China Investment Fund Company Limited
中 國 投 資 基 金 有 限 公 司

中 國 投 資

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00612

Annual Report 2008

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Corporate Information

Board of Directors

Executive Directors

William Robert Majcher *(Chairman)*
Wan Ho Yan, Letty *(Managing Director)*
Chan Wai Lam

Independent Non-executive Directors

Yan Mou Keung, Ronald
Cheng Wing Keung, Raymond
Kwong Kwan Tong

Qualified Accountant and Company Secretary

Chan Wai Lam

Audit Committee

Kwong Kwan Tong *(Chairman)*
Yan Mou Keung, Ronald
Cheng Wing Keung, Raymond

Remuneration Committee

Cheng Wing Keung, Raymond *(Chairman)*
Yan Mou Keung, Ronald
Kwong Kwan Tong

Investment Manager

Baron Asset Management Limited
4th Floor, Aon China Building
29 Queen's Road Central
Central
Hong Kong

Custodian

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

Principal Banker

Bank of Communications Company Limited
20 Pedder Street
Central
Hong Kong

Share Registrar and Transfer Office in Hong Kong

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

Auditors

HLM & Co. Certified Public Accountants
Room 305, 3rd Floor
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

Registered Office

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

Principal Place of Business in Hong Kong

4th Floor, Aon China Building
29 Queen's Road Central
Central
Hong Kong

Stock Code

00612 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)

Website

www.irasia.com/listco/hk/cif

Management Discussion and Analysis

I am pleased to present the annual report of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008.

The Group was principally engaged in investment in both listed and unlisted securities. The Group held listed equity investments in Hong Kong. During the year, the Group has continued to diversify its investment portfolio in both unlisted and debt securities.

Business Review

The global financial markets in 2008 were highly fluctuated. The collapse of the Lehman Brothers group in mid September 2008 triggered a global financial tsunami and global credit market squeeze. The global monetary authorities were quick to inject massive liquidity into the financial system and interest rates were cut in a number of countries.

The stock market in Hong Kong fluctuated in the whole year of 2008. The prices of many listed and unlisted companies become under valued. Confidence crisis in the financial and investment markets accelerate the trading volume of stock market decreased and the return of investment portfolio would be affected in a certain degree.

Under the above situation, the Group had made a net loss of approximately HK$43,460,000 (2007: net profit of approximately HK$7,948,000) and this is due to the unrealized loss on financial assets at fair value through profit or loss of approximately HK$38,689,000 (2007: unrealized loss of approximately HK$244,000). Therefore, the Group recorded a net loss in the year 2008.

Securities Investments

The board exercised caution when managing the investment process during the year. For the year ended 31 December 2008, the Group recorded an audited revenue of approximately HK$1,946,000, decreased by approximately 17.17% over the previous year. The Group made a realized gain on disposal of financial assets at fair value through profit or loss of approximately HK$530,000 which was lower than last year realized gain of approximately HK$10,236,000. The decrease in realized gain was mainly due to the unfavourable investment climate during the year.

The Board believes that the trading market is still challenging under the global credit market squeeze and the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining high investment yields for our shareholders. We will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

Liquidity and Financial Resources

The Group had cash and cash equivalents of approximately HK$34,122,000 as at 31 December 2008 (2007: approximately HK$58,754,000). The Group has a bank borrowing of approximately USD1 million at a fixed interest rate, equivalent to approximately HK$7.8 million (2007: Nil) during the year.

The Group's gearing ratio, representing the total debt divided by equity attributable to equity holders of the Company, was increased to 8.63% (2007: Nil) during the year.

Management Discussion and Analysis

There were no capital commitments as at 31 December 2008 which would require a substantial use of the Group's present cash resources or external funding.

Exchange risk of the Group is minimal as the assets of the Group comprised substantially of bank deposits denominated in Hong Kong dollars and US dollars. Approximately 13% of the Group's financial assets are denominated in Canadian dollars. It is the Group's policy to adopt a prudent financial management strategy to meet risk fluctuation and investment opportunities.

Material Acquisition of Subsidiaries and Disposal of Subsidiaries

There were no material acquisition of subsidiaries and disposal of subsidiaries during the year ended 31 December 2008, except for the disposal of 29.9% equity interest of Sino Win Pacific International Limited, at a consideration of approximately HK$16.5 million on 28 April 2008, which main business is providing services in technology solutions for clients in hospitally industry.

Capital Structure

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Save as disclosed below, there has been no change in the capital structure of the Company for the year under review.

(a) 96,000,000 new ordinary shares issued by placing and;

(b) 179,200,000 new ordinary shares issued by subscription in consideration for cash proceed.

Employee Information

As at 31 December 2008, the Company had 3 executive Directors and 3 independent non-executive Directors and 2 employees. Remuneration policies for the Directors are reviewed by the Group in accordance with the market situation, respective duties, responsibilities with the Group and their performance from time to time.

Prospects

Given the credit market turnover triggered as well as the downturn of the global economy by the global financial tsunami, the Directors will continue to take a cautious and prudent approach in managing the Group's investment portfolio and develop the investment strategies. Given the present continuous economic improvement in the PRC, the Group will look into any potential investment opportunities in the PRC in the future that will nurture further development and constant growth in the future. The Group will continue to look for investment opportunities which offer outstanding returns and within the acceptable risk profile of the Group.

Management Discussion and Analysis

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2008, the Company has not purchased, sold nor redeemed any of the Company's listed securities, except for 96,000,000 new ordinary shares issued by placing which were allotted and issued on 21 and 26 February 2008 in consideration for cash proceed and 179,200,000 new ordinary shares issued by subscription on 10 September 2008 in consideration for cash proceed which are disclosed under Note 20 to the Financial Statements of our Annual Report 2008.

Publication of Further Information on the Websites of the Stock Exchange and the Company

All the financial and other related information of the Group required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange will be dispatched to our shareholders on or before 30 April 2009 and published on the websites of the Stock Exchange and the Company in due course.

Closure of Register of Members

The register of member of the Company will be closed from Monday, 20 April 2009 to Tuesday, 21 April 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting to be held on Friday, 24 April 2009, all completed transfer forms accompanied by the relevant share certificates must be loged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 17 April 2009.

By order of the Board
China Investment Fund Company Limited

William Robert Majcher
Executive Director
Hong Kong, 11 March 2009

Biographical Details of Directors

Executive Directors

Mr. William Robert Majcher ("Mr. Majcher"), aged 46, is an executive Director. Mr. Majcher has been appointed as Director of Baron Global Financial Canada Ltd. with effect from 24 January 2008. He has been appointed to the board of directors of Evolving Gold Corporation, a company listed on both TSX Venture Exchange of Canada and Frankfurt Stock Exchange, with effect from 21 September 2007. Mr. Majcher is a highly accomplished visionary with over 20 years combined experience in public service, international finance, and capital markets. His background includes management, public stewardship, structured finance, emerging markets, product development, strategic planning and positioning, and risk management. Mr. Majcher started his career as a Eurobond trader in London, England, where he was known as one of the youngest Canadian Eurobond traders in the market. He later used this experience during a twenty-year career with the Royal Canadian Mounted Police (RCMP), where Mr. Majcher enjoyed remarkable success in covert and public market investigations that often saw him working with law enforcement and securities regulators from around the globe. Mr. Majcher has experience as a Futures and Options broker and trader in both Canada and the United States and has lectured extensively on abuse within the international capital markets, including sophisticated money laundering. Mr. Majcher is recognised as an expert on money laundering in the United States Federal Court for the Southern District of Florida and the Supreme Court of British Columbia and the Ontario Superior Court of Justice. Mr. Majcher obtained a bachelor's degree in Commerce from St. Mary's University, Halifax.

Ms. Wan Ho Yan, Letty ("Ms. Wan"), aged 27, is an executive Director. Ms. Wan holds a bachelor degree from the University of San Francisco, the United States of America. Ms. Wan specializes in investment management and has broad experience in financial management. She is also an assistant to the chairman of a finance company based in Hong Kong having an international client base.

Mr. Chan Wai Lam ("Mr. Chan"), aged 36, has been appointed as executive Director with effect from 1 October 2008. Mr. Chan has over ten years of experience in management accounting and financial control through his previous employment with different companies in Hong Kong. Mr. Chan is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and Association of International Accountants. Mr. Chan obtained a master degree in Professional Accounting from the Hong Kong Polytechnic University and a master degree in Finance from Curtin University of Technology. Prior to joining the Company, Mr. Chan had worked as a qualified accountant and company secretary in a company listed on the main board of the Stock Exchange of Hong Kong Limited.

Independent Non-executive Directors

Mr. Yan Mou Keung, Ronald ("Mr. Yan"), aged 56, is an independent non-executive Director of the Group. Mr. Yan has more than 21 years of experience in running retail fashions. Mr. Yan is the director of Art Concept International Culture Studies Foundation Funds. He is also the Honourable Life President of Tsimshatsui Kai Fong Welfare Association, Vice President of HK Island/Northern District Scout Association, Hong Kong, Hon Life President of Artiste Training Alumni Association, Vice Chairman of Yau Tsim Mong South Area Committee, the president of Pragmatic Kwon-Do and the chairman of Chung Hop Pai, Lau Kan Tung Chinese Martial Arts Association. Mr. Yan is an independent non-executive director of Prosperity Investment Holdings Limited, a company listed on the main board of the Stock Exchange.

Biographical Details of Directors

Mr. Cheng Wing Keung, Raymond ("Mr. Cheng"), aged 49, is an independent non-executive Director and the chairman of the Remuneration Committee of the Group. Mr. Cheng is a solicitor practicing in Hong Kong and has over 20 years of experience in corporate, company secretarial and listing affairs. He holds a bachelor degree in laws from the University of London and a Master Degree in Business Administration from the University of Strathclyde, Scotland. Mr. Cheng was an independent non-executive director of Fortuna International Holdings Limited from 27 September 2004 to 20 September 2006. At present, he is an independent non-executive director in three listed companies in Hong Kong, Skyfame Realty (Holdings) Limited, Emperor Capital Group Limited and Sino Resources Group Limited.

Mr. Kwong Kwan Tong ("Mr. Kwong"), aged 43, has been appointed as an independent non-executive Director, member and chairman of the audit committee and member of the remuneration committee of the Company with effect from 1 February 2008. Mr. Kwong is currently a fellow member of the Association of Chartered Certified Accountants, associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. Mr. Kwong has over twenty years of experience in management accounting and financial control through his previous employment with different companies in Hong Kong and the PRC. He is now an independent non-executive director, chairman of the audit committee, member of remuneration and nomination committee of Qunxing Paper Holdings Company Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited, and the Chief Financial Officer of Verdure International Holding Company Limited.

Report of the Directors

The directors of the Company (the "Directors") are pleased to present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal Activities

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 28 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 55. The Directors do not recommend the payment of a final dividend for the year.

Share Capital

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

Reserves and Distributable Reserves

Details of movements in the reserves of the Company during the year are set out on page 22. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum ("Memorandum") and Articles of Association ("Articles") and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profit of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. There were no reserves available for distribution in both years ended 31 December 2008 and 2007.

Major Customers and Suppliers

The Group's entire turnover is derived from the Group's investments in listed and unlisted securities and thus the disclosure of customers and suppliers information would not be meaningful.

Report of the Directors

As at the date of this annual report, the Board consists of the following Directors:

Executive Directors

Mr. William Robert Majcher *(Chairman)*
Ms. Wan Ho Yan, Letty *(Managing Director)*
Mr. Chan Wai Lam

Independent Non-executive Directors

Mr. Yan Mou Keung, Ronald
Mr. Cheng Wing Keung, Raymond
Mr. Kwong Kwan Tong

At the forthcoming annual general meeting of the Company ("AGM"), Mr. Chan Wai Lam will retire as Director by rotation and, being eligible, offer themselves for re-election in accordance with the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' and Chief Executive's Interests and Short Positions

As at 31 December 2008, Ms. Wan Ho Yan, Letty is interested in 279,468,511 shares of the Company, held by Profit Giant Holdings Limited and Harvest Capital Global Enterprises Limited which were wholly owned by her, within the meaning of Part XV of the SFO. Save as disclosed above, none of the Directors, the chief executive of the Company or any of their associates had interests or short positions in any shares, underlying shares and debentures of the Company or any of its subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Share Options

Particulars of the Company's share option scheme are set out in note 22 to the financial statements. No option has been granted or agreed to be granted under the share option scheme from the date of adoption of the scheme.

Directors' Rights to Purchase Shares or Debentures

Other than the share option scheme as disclosed in note 22 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Substantial Shareholders

As at 31 December 2008, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO shows that other than being a director or the chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long positions

Name	Notes	**Total numbers of ordinary shares held**	**Type of interest**	**Approximately percentage of issued share capital of the Company**
Wan Ho Yan, Letty	1	279,468,511	Interest of controlled corporation	25.99%
Cosmopolitan International Holdings Limited	2	179,200,000	Interest of controlled corporation	16.67%
Lam Kwing Wai, Alvin Leslie	3	80,000,000	Interest of controlled corporation	7.44%
Hung Chen Richael	4	64,000,000	Interest of controlled corporation	5.95%

Notes:

1. Ms. Wan Ho Yan, Letty ("Ms. Wan") is deemed to be interested in 279,468,511 shares held by Profit Giant Holdings Limited and Harvest Capital Global Enterprises Limited which were wholly owned by Ms. Wan.

2. Cosmopolitan International Holdings Limited ("Cosmo") is deemed to be interest in 179,200,000 shares held by Joint Talent Investments Limited which is ultimately wholly owned by Cosmo. Cosmo is a company which issued shares are listed on the main board of the Stock Exchange.

3. Mr. Lam Kwing Wai, Alvin Leslie ("Mr. Lam") is deemed to be interested in 80,000,000 shares held by Ever Honest Investments Limited which is approximately 52.23% owned by Mr. Lam ultimately.

4. Mr. Hung Chen Richael ("Mr. Hung") is deemed to be interested in 64,000,000 shares through the Option held by Yue King Investment Limited which is wholly owned by Mr. Hung.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

Connected Transactions and Directors' Interest In Contracts of Significance

Details of transactions regard as connected transactions and required to be disclosed as defined under the Listing Rules, are as follow:

(i) Under the investment management agreement dated 16 January 2008 (the "Investment Management Agreement") entered into between the Company and Ping An Securities Limited, (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services commencing on 1 January 2008. The Investment Manager is defined as connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. Under investment management agreement signed on 16 January 2008, the investment management fee payable to the Investment Manager was HK$65,000 per month commencing from 1 January 2008 to 31 December 2008.

    The independent non executive Directors have confirmed that the above transactions were conducted (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms and (3) in accordance with the relevant agreement governