鼎洋投資有限公司*
APEX CAPITAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 905

Annual Report 2007

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Mung Kin Keung *(Chairman)*
Mr. Ha Wing Ho, Peter
Mr. Leong Chi Wai
Mr. Leung King Yue, Alex

Independent Non-executive Directors:

Mr. Chee Man Sang, Eric
Mr. Lo Tak Kin
Ms. Yu Tin Yan, Winnie

COMPANY SECRETARY

Mr. Ma Man Pong

INVESTMENT MANAGER

Hua Yu Investment Management Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

AUDITORS

Grant Thornton
Certified Public Accountants

LEGAL ADVISERS

Hong Kong Law
Mason Ching & Associates

Cayman Islands Law
Maples and Calder Asia

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 705, George Town
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Ugland House
PO Box 309
George Town, Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 905

COMPANY WEBSITE

www.apexcapitalhk.com

Chairman Statement

BUSINESS REVIEW AND OUTLOOK

Financial year 2007 has been a significant year for Apex Capital Limited. The Group has completed a restructuring of its senior leadership in which a new Board has been introduced that comprises professionals with diverse and far-reaching expertise in business management, legal and financial management.

Year 2007 has been a year of extremely volatility in the equity markets in China and Hong Kong. With the massive liquidity inflow from mainland China and overseas, speculating on the strong growth of the Chinese economy and the appreciation of the Chinese Yuan, equity valuation was driven to level that only reflect nothing but the best case scenario. The Board has been extremely cautious since its appointment to the office for fear of destruction of shareholders' value, if we decided to get invested for the sake of investing. Nevertheless, we have been constantly evaluating investment opportunities made available to the Group in accordance to strict investment guidelines formulated by your board.

Our cautiousness had paid off towards the end of Year 2007 when there were early signs that high equity valuation could no longer withstand the force of gravity. Not only had the Group avoided the volatility in the equity markets in both China and Hong Kong, we have also managed to achieve a reduction in expenses that has resulted in a significant reduction in loss for the year.

We remain cautious as a result of the sub-prime debacle in the US and further tightening of the macro economy in mainland China. Nevertheless, with the stabilizing of equity markets subsequent to the massive correction in January 2008, year 2008 will be a year of opportunity and growth for the Group and the Board in confident in creating value for its shareholders.

Finally, I would like to extend my gratitude to all my fellow directors and the Company's investment manager during the year 2007. I look forward to their continued support in the years ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is an investment company listed under Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and is principally engaged in investment in listed and unlisted companies in Hong Kong and in the People's Republic of China ("the PRC"). There was no change in the nature of the Company's principal activity during the year.

The Board considered that it is appropriate for the Company to retain financial resources at present to enable it to seize new and attractive investment opportunities as and when they arise. Therefore, the Board has resolved not to recommend the payment of any dividends.

Chairman Statement

FINANCIAL REVIEW

During the year, the Group recorded a loss of HK$3,259,000 (2006: HK$10,350,000) after deducting administrative expenses and other operating expenses of HK$3,298,000 (2006: HK$4,028,000) and finance expenses of HK$Nil (2006: HK$144,000).

The decrease in loss is mainly due to no provision (2006: HK$6,874,000) for impairment made in respect of the unlisted equity investment in the PRC.

Financial position

The Group had no debt as at 31 December 2007 (2006: HK$Nil).

Charges on assets

As at 31 December 2007, there were no charges on the Group's assets (2006: HK$Nil).

Foreign currency fluctuation

Most of the underlying investments and business transactions of the Group are denominated in Hong Kong dollars. The Board believes the foreign exchange risk is minimal.

Contingent liabilities

The Group had no contingent liabilities as at 31 December 2007 (2006: HK$Nil).

Employees and remuneration policy

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

There is one employee, four executive directors and three independent non-executive directors. Remuneration policies are reviewed by the remuneration committee in accordance with the market situation and the performance of individual directors from time to time.

The Group's total staff costs (including directors' emoluments) for the year under review amounted to approximately HK$1.4 million (2006: approximately HK$1.6 million).

Mung Kin Keung
Chairman
Hong Kong, 24 April 2008

Biographical Details of Directors and the Investment Manager

EXECUTIVE DIRECTORS

Mr. Mung Kin Keung ("Mr. Mung"), aged 47, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Mung holds a Master Degree in Business Administration from the Asia International Open University in Macau a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. In November 2007, Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has over 10 years' experience in areas of business management, strategic planning and development. Since 1995, he has invested 30% in Banana Leaf (Asia Pacific) Catering Group Company Limited, a private company operating catering business, which has more than 30 restaurants in 12 major cities in China, Philippines and Indonesia. He is also the controlling shareholder and director of Hong Kong Airlines Limited. The airline is designated to operate scheduled flights to cities in China, including Tianjin, Changsha, Guilin, Nanning, Kunming, Haikou, Xiamen and Qingdao.

Mr. Ha Wing Ho, Peter ("Mr. Ha"), aged 45, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Ha obtained LLB from the University of Wales in 1984 and PCLL from The University of Hong Kong in 1985. He is a partner of Messrs. Kok and Ha, Solicitors which was founded in 1989. He is also a director of Hong Kong Express Airways Limited.

Mr. Leong Chi Wai ("Mr. Leong"), aged 32, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Leong holds a Bachelor Degree in Business Administration from the University of Hong Kong and has 10 years' experience in managing listed and unlisted direct investments, property investments and corporate finance activities. He was a senior manager of Yu Ming Investment Management Limited ("YMIM"), a licensed corporation permitted to engage in types 1, 4, 6, 9 regulated activities under the SFO. Mr. Leong is licensed under the SFO to carry out securities advisory, corporate finance advisory and asset management activities. Mr. Leong is also a substantial shareholder of Hua Yu Investment Management Limited ("Hua Yu"), the investment manager of the Company pursuant to an investment management agreement entered into between the Company and Hua Yu on 12 May 2005.

Biographical Details of Directors and the Investment Manager

Mr. Leung King Yue, Alex ("Mr. Leung"), aged 30, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Leung holds a Bachelor Degree in Commerce specializing in Economics and Finance from the University of Melbourne in Australia and is a Chartered Financial Analyst of the United States of America. Mr. Leung started his career in investment banking with YMIM in 2000 focusing on private equity projects, corporate finance advisory, merger and acquisition transactions and listed equities. Mr. Leung then joined JK Capital Management Limited (formerly known as MYM Capital Limited), a then sister company of YMIM, in 2003 as a portfolio manager specializing in investments in global high yield fixed income securities and listed Chinese equities. He is licensed by the SFO to carry out securities advisory, corporate finance advisory and asset management activities. He is currently a Responsible Officer of both JK Capital Management Limited and Asian Asset Management Limited. He is also a director of UBA Investment Limited, a listed company under Chapter 21 of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chee Man Sang, Eric ("Mr. Chee"), aged 46, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Mr. Chee is a practising Certified Public Accountant in Hong Kong and a senior partner of Chan Chee Cheng & Co., a firm of certified public accountants. Mr. Chee holds a Bachelor Degree in Commerce (majoring in Accounting) from Birmingham University. He had worked in two international accounting firms in Canada and Hong Kong. Mr. Chee is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Chee was appointed as an independent non-executive director of Hop Fung Group Holdings Limited, a listed company in Hong Kong, on 4 September 2003.

Mr. Lo Tak Kin ("Mr. Lo"), aged 41, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Mr. Lo is a practising Certified Public Accountant in Hong Kong and an associate member of the Hong Kong Institute of Certified Public Accountants and also a fellow member of the Association of Chartered Certified Accountants. Mr. Lo is currently a director of M Square CPA Limited, Certified Public Accountants and has extensive experience in auditing, tax planning and finance.

Ms. Yu Tin Yan, Winnie ("Ms. Yu"), aged 33, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Ms.Yu was admitted as a Solicitor of the High Court of Hong Kong in 1999. Ms. Yu is currently an Associate of Messrs. Tony Kan & Co. Ms. Yu is also currently a Full Member and Director of the Association of Hong Kong Professionals Limited with which she serves as a Deputy General Secretary and Standing Committee Member.

Biographical Details of Directors and the Investment Manager

INVESTMENT MANAGER

Hua Yu Investment Management Limited ("Hua Yu") was incorporated in Hong Kong in 1998 and is Licensed Corporation under the SFO permitted to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities. Hua Yu is principally engaged in the business of investment management and provision of corporate advisory services.

On 12 May 2005, the Company entered into an investment management agreement ("the Agreement") with Hua Yu for a period of 2 years, with effect from 20 May 2005. The Agreement was subsequently renewed on 18 April 2007 for a period of 1 year.

Investment management fees to Hua Yu is calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 per three months.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements.The Group principally invests in listed and unlisted companies in Hong Kong and in other parts of the PRC.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 23 to 63.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year (2006: HK$ Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 20 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in notes 22 and 23 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

Directors' Report

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 64.

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

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

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:
Mr. Mung Kin Keung *(Chairman)*
Mr. Ha Wing Ho, Peter
Mr. Leong Chi Wai
Mr. Leung King Yue, Alex

Independent Non-Executive Directors:
Mr. Chee Man Sang, Eric
Mr. Lo Tak Kin
Ms.Yu Tin Yan, Winnie

Directors' Report

In accordance with Article 157 of the Company's Articles of Association, one third of the directors shall retire from office by rotation at the AGM. Mr. Mung Kin Keung, Mr. Leong Chi Wai and Mr. Chee Man Sang, Eric will in accordance with Article 157 of the Articles of Association, retire by rotation at the AGM and being eligible, offer themselves for re-election at the AGM.

The term of office of each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND INVESTMENT MANAGER

Brief biographical details of directors and investment manager are set out on pages 5 to 7.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACT

During the year, Hua Yu, of which Mr. Leong Chi Wai is a substantial shareholder, received from the Group investment management fees of HK$600,000 in connection with a management agreement signed between the Group and Hua Yu.

Saved as disclosed above, no other contract of significance to which the Company and any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2007 and up to the date of this report, the directors of the Company do not have interests in companies of which their businesses compete or are likely to compete, either directly or indirectly, with the businesses of the Company as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2007, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO were as follows:

Ordinary shares of HK$0.025 each in the Company as at 31 December 2007:

	Corporate interests	**% of issued share capital of the Company**
中國天地行物流控股集團有限公司 *(Note 1)*	132,933,200	55.39%

Note:

(1) 132,933,200 shares are held by 中國天地行物流控股集團有限公司(for identification purpose China Tian Di Xing Logistics Holdings Limited), a company in which Mr. Mung Kin Keung holds 99.99% equity interests.

SHARE OPTION SCHEME

The Company has adopted a share option scheme ("the Scheme") on 23 May 2002.The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Participants include (a) any full-time employee, directors (including any non-executive director or independent non-executive director) and part time employee of the Company or of any of its subsidiaries; (b) any adviser or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and (c) any adviser, consultant, agent, business affiliates or any person or entity who provides research or other support directly or indirectly to the Group, and any employee, adviser or consultant to the investment management company for the Company.

Directors' Report

The directors may, at their absolute discretion, make an offer to any participant to take up options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 12,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted or to be granted to each participant under the Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.The Scheme will remain in force for a period of 10 years from 23 May 2002.

No options have been granted since the adoption of the Scheme.

CONNECTED TRANSACTIONS

The following connected transactions occurred during the year.

1. Investment Management Agreement

   The Company has appointed Hua Yu as its investment manager. As Hua Yu has extensive investment experience in the PRC and Hong Kong, the Company believes it will be beneficial to appoint Hua Yu as the investment manager in order to fully capture the investment opportunities in the PRC and Hong Kong.

Directors' Report

Investment management fees to Hua Yu are calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 per three months.

Hua Yu is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the investment management agreement constitutes a continuing connected transaction of the Company.

The aggregate investment management fee paid/payable to Hua Yu for the year amounted to approximately HK$600,000.

2. Custodian Agreement

The Company has appointed Bank of Communications Trustee Limited ("the Custodian") as its custodian.The custodian agreement has no fixed term and shall continue in force until terminated by either party giving to the other not less than 30 days' notice in writing. During the year, the Company has paid HK$19,200 to the Custodian.

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

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the directors at the date of this report, the Company has complied with the public float requirement of the Listing Rules for the year ended 31 December 2007.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal controls and risk evaluation. As at 31 December 2007, the committee members comprised Mr. Chee Man Sang, Eric, (chairman of Audit Committee), Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie. Two meetings were held by the committee during the year. The audited financial statements for the year ended 31 December 2007 have been reviewed by the Audit Committee.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of annual results for the year ended 31 December 2007.

Directors' Report

AUDITORS

The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for reappointment.

There have been no changes of auditors in the past three years.

On behalf of the Board

Mung Kin Keung
Chairman

Hong Kong, 24 April 2008

Corporate Governance Report

The Group is dedicated to maintain a credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders.

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the Listing Rules.The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code except for certain deviations which are mentioned below.

THE BOARD

Composition

The Board consists of four executive directors and three independent non-executive directors ("INED(s)"). Two of the INEDs have the appropriate professional accounting experience and expertise. One INED has the appropriate professional legal experience and expertise. The names and biographical details of each director are disclosed on pages 5 to 7 of this Annual Report.

Code provision A.2.1 states that the roles of chairman and chief executive officer should be seperate and should not be performed by the same individual. An individual chief executive officer was not appointed during the year ended 31 December 2007. The Board considers that based on the existing size and structure of the Company, the appointment of an individual chief executive officer of the Company is not necessary. Furthermore, the Company has engaged Hua Yu as its investment manager.

Each INED has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed he/she is independent of the Company and the Company also considers that they are independent.The term of office of each INED is not more than three years from date of appointment subject to the requirement that one-third of all the directors shall retire from office by rotation at each AGM pursuant to the Bye-Laws of the Company.

Function

The Board is responsible both for how the Company is managed and the Company's direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

Corporate Governance Report

The Board held three regular Board meetings during the year 2007. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. Details of individual attendance of directors are set out in the table below:

Attendance of individual directors at Board meetings in 2007	
Number of meetings	**3**
Executive Directors:	
Mr. Mung Kin Keung *(Chairman)*	2/3
Mr. Ha Wing Ho, Peter	3/3
Mr. Leong Chi Wai	3/3
Mr. Leung King Yue, Alex	3/3
Independent Non-Executive Directors:	
Mr. Chee Man Sang, Eric	3/3
Mr. Lo Tak Kin	3/3
Ms.Yu Tin Yan, Winnie	3/3

The Board has established procedures to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

Code provision A.1.1 states that regular Board meetings should be held at least four times a year at regular interval. Due to the changes of the senior leadership and Mr. Mung Kin Keung, the chairman of the Board, spent much time in mainland China to explore investment opportunities, three regular board meetings were held during 2007. After the completion of the appointment of directors and the Board are more focus on future development, board meetings will be held at least 4 times in 2008.

Corporate Governance Report

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are three Board committees namely, the Audit Committee, Remuneration Committee and Nomination Committee formed under the Board, with each performing different functions.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:

- to serve as a focal point for communication between other directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.

- to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.

- to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.

- to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.

Set out below is the summary of work done in year 2007:

- to review the financial statements for the year ended 31 December 2006 and for the six months ended 30 June 2007; and

- to review the effectiveness of the internal controls system.

Corporate Governance Report

The Audit Committee held two meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Audit Committee meetings in 2007	
Number of meetings	**2**
INEDs	
Chee Man Sang, Eric *(Chairman of Audit Committee)*	2/2
Lo Tak Kin	2/2
Yu Tin Yan, Winnie	2/2

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year.The role and function of the Remuneration Committee include formulation of the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and determination of the remuneration of the directors.

No Remuneration Committee was held during 2007 as the directors were appointed in March 2007 and the one employee was employed in June 2007.

Remuneration Committee meeting will be held in 2008 to review the remuneration policy and the remunerations of employee and directors.

NOMINATION COMMITTEE

The Board has established a Nomination Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year.The role and function of the Nomination Committee include reviewing the structure, size and composition of the Board, to assess the independence of INEDs and recommend to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors.

Corporate Governance Report

No Nomination Committee meeting was held during 2007 as there has been no changes of the Board since 9 March 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code). All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2007.

AUDITORS' REMUNERATION

During the year, the fees paid to the Company's auditors amounted to HK$200,000 in respect of audit services.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include AGM, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in circular of the Company accompanying notice convening general meeting and has been read out by the Chairman at the general meeting.

Code provision E.1.2 states that the Chairman of the Board should attend the annual general meeting of the Company.

Due to other business commitment, Mr. Mung Kin Keung, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 21 June 2007. However, arrangements including the attendance of members of different board committees had been in place to ensure the general meeting was in order.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the Financial Statements. The statement of the auditors about their reporting responsibilities on the Financial Statements is set out in the Auditors' Report on pages 20 to 22.

Independent Auditors' Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Apex Capital Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Apex Capital Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 23 to 63, 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.

AUDITORS' RESPONSIBILITY

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

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

Independent Auditors' Report

AUDITORS' RESPONSIBILITY *(Continued)*

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

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

BASIS OF QUALIFIED OPINION

The Group has an available-for-sale financial asset in an unlisted equity security, Tianjin Standard International Building Materials Industry Co., Ltd., for a total cost of HK$17,461,000. As further detailed in note 16(i), the directors of the Company had made full impairment provision of this amount against the carrying value of this asset in previous years for the sake of prudence as they were unable to obtain any financial information relating to this entity. We have not been able to obtain the information we need from the Company, nor were there any satisfactory alternative procedures we could perform, in order to assess whether the amount of impairment provision and the carrying value of this asset at 31 December 2007 were fairly stated. Any adjustments to the carrying amount of this asset found to be necessary as at 31 December 2007 would have a consequential effect on the net assets of the Group at that date and the loss for the Group for the year then ended.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the carrying amount of the available-for-sale financial asset, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditors' Report

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE *(Continued)*

In respect alone of the limitation on our work relating to the carrying value of the available-for-sale financial asset, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Hong Kong, 24 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Revenue	6	**14**	38
Other income	6	**25**	195
Administrative expenses		**(3,183)**	(4,028)
Other operating expenses		**(115)**	–
Impairment loss recognised in respect of available-for-sale financial assets	7	**–**	(6,874)
Finance costs	8	**–**	(144)
Gain on disposal of subsidiaries	27	**–**	463
Loss before income tax	9	**(3,259)**	(10,350)
Income tax expense	11	**–**	–
Loss for the year attributable to the equity holders of the Company	12	**(3,259)**	(10,350)
Loss per share	13		
Basic (HK$)		**(0.01)**	(0.05)
Diluted (HK$)		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	–	64
Available-for-sale financial assets	16	–	–
		–	64
Current assets			
Prepayment, deposits paid and other receivables	17	**17**	306
Financial assets at fair value through profit or loss	18	–	–
Cash at banks		**2,323**	6,305
		2,340	6,611
Current liabilities			
Other payables		**391**	1,186
Amounts due to directors	19	–	281
		391	1,467
Net current assets		**1,949**	5,144
Net assets		**1,949**	5,208
EQUITY			
Share capital	20	**6,000**	6,000
Reserves	22	**(4,051)**	(792)
Total equity		**1,949**	5,208
Net asset value per share (HK$)	24	**0.01**	0.02

Mung Kin Keung
Director

Ha Wing Ho, Peter
Director

Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**–**	64
Interests in subsidiaries	15	**10**	6,102
		10	6,166
Current assets			
Prepayment, deposits paid and other receivables	17	**17**	306
Financial assets at fair value through profit or loss	18	**–**	–
Cash at banks		**2,321**	101
		2,338	407
Current liabilities			
Other payables		**391**	1,174
Amount due to a subsidiary	19	**91**	–
Amounts due to directors	19	**–**	281
		482	1,455
Net current assets/(liabilities)		**1,856**	(1,048)
Net assets		**1,866**	5,118
EQUITY			
Share capital	20	**6,000**	6,000
Reserves	23	**(4,134)**	(882)
Total equity		**1,866**	5,118

Mung Kin Keung
Director

Ha Wing Ho, Peter
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Equity attributable to the equity holders of the Company			
	Share capital	**Share premium**	**Accumulated losses**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	4,000	109,115	(102,631)	10,484
Loss for the year (total recognised income and expense for the year)	–	–	(10,350)	(10,350)
Shares issued at premium *(note 20)*	2,000	3,600	–	5,600
Shares issue expenses	–	(526)	–	(526)
At 31 December 2006 and 1 January 2007	6,000	112,189	(112,981)	5,208
Loss for the year (total recognised income and expense for the year)	–	–	(3,259)	(3,259)
At 31 December 2007	**6,000**	**112,189**	**(116,240)**	**1,949**

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Cash flow from operating activities			
Loss before income tax		**(3,259)**	(10,350)
Adjustments for:			
Depreciation of property, plant and equipment		**–**	155
Interest expense		**–**	144
Property, plant and equipment written off		**64**	–
Gain on disposal of subsidiaries		**–**	(463)
Impairment loss recognised in respect of available-for-sale financial assets		**–**	6,874
Interest income		**(14)**	(21)
Other receivables written off		**115**	–
Other payables written back		**(25)**	–
Dividend income		**–**	(17)
Operating loss before working capital changes		**(3,119)**	(3,678)
Decrease in financial assets at fair value through profit or loss		**–**	3,096
Decrease in prepayment, deposits paid and other receivables		**174**	14
(Decrease)/Increase in other payables		**(770)**	615
Decrease in amounts due to directors		**(281)**	(219)
Cash used in operations		**(3,996)**	(172)
Interest paid		**–**	(144)
Net cash used in operating activities		**(3,996)**	(316)
Cash flow from investing activities			
Proceeds from disposal of subsidiaries, net of cash disposed	*27(c)*	**–**	(24)
Proceeds on assignment of a loan to a subsidiary	*27(a)*	**–**	1,570
Interest received		**14**	21
Dividend received		**–**	17
Net cash generated from investing activities		**14**	1,584
Cash flow from financing activities			
Net proceeds from issue of shares		**–**	5,074
Repayments of borrowings		**–**	(89)
Net cash generated from financing activities		**–**	4,985
Net (decrease)/increase in cash and cash equivalents		**(3,982)**	6,253
Cash and cash equivalents at 1 January		**6,305**	52
Cash and cash equivalents at 31 December		**2,323**	6,305

Notes to the Financial Statements

For the year ended 31 December 2007

1. GENERAL INFORMATION

Apex Capital Limited ("the Company") was incorporated in the Cayman Islands on 21 April 1998, as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Company's registered office is Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands and its principal place of business is 28th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The directors consider 中國天地行物流控股集團有限公司, a company incorporated in Hong Kong, to be the ultimate holding company.

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. The Company and its subsidiaries (collectively referred to as "the Group") principally invest in listed and unlisted companies in Hong Kong and in other parts of the People's Republic of China, excluding Hong Kong ("the PRC").

The consolidated financial statements set out on pages 23 to 63 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31 December 2007 were approved for issue by the board of directors on 24 April 2008.

Notes to the Financial Statements

For the year ended 31 December 2007

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has adopted, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are relevant to the Group and first effective for annual financial period beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of these new or amended HKFRSs did not result in significant changes to the accounting policies applied in the financial statements for the years presented but gave rise to additional disclosures as follows:

2.1 HKAS 1 (Amendment) – Capital Disclosures

HKAS 1 (Amendment) introduces additional disclosure requirements to provide information about the level of capital and the Group's capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are set out in note 29.

2.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosure and has been adopted by the Group in its financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

– a sensitive analysis explained the Group's market risk exposure in regards to its financial instruments; and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. These new disclosures are set out in note 28. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net loss or balance sheet line items.

Notes to the Financial Statements

For the year ended 31 December 2007

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

2.3 New and amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the results and financial position of the Group.

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

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

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

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

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

[5] Effective for annual periods beginning on or after 1 July 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost convention except for certain financial assets which are stated at fair values. The measurement bases are fully described in the accounting policies below.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosure in note 4.

3.2 Basis of consolidation

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

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control, directly and indirectly, the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

In the Company's balance sheet, interests in subsidiaries are carried at cost less any impairment loss. The carrying amount of the investment is reduced to its recoverable amount on individual basis. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Property, plant and equipment

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

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

Leasehold improvements	50%
Furniture, fixtures and equipment	20%

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

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Leases

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.

Operating lease charges as lessee

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to the consolidated income statement on a straight line basis over the lease terms 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 the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the consolidated income statement in the accounting period in which they are incurred.

3.6 Financial assets

The Group classifies its financial assets into the following categories: loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Financial assets may be classified at initial recognition as fair value through profit or loss if the following criteria met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in consolidated income statement.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity would be recognised in the consolidated income statement. Interest calculated using the effective interest rate method is recognised in the consolidated income statement. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the consolidated income statement.

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

(iii) Loans and receivables

Loans and receivables, mainly comprise deposits paid and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

(iii) Loans and receivables (Continued)

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the consolidated income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the consolidated income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the consolidated income statement. The subsequent increase in fair value is recognised directly in equity.

An impairment loss for available-for-sale equity investments stated at cost less impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

(ii) Loans and receivables

Loans and receivables are provided against when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Impairment of assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recovered.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the consolidated income statement.

Deferred tax is calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks.

3.10 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from the share premium (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

3.11 Retirement benefits costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme 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 or the maximum mandatory contribution as required by the MPF Scheme and are charged to the consolidated 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.

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial liabilities

The Group's financial liabilities include other payables and amounts due to a subsidiary and directors. Financial liabilities are recognised when, and only when the Group becomes a party to the contractual provisions of the instruments. All interest related charges are recognised as an expense in finance costs in the consolidated income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the consolidated income statement.

Other payables and amounts due to a subsidiary and directors are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3.13 Revenue recognition

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

Dividend income is recognised when the Group's right to receive payment is established.

3.14 Foreign currency translation

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated. In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Foreign currency translation (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity.

3.15 Related parties

A party is considered to be related to the Group if:

(i) the party directly, or indirectly through one or more intermediaries:

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate of the Group;

(iii) the party is 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 its parent;

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Related parties (Continued)

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

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

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

3.16 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format.

In respect of geographical segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment and other receivables, and mainly exclude cash at banks. Segment liabilities comprise operating liabilities and exclude items such as amounts due to directors.

3.17 Provisions and contingent liabilities

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

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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 uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

For the year ended 31 December 2007

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 to the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of available-for-sale financial assets

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

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5. SEGMENT INFORMATION

The Group makes investments in Hong Kong and in other parts of the PRC. These geographical markets are the basis on which the Group reports its primary segment information.

Segment information about these geographical markets is presented below:–

	Hong Kong		PRC		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue – turnover	**14**	38	**–**	–	**14**	38
Segment results	**(3,259)**	(165)	**–**	(6,874)	**(3,259)**	(7,039)
Unallocated corporate expenses					**–**	(3,630)
Finance costs					**–**	(144)
Gain on disposal of subsidiaries	**–**	463	**–**	–	**–**	463
Loss before income tax					**(3,259)**	(10,350)
Income tax expense					**–**	–
Loss for the year					**(3,259)**	(10,350)
Assets						
Segment assets	**17**	370	**–**	–	**17**	370
Unallocated corporate assets					**2,323**	6,305
Total assets					**2,340**	6,675
Liabilities						
Segment liabilities	**(391)**	(1,186)	**–**	–	**(391)**	(1,186)
Unallocated corporate liabilities					**–**	(281)
Total liabilities					**(391)**	(1,467)
Other information						
Depreciation	**–**	155	**–**	–	**–**	155
Impairment loss recognised in respect of available-for-sale financial assets	**–**	–	**–**	6,874	**–**	6,874

All of the Group's turnover and contribution to operating results are attributable to its investment activities.

Notes to the Financial Statements

For the year ended 31 December 2007

6. REVENUE AND OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Revenue:		
Interest income	**14**	21
Dividend income	**–**	17
	14	38
Other income:		
Other payables written back	**25**	–
Net fair value gain on financial assets at fair value through profit or loss	**–**	195
	25	195

7. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	2006
	HK$'000	*HK$'000*
Unlisted equity security:		
Tianjin Standard International Building Materials Industry Co., Ltd. 天津標準國際建材工業有限公司 ("Tianjin Standard") (note 16(i))	**–**	6,874

Notes to the Financial Statements

For the year ended 31 December 2007

8. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest charges on bank loan not wholly repayable within five years	–	144

9. LOSS BEFORE INCOME TAX

	2007	2006
	HK$'000	HK$'000
Loss before income tax is arrived at after charging:		
Auditors' remuneration	200	244
Depreciation of property, plant and equipment	–	155
Property, plant and equipment written off	64	–
Investment management fees	600	600
Operating lease charges on office premises	76	219
Other receivables written off	115	–
Retirement benefits scheme contributions	33	36
Staff costs (including directors' remuneration *(note 10)* but excluding retirement benefits scheme contributions)	1,406	1,630

Notes to the Financial Statements

For the year ended 31 December 2007

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Remuneration of the directors

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2007				
Executive directors				
Mr. Phang Yul Cher Yeow *	40	–	–	40
Mr. Chu Kin Wang, Peleus *	60	–	2	62
Ms. Huang Song *	20	–	2	22
Mr. Zhou Chao *	119	–	2	121
Mr. Mung Kin Keung #	100	–	5	105
Mr. Ha Wing Ho, Peter #	100	–	5	105
Mr. Leong Chi Wai #	100	–	5	105
Mr. Leung King Yue, Alex #	80	–	4	84
Non executive directors				
Mr. Fong Chi Hou *	10	–	–	10
Mr. Wang Yao Dong *	10	–	–	10
Independent non-executive directors				
Ms. Lam Lin Chu *	10	–	–	10
Mr. Liu Wing Ting, Stephen *	20	–	–	20
Ms. Tse Po Chu *	20	–	–	20
Mr. Chee Mang Sang, Eric #	50	–	–	50
Mr. Lo Tak Kin #	50	–	–	50
Ms. Yu Tin Yan, Winnie #	50	–	–	50
	839	–	25	864

Notes to the Financial Statements

For the year ended 31 December 2007

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(a) Remuneration of the directors (Continued)

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2006				
Executive directors				
Mr. Phang Yul Cher Yeow *	240	–	–	240
Mr. Chu Kin Wang, Peleus *	360	–	12	372
Ms. Huang Song *	120	–	12	132
Mr. Zhou Chao *	480	–	12	492
Non executive directors				
Mr. Fong Chi Hou *	70	–	–	70
Mr. Wang Yao Dong *	60	–	–	60
Independent non-executive directors				
Ms. Lam Lin Chu *	60	–	–	60
Mr. Liu Wing Ting, Stephen *	120	–	–	120
Ms. Tse Po Chu *	120	–	–	120
	1,630	–	36	1,666

* *Resigned on 9 March 2007.*

\# *Appointed on 9 March 2007.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: HK$Nil).

No emolument was paid by the Group to the directors or any of the five highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office (2006: HK$Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included five (2006: five) directors whose emoluments are reflected in the analysis presented above.

Notes to the Financial Statements

For the year ended 31 December 2007

11. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the financial statements as the Group had no estimated assessable profits arising in or derived from Hong Kong during the year (2006: HK$Nil).

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2007	2006
	HK$'000	*HK$'000*
Loss before income tax	**(3,259)**	(10,350)
Tax at applicable rate of 17.5%	**(570)**	(1,811)
Tax effect of non-deductible expenses	**61**	1,280
Tax effect of non-taxable revenue	**(3)**	(88)
Tax effect of temporary difference not recognised	**(42)**	24
Tax losses not recognised as deferred tax asset	**554**	595
Income tax expense	**–**	–

At 31 December 2007, a deferred tax asset of approximately HK$7,628,000 (2006: HK$7,074,000) in respect of tax losses available to offset future profits was not recognised in the financial statements as it is not certain that the Group will generate future taxable profits to enable it to utilise such tax losses. This tax loss has no expiry date.

12. LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to the equity holders of the Company of HK$3,259,000 (2006: HK$10,350,000), a loss of HK$3,252,000 (2006: HK$11,544,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the equity holders of the Company of HK$3,259,000 (2006: HK$10,350,000) and on the weighted average number of 240,000,000 (2006: 195,068,493) ordinary shares in issue during the year.

Diluted loss per share has not been presented as there were no dilutive potential shares for the years ended 31 December 2006 and 2007.

Notes to the Financial Statements

For the year ended 31 December 2007

14. PROPERTY, PLANT AND EQUIPMENT

	The Group and the Company		
	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006			
Cost	302	20	322
Accumulated depreciation	(100)	(3)	(103)
Net book amount	202	17	219
Year ended 31 December 2006			
Opening net book amount	202	17	219
Depreciation	(151)	(4)	(155)
Closing net book amount	51	13	64
At 31 December 2006			
Cost	302	20	322
Accumulated depreciation	(251)	(7)	(258)
Net book amount	51	13	64
Year ended 31 December 2007			
Opening net book amount	51	13	64
Written off	(51)	(13)	(64)
Closing net book amount	–	–	–
At 31 December 2007			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–

Notes to the Financial Statements

For the year ended 31 December 2007

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10**	10
Amounts due from subsidiaries	**48,918**	55,010
Less: Impairment loss	**(48,918)**	(48,918)
	10	6,102

The amounts due from subsidiaries are in the nature of current accounts and are unsecured, interest free and have no fixed terms of repayment.

Particulars of the Company's subsidiaries at 31 December 2007 are as follows:

Name	**Place of incorporation/ operations**	**Particulars of issued capital**	**Percentage of issued capital held by the Company**		**Principal activities**
			Directly	*Indirectly*	
Gold Canal International Limited	British Virgin Islands ("BVI")	10 ordinary shares of US$1 each	–	100%	Investment holding
Mega Way International Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	–	Inactive
New Portfolio Limited	BVI	1 ordinary share of US$1	100%	–	Investment holding
Speedy Zone Limited	BVI	1 ordinary share of US$1	100%	–	Inactive

Notes to the Financial Statements

For the year ended 31 December 2007

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Particulars of available-for-sale financial assets are as follows:

Name of investee company	*Notes*	**Place of incorporation**	**Percentage interest held**	**Unlisted equity securities, at cost**		**Accumulated impairment losses**		**Carrying value**	
				2007	2006	**2007**	2006	**2007**	2006
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Tianjin Standard	*(i)*	PRC	21%	**17,461**	17,461	**(17,461)**	(17,461)	**–**	–
Koffman Asset Holdings Limited ("Koffman Asset")	*(ii)*	BVI	9.1%	**3,064**	3,064	**(3,064)**	(3,064)	**–**	–
				20,525	20,525	**(20,525)**	(20,525)	**–**	–

(i) Tianjin Standard is principally engaged in the manufacture and trading of building materials and the provision of related consultancy services. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Tianjin Standard as the Group has no representative in the board of directors of Tianjin Standard. Accordingly, Tianjin Standard has been accounted for as an available-for-sale financial asset.

In March 2007, there was a substantial change in the composition of the management and board of directors of the Company as a result of the changes in the major shareholders of the Company. In respect of the Tianjin Standard investment, the current board of directors (the "New Directors") have very little background information and knowledge, and have not met nor have they been able to contact the management of Tianjin Standard. The New Directors, despite their best efforts, were unable to obtain any financial information, including the unaudited management accounts of Tianjin Standard for years 2006 and 2007. In view of the above, and for the sake of prudence, the New Directors have made full impairment provision against the carrying value of this asset in December 2006 and 2007.

Notes to the Financial Statements

For the year ended 31 December 2007

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

(ii) Koffman Asset is a company principally involved in an insurance brokerage business which operated in Hong Kong. Koffman Asset was in financial difficulties and had ceased operations since 2004, and accordingly an impairment charge was made against the full investment cost in 2004.

17. PREPAYMENT, DEPOSITS PAID AND OTHER RECEIVABLES

	The Group and the Company	
	2007	2006
	HK$'000	*HK$'000*
Prepayment	**17**	–
Deposits paid and other receivables	**–**	306
	17	306

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group subscribed for 3 ordinary shares of Rise Profits Holdings Limited ("Rise Profits") of HK$1 per ordinary share on 21 July 2005 which represented 30% unlisted equity shares in that company. Rise Profits is principally involved in the investment holding of a taxi and its license in Hong Kong. The Group acquired its interest in Rise Profits with a short-term outlook and with view to a trade sale of the taxi and the taxi license once an acceptable price had been offered. The taxi and its license were sold during the year ended 31 December 2006.

During the year ended 31 December 2007, the Group disposed of the equity interest held in Rise Profits at a consideration of HK$3.

Notes to the Financial Statements

For the year ended 31 December 2007

19. AMOUNTS DUE TO A SUBSIDIARY/DIRECTORS

The amounts due are in the nature of current accounts and are unsecured, interest-free and repayable on demand.

20. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.025 each		
at 31 December 2006 and 2007	**400,000,000**	10,000
Issued and fully paid:		
Ordinary shares of HK$0.025 each		
at 1 January 2006	**160,000,000**	4,000
Issue of ordinary shares of HK$0.025		
each on 19 July 2006 *(Note)*	**80,000,000**	2,000
Ordinary shares of HK$0.025 each		
at 31 December 2006 and 2007	**240,000,000**	6,000

Note: On 12 May 2006, the Company entered into an underwriting agreement for the open offer of 80,000,000 new shares at HK$0.07 per share ("2006 Offer Share") on the basis of one offer share for every 2 shares held on record date ("2006 Open Offer"). An ordinary resolution in respect of the 2006 Open Offer was passed at the extraordinary general meeting held on 26 June 2006. The 2006 Offer Shares rank pari passu in all respects with the existing share capital of the Company. The 2006 Open Offer was completed on 19 July 2006.

Notes to the Financial Statements

For the year ended 31 December 2007

21. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("the Scheme") on 23 May 2002. The directors may, at their absolute discretion, make an offer to any participant to take up options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer being duly signed by the grantee and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 12,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted or to be granted to each participant under the Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The Scheme will remain in force for a period of 10 years from 23 May 2002.

No options have been granted since the adoption of the Scheme.

Notes to the Financial Statements

For the year ended 31 December 2007

22. RESERVES-THE GROUP

	2007	2006
	HK$'000	*HK$'000*
Share premium	**112,189**	112,189
Accumulated losses	**(116,240)**	(112,981)
	(4,051)	(792)

Movements in the Group's reserves during the year are set out in the consolidated statement of changes in equity to the financial statements.

Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

23. RESERVES-THE COMPANY

	Share premium	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006	109,115	(101,527)	7,588
Loss for the year	–	(11,544)	(11,544)
Shares issued at premium *(note 20)*	3,600	–	3,600
Share issue expenses	(526)	–	(526)
At 31 December 2006 and 1 January 2007	112,189	(113,071)	(882)
Loss for the year	–	(3,252)	(3,252)
At 31 December 2007	**112,189**	**(116,323)**	**(4,134)**

Details of the share premium account of the Company are set out in note 22 above.

Notes to the Financial Statements

For the year ended 31 December 2007

24. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2007 of HK$1,949,000 (2006: HK$5,208,000) and the 240,000,000 (2006: 240,000,000) ordinary shares in issue.

25. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable by the Group and the Company as follows:

	The Group and the Company	
	2007	2006
	HK$'000	*HK$'000*
Within one year	–	125
In the second to fifth years	–	–
	–	125

The Group leased a property under an operating lease in 2006. The leases ran for a period of two years. The lease did not include contingent rentals.

26. RELATED PARTY TRANSACTIONS

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

	2007	2006
	HK$'000	*HK$'000*
Investment management fees to Hua Yu Investment Management Limited ("Hua Yu")	**600**	600

Notes to the Financial Statements

For the year ended 31 December 2007

26. RELATED PARTY TRANSACTIONS (Continued)

(a) On 12 May 2005, the Company entered into an investment management agreement ("the Agreement") with Hua Yu for a period of 2 years, with effect from 20 May 2005. The Agreement was subsequently renewed on 18 April 2007 for a period of 1 year.

Investment management fees to Hua Yu is calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 per three months.

(b) Key management personnel compensation

Details of key management compensation are set out in note 10 to the financial statements.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

(a) In 2006, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group disposed of its entire equity interest in Summit Asset Holdings Limited ("Summit Asset") and the entire loan to Summit Asset of approximately HK$1,688,000 to the buyer at the considerations of approximately HK$10 and HK$1,688,000 respectively, of which HK$118,000 had not been settled as at 31 December 2006 was settled in 2007.

(b) Double Dragon Profits Limited and Good Place Investments Limited were de-registered on 22 December 2006 and 10 March 2006 respectively.

Notes to the Financial Statements

For the year ended 31 December 2007

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

Disposal of subsidiaries (Continued)

(c)

	2006 HK$'000
Net liabilities disposed of:	
Investment property	3,860
Prepayment, deposits paid and other receivables	7
Cash at bank	24
Amount due to a shareholder	(1,688)
Other payables	(69)
Bank borrowings	(2,597)
	(463)
Gain on disposal of subsidiaries	463
Total consideration	-

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

	2006 HK$'000
Satisfied by cash	-
Cash and bank balance disposed	(24)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(24)

Notes to the Financial Statements

For the year ended 31 December 2007

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating activities. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company ("the Board") meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including foreign currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk (including foreign currency risk, interest rate risk and other price risk), liquidity risk and credit risk are kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

As at the balance sheet date, the Group's financial instruments mainly consisted of cash at banks, deposits paid and other receivables, amounts due to directors and other payables.

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group has no interest bearing liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to risk resulting from changes in interest rates is not significant.

(ii) Foreign currency risk

The Group has no significant foreign currency risk due to limited foreign currency transactions as the Group mainly operates in Hong Kong with majority of the business transactions denominated and settled in HK$.

(iii) Credit risk

Credit risk arises from the possibilities that the counterparty to a transaction is unwilling or unable to fulfil its obligation which results in the Group suffering financial loss. The carrying amounts of deposits paid and other receivables and cash at banks included in the balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

All the Group's cash at banks are deposited with major banks located in Hong Kong. The Group has no other significant concentration of credit risk. No amounts in relation to deposits paid and other receivables are past due.

Notes to the Financial Statements

For the year ended 31 December 2007

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iv) Liquidity risk

In the management of liquidity risk, the Board monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations. Based on the assessment of the directors, liquidity risk encountered by the Group is minimal.

The carrying amounts of the Group's financial assets and liabilities recognised at the balance sheet dates may also be categorised as follows. See notes 3.6 and 3.12 for explanations on how the category of financial instruments affects their subsequent measurement.

	2007			
	Carrying amount	**Total contractual undiscounted cash flow**	**Within one year or on demand**	**More than one year but less than two years**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Other payables	**391**	**(391)**	**(391)**	**–**

	2006			
	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year but less than two years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	1,186	(1,186)	(1,186)	–
Amounts due to directors	281	(281)	(281)	–
	1,467	(1,467)	(1,467)	–

Notes to the Financial Statements

For the year ended 31 December 2007

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(v) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities recognised as at the balance sheet date may also be categorised as follows.

Financial assets:

	2007	2006
	HK$'000	*HK$'000*
Cash at banks	**2,323**	6,305
Available-for-sale financial assets	–	–
Financial assets at fair value through profit or loss	–	–
Loans and receivables:		
Deposits paid and other receivables *(note 17)*	**–**	306
	2,323	6,611

Financial liabilities:

	2007	2006
	HK$'000	*HK$'000*
Financial liabilities measured at amortised cost:		
– Other payables	**391**	1,186
– Amounts due to directors	**–**	281
	391	1,467

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29. CAPITAL MANAGEMENT

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide adequate returns for shareholders in the long term and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group adjusts the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or process during the period. Management regards total equity presented on the face of the balance sheet as capital, for capital management purpose.

The Company is not subject to externally imposed capital requirements.

30. COMPARATIVES

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

Financial Summary

A summary of the financial results and the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Turnover	4	49	177	38	**14**
Loss from operations	(11,799)	(7,100)	(5,223)	(10,206)	**(3,259)**
Finance costs	(61)	(7)	(25)	(144)	**–**
Loss before income tax	(11,860)	(7,107)	(5,248)	(10,350)	**(3,259)**
Income tax expense	52	–	–	–	**–**
Loss for the year	(11,808)	(7,107)	(5,248)	(10,350)	**(3,259)**

	As at 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Assets and liabilities					
Property, plant and equipment	–	227	219	64	**–**
Investment property	–	–	3,860	–	**–**
Available-for-sale financial assets	–	–	6,874	–	**–**
Investments in securities	9,714	9,464	–	–	**–**
Current assets	3,282	2,996	3,357	6,611	**2,340**
Current liabilities	(652)	(1,545)	(1,261)	(1,467)	**(391)**
Non-current liabilities	–	(52)	(2,565)	–	**–**
Net Assets	12,344	11,090	10,484	5,208	**1,949**
Equity	12,344	11,090	10,484	5,208	**1,949**