preference shares of HK$100,000 each (2006: 500 convertible preference shares of HK$100,000 each)	**50,000**	50,000
Issued and fully paid:		
612,081,819 ordinary shares of HK$0.02 each (2006: 204,027,273 ordinary shares of HK$0.02 each)	**12,242**	4,081

A summary of the movements in the Company's share capital during the year is presented as follows:

	Number of shares	HK$'000
At 1 January 2007	204,027,273	4,081
Open Offer (Note)	408,054,546	8,161
At 31 December 2007	612,081,819	12,242

Note:

On 23 July 2007, 408,054,546 ordinary shares ("Offer Shares") of HK$0.02 were issued at HK$0.18 per share by way of an open offer ("Open Offer") to the shareholders of the Company. The Offer Shares rank pari passu in all respects with the then existing shares of the Company. The premium (net of share issuing expenses of approximately HK$2,190,000) arising from the issue of the Offer Shares of approximately HK$63,099,000 was credited to share premium account. The Company used the net proceeds from the Open Offer of approximately HK$71,260,000 for settling part of the consideration payable for the acquisition of Quick Treasure Investments Limited by the Group.

28. SHARE OPTION SCHEME

On 28 January 2004, the shareholders of the Company approved the adoption of the share option scheme (the "New Scheme"). The purpose of the New Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest ("Invested Entity"). Eligible participants of the New Scheme include mainly the directors, employees, suppliers of goods or services, customers, shareholders, business partners and professional advisers of the Company or any Invested Entity. The New Scheme became effective on 29 January 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the New Scheme is 61,208,181 shares, being an amount equivalent, upon their exercise, to 10% of the shares in issue of the Company at 3 October 2007, being the date of the shareholders of the Company approving the refreshment of the limit in respect of the granting of share options under the New Scheme. The maximum number of shares issuable under the share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share option may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and the period commences on the date of which the offer is made and ends on a date which is not later than 10 years from the date of the offer of the share options subject to any provisions of the New Scheme determining the rights of the grantees.

28. SHARE OPTION SCHEME *(Continued)*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There is no outstanding options remain un-exercised at the beginning and at the end of the period. No option was granted, exercised, cancelled nor lapsed during the year ended 31 December 2007.

29. EMPLOYEE RETIREMENT BENEFITS

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

30. RESERVES

(a) Group

	Share premium HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	564,123	(3,416)	31	191,389	(852,915)	(100,788)
Capital reorganisation	(564,123)	–	–	698,781	–	134,658
Set off accumulated losses	–	–	–	(688,054)	688,054	–
Open offer, net of expenses	23,271	–	–	–	–	23,271
Profit for the year	–	–	–	–	73,426	73,426
At 31 December 2006	23,271	(3,416)	31	202,116	(91,435)	130,567
At 1 January 2007	23,271	(3,416)	31	202,116	(91,435)	130,567
Open offer, net of expenses (Note 27)	63,099	–	–	–	–	63,099
Released upon disposal of subsidiaries	–	3,416	(31)	693	–	4,078
Loss for the year	–	–	–	–	(35,463)	(35,463)
At 31 December 2007	86,370	–	–	202,809	(126,898)	162,281

30. RESERVES *(Continued)*

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	564,123	192,083	(853,017)	(96,811)
Capital reorganisation	(564,123)	698,781	–	134,658
Set off accumulated losses	–	(688,054)	688,054	–
Open offer, net of expenses	23,271	–	–	23,271
Loss for the year	–	–	(11,938)	(11,938)
At 31 December 2006	23,271	202,810	(176,901)	49,180
At 1 January 2007	23,271	202,810	(176,901)	49,180
Open offer, net of expenses (Note 27)	63,099	–	–	63,099
Loss for the year	–	–	(5,327)	(5,327)
At 31 December 2007	86,370	202,810	(182,228)	106,952

(c) Nature and purpose of reserves

(i) Contributed surplus

The Company's contributed surplus represents (i) the excess of the nominal value of the share capital of the subsidiaries at the date on which they were acquired by the Company over the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1992, less dividends paid out and an amount utilised on redemption of shares in prior year; (ii) the credit arising from the reduction in nominal value of HK$0.09 of the Company's shares in prior year; and (iii) the credit arising from share premium reduction and capital reduction after setting off against the Company's accumulated losses in 2006. According to the Companies Act of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

(ii) Share premium

The application of the share premium account is governed by section 40 of the Companies Act of Bermuda (as amended).

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

30. RESERVES *(Continued)*

(d) Distributable reserves

The Company's reserve available for distribution to shareholders at 31 December 2007 as computed in accordance with the Companies Act 1981 of Bermuda (as amended) amounting to approximately HK$20,582,000.

(e) Capital management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings. The Group manages its capital through issuing/repurchasing shares.

Capital is monitored on the basis of the equity ratio, which is calculated as being equity as a percentage of total assets. This is reported to the Directors as part of the Group's regular internal management reporting. The Group's capital and equity ratio are shown in the table below:

	2007	2006
	HK$'000	HK$'000
Share capital	**12,242**	4,081
Reserves	**162,281**	130,567
Total equity	**174,523**	134,648
Total assets	**197,176**	154,471
Equity ratio	**89%**	87%

The Directors of the Company review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

The net assets acquired during the year ended 31 December 2007 and 2006, and the goodwill arising, are as follows:

	Gold Venture Corporation Limited	Sinostate Properties Limited	Quick Treasure Investments Limited				
	Carrying amount/ fair value* HK$'000	Carrying amount/ fair value* HK$'000	Carrying amount HK$'000	Fair value adjustment HK$'000	Fair value HK$'000	**2007 Total fair value HK$'000**	2006 Total fair value HK$'000
Net assets acquired:							
Property, plant and equipment	75	–	127,788	1,145	128,933	**129,008**	7
Investment properties	–	–	–	–	–	**–**	120,000
Inventories	–	–	1,784	–	1,784	**1,784**	–
Trade receivables	–	–	4,857	–	4,857	**4,857**	–
Utility deposits and other receivables	246	–	–	–	–	**246**	1,750
Cash and cash equivalents	–	–	2,054	–	2,054	**2,054**	2,502
Trade payables	–	–	(5,033)	–	(5,033)	**(5,033)**	–
Accrued liabilities and other payables	–	–	(3,567)	–	(3,567)	**(3,567)**	(1,986)
Deferred taxation	–	–	–	–	–	**–**	(13,626)
	321	–	127,883	1,145	129,028	**129,349**	108,647
Negative goodwill	–	–			–	**–**	(6,600)
Total consideration, satisfied by cash	321	–			129,028	**129,349**	102,047

Net cash outflow arising on acquisition is as follow:

	2007 HK$'000	2006 HK$'000
Cash consideration	**(129,349)**	(102,047)
Cash and cash equivalents acquired	**2,054**	2,502
	(127,295)	(99,545)

* The carrying value of net assets acquired are reasonable approximation of their fair value at the date of acquisition.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

Notes:

(i) For the year ended 31 December 2007

On 21 March 2007, the Group acquired 100% of the issued share capital of Gold Venture Corporation Limited for cash consideration of HK$321,000. Gold Venture Corporation Limited principally engaged in provision of administrative services. It contributed HK$Nil to the Group's revenue and loss of HK$2,133,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

On 21 March 2007, the Group acquired 100% of the issued share capital of Sinostate Properties Limited for HK$3 cash consideration. Sinostate Properties Limited principally engaged in tenancy agreement signing agent. It contributed HK$Nil to the Group's revenue and loss of HK$7,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

On 29 June 2007, the Group acquired 100% of the issued share capital of Quick Treasure Investments Limited for cash consideration of HK$129,028,000. Quick Treasure Investments Limited and its subsidiaries principally engaged in cruise and cruise-related operation. It contributed HK$21,192,000 to the Group's revenue and loss of HK$28,074,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

It is not possible to estimate the amount that the above subsidiaries would have contributed to the net loss of the Group had the acquisition taken place at the beginning of the year as the above subsidiaries has a different year end and different accounting policies. The cost of preparing such information would be excessive.

(ii) For the year ended 31 December 2006

On 19 June 2006, the Group acquired 100% of the issued share capital of State Empire Limited for cash consideration of HK$102,047,000. State Empire Limited and its subsidiaries principally engaged in property investment. It contributed HK$43,163,000 to the Group's revenue and profit of HK$53,167,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

It is not possible to estimate the amount that the subsidiaries would have contributed to the net profit of the Group had the acquisition taken place at the beginning of the year as the subsidiaries has a different year end and different accounting policies. The cost of preparing such information would be excessive.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries during the year ended 31 December 2007

As outlined in the circular of the Company dated 26 March 2007, the Group entered into an agreement on 2 March 2007 with Profit Leap International Limited, a company wholly-owned by a director of Firstone Food and Beverage Holdings Limited* to dispose of the entire issued share capital of Firstone Enterprises Limited ("Firstone") and the entire shareholder's loan due to the Group by Firstone and its subsidiaries ("Firstone Group") for a nominal consideration of HK$50,000. This disposal constituted a major and connected transaction of the Company. The transaction was completed on 16 April 2007.

Firstone is an investment holding company incorporated in the British Virgin Islands. Its subsidiaries consisted of:

(i) Jafoon Limited and its subsidiaries (collectively "Jafoon Group"), which was deconsolidated during the year ended 31 December 2005;

(ii) Excel Harvest Group and Silver Dragons Group, which were deconsolidated during the year ended 31 December 2006 (see note 10);

(iii) Daiwah Group, which operated the artwork design business and which is classified as discontinued operation (see note 13);

(iv) Firstone Corporate Limited, which operated the trading of wine business and which is classified as discontinued operation (see note 13); and

(v) other remaining subsidiaries which are either dormant or investment holding companies.

The result of deconsolidation of Jafoon Group, Excel Harvest Group and Silver Dragons Group has been dealt with in the financial statements in prior years. The financial information in connection with the disposal of Daiwah Group, Firstone Corporate Limited and other remaining subsidiaries of Firstone Group as disclosed in these financial statements are based on the unaudited management accounts of the respective companies for the period from I January 2007 to 16 April 2007 (the date of disposal).

* Firstone Food and Beverage Holdings Limited is a wholly-owned subsidiary of Firstone.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries during the year ended 31 December 2007 *(Continued)*

The aggregate net liabilities disposed of:

	2007				
	Daiwah Group HK$'000	Firstone Corporate Limited HK$'000	Sub-total discontinued operations HK$'000	Other subsidiaries HK$'000	Total HK$'000
Property, plant and equipment	–	32	32	–	32
Trade receivable	–	481	481	–	481
Other receivables, prepayment and deposits	–	150	150	13,955	14,105
Inventories	–	448	448	–	448
Cash and bank balances	38	741	779	–	779
Trade payable	(1,203)	(470)	(1,673)	–	(1,673)
Amount due to immediate holding company	–	–	–	(433,832)	(433,832)
Accrued liabilities and other payables	(2,977)	(1,770)	(4,747)	(15,977)	(20,724)
Tax payable	(3)	–	(3)	–	(3)
	(4,145)	(388)	(4,533)	(435,854)	(440,387)
Release of capital reserve	–	(31)	(31)	–	(31)
Release of exchange fluctuation reserve	–	–	–	3,416	3,416
Release of contributed surplus	–	–	–	693	693
Assignment of amount due to immediate holding company	–	–	–	433,832	433,832
	(4,145)	(419)	(4,564)	2,087	(2,477)
Gain on disposal of discontinued operations (note 13)	4,145	419	4,564	–	4,564
Loss on disposal of subsidiaries	–	–	–	(2,037)	(2,037)
Total consideration	–	–	–	50	50

An analysis of the aggregate outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Discontinued operations HK$'000	Other subsidiaries HK$'000	Total HK$'000
Cash consideration	–	50	50
Cash and bank balances disposed of	(779)	–	(779)
	(779)	50	(729)

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Disposal of subsidiaries during the year ended 31 December 2006

In May 2006, the Group discontinued its skin and health care operations at the time of the disposal of Profit Team Consultants Limited and its subsidiaries ("Profit Team Group") to an independent third party. The net liabilities of Profit Team Group at 30 May 2006 (the date of disposal) were as follows:

Net liabilities disposed of:

	2006 HK$'000
Other receivables	48
Cash and bank balances	2
Trade payable	(4,278)
Amounts due to fellow subsidiaries	(589)
Amount due to immediate holding company	(11,898)
Accrued liabilities and other payables	(6,320)
Tax payable	(23)
	(23,058)
Assignment of amount due to immediate holding company	11,898
	(11,160)
Gain on disposal of discontinued operations	11,160
Total consideration	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries attributable to discontinued operations is as follows:

	2006 HK$'000
Cash consideration	–
Cash and bank balances disposed of	(2)
	(2)

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Deconsolidation of subsidiaries during the year ended 31 December 2006

	2006		
	Excel Harvest Group HK$'000	Silver Dragons Group HK$'000	Total HK$'000
Net liabilities deconsolidated:			
Investment properties	8,780	13,190	21,970
Property, plant and equipment	30	–	30
Prepayment, deposits and other receivables	4,157	12	4,169
Bank balances	8	25	33
Tax refundable	500	–	500
Trade payables	(312)	–	(312)
Accrued liabilities and other payables	(8,004)	(11,263)	(19,267)
Tax payable	–	(290)	(290)
Bank overdrafts	(1,592)	(7)	(1,599)
Obligations of finance leases	(88)	–	(88)
Interest-bearing bank and other borrowings	(4,806)	(11,708)	(16,514)
Deferred tax	(135)	(153)	(288)
Minority interests	–	(60)	(60)
	(1,462)	(10,254)	(11,716)
Gain on deconsolidation of subsidiaries	1,462	10,254	11,716
	–	–	–

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the deconsolidation of subsidiaries is as follows:

	Excel Harvest Group HK$'000	Silver Dragons Group HK$'000	Total HK$'000
Bank balances in respect of deconsolidated subsidiaries	(8)	(25)	(33)
Bank overdrafts in respect of deconsolidated subsidiaries	1,592	7	1,599
Net inflow/(outflow) of cash and cash equivalents in respect of the deconsolidation of subsidiaries	1,584	(18)	1,566

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank overdrafts, bank balances and short term time deposits. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group does not have any written risk management policies and guidelines. The Directors monitor the financial risk management of the Group and take such measures as considered necessary from time to time to minimise such financial risks.

The Group's activities are exposed to the following risks:

(a) Interest rate risks

As the Group has no significant interest bearing liabilities, the Group's exposure to market risk for changes in interest rates relates primarily to the bank balances and short term time deposits. The Directors of the Company consider the Group's exposure of the short term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods. Floating-rate interest income is recognised in the profit or loss as incurred.

The Group's interest rate profile as monitored by the Directors is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's floating rate bank deposits at the balance sheet date.

	2007		2006	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Floating rate bank deposits	**2.0%-4.5%**	**44,459**	2.0%-3.7%	121,878

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 20 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately HK$89,000 (2006: HK$244,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Interest rate risks *(Continued)*

(ii) Sensitivity analysis (Continued)

The sensitivity analysis above has been determined assuming that the changes in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for floating rate bank deposits in existence at that date. The 20 basis point increase or decrease represents Directors' assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(b) Foreign currency risk

The Group's foreign currency exposures primarily arising from certain sales or purchases by operating units in currencies other than the units' functional currency. Certain trade and other receivables, trade and other payables, and bank balances of the Group are denominated in foreign currencies.

(i) The carrying amounts of the Group foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2007				2006			
	EUR	**JPY**	**RMB**	**USD**	EUR	JPY	RMB	USD
	'000	**'000**	**'000**	**'000**	'000	'000	'000	'000
Bank balances	**54**	**–**	**–**	**634**	90	36,995	–	19
Trade and other receivables	**–**	**–**	**–**	**–**	9	–	–	–
Trade and other payables	**–**	**–**	**–**	**(510)**	(7)	–	(22)	–
Overall exposure arising from recognised assets and liabilities	**54**	**–**	**–**	**124**	92	36,995	(22)	19

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balances sheet date.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Foreign currency risk *(Continued)*

(ii) Sensitivity analysis (Continued)

	2007		2006	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK$'000
EUR	**5%**	**(31)**	5%	(47)
	(5%)	**31**	(5%)	47
JPY	**5%**	**–**	5%	(261)
	(5%)	**–**	(5%)	261
RMB	**5%**	**–**	5%	1
	(5%)	**–**	(5%)	(1)

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occured at the balance sheet date and has been applied to each of the Group entities' exposure to currency risk for both derivative and non derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2006.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Foreign currency risk *(Continued)*

The Group currently does not have a foreign currency hedging policy. However, the Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(c) Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, prepayment, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank overdrafts and bank loans. In addition, the Group regularly monitors its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(e) Fair value estimation

The carrying amounts of the Group's financial assets and including cash and cash equivalents, trade receivables, prepayment, deposits and other receivables, and financial liabilities including trade payables, due to minority shareholders and other payables, approximate to their fair values due to their short maturities.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

(i) The Group leases out investment properties under operating lease arrangements with leases negotiated for terms of two to four years with an option to renew the lease after that date at which time are terms renegotiated. Lease payments are usually increased every two years to reflect market rentals.

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**484**	457
In the second to fifth years, inclusive	**–**	148
	484	605

(ii) At 31 December 2007, the Group had contracted with the casino operator in respect of leasing the gaming hall on the cruise liner. The lease agreement shall continue until it is terminated by either party serving on the other party one month's written notice of termination. Contingent rental based on a percentage of net profit of the casino operation.

33. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain properties under operating lease arrangements. These leases are negotiated for terms ranging from two to six years.

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**2,356**	4,457
In the second to fifth years, inclusive	**418**	10,728
Over five years	**–**	2,000
	2,774	17,185

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments not provided for at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
Capital commitments, contracted for acquisition of property, plant and equipment	**43**	31

35. POST BALANCE SHEET EVENTS

At the end of March 2008, due to the reallocation of financial resources and changes in personnel, the Group decided to cease the business of trading of glass eel which would result in a discontinued segment in the financial year ending 31 December 2008. The segment turnover and segment result of the business of trading of glass eel for the year ended 31 December 2007 were approximately HK$49,218,000 and HK$2,909,000 respectively.

36. RELATED PARTY TRANSACTIONS

(a) Disposal of subsidiaries

As stated in note 31(b), on 2 March 2007, the Group entered into an agreement with Profit Leap International Limited, a company wholly-owned by a director of Firstone Food and Beverage Holdings Limited (one of the Company's subsidiaries) to dispose of the entire issued share capital of Firstone and the entire shareholder's loan due to the Group by Firstone Group for a nominal consideration of HK$50,000. Firstone is an investment holding company incorporated in the British Virgin Islands held various operations of the Group. The transaction was completed on 16 April 2007.

(b) Key management personnel remuneration

The key management personnel of the Group are the Directors of the Company. Details of the remuneration paid to them are set out in note 11 to the financial statements.

37. CONTINGENT LIABILITIES

On 6 October 2006, a subsidiary of the Group signed a tenancy agreement with the lease term from 6 October 2006 to 5 October 2012 for a restaurant operation. During the year, the subsidiary of the Group ceased the said restaurant operation and surrendered the property to the landlord on 25 October 2007. In November 2007, the subsidiary of the Group received a demand letter from the landlord in respect of the payment of rental and other fees in arrear up to 25 October 2007. After deducting the rental deposit paid by the subsidiary of the Group, the amount involved was HK$424,000 and accruals had been made in the financial statements for the year ended 31 December 2007.

Pursuant to the terms of the said rental agreement, the maximum contractual liability of the subsidiary of the Group in respect of the payment of rental and other fees for the remaining lease term is approximately HK$12.9 million. The liability of the subsidiary's shareholders towards settlement of aforesaid liability is limited to their issued share capital of this subsidiary, no further provision has been made at this stage.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

HKAS 1 (Revised)	Presentation of Financial Statements[4]
HKAS 23 (Revised)	Borrowing Costs[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[4]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction[2]

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

39. COMPARATIVE FIGURES

Due to the disposal of certain operations during the year, which constituted a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operation", certain comparative figures have been reclassified to conform with current year's presentation.

As a result of adopting HKFRS 7, *Financial instruments: Disclosures*, and the amendments to HKAS 1, *Presentation of financial statements: Capital disclosures*, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 3.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 April 2008.

Summary of Investment Properties

Location	Purpose	Floor area sq.ft.	Group's interest
1. Flat C, 24/F, Village Tower, No. 7 Village Road, Happy Valley, Hong Kong	Residential	900	100%
2. Flat 12, 26/F, Apartment Tower, Western Side Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong	Residential	843	100%
3. 8/F Lok Kui Industrial Building, Nos. 6-8 Hung To Road, Kwun Tong, Kowloon	Industrial	8,000	100%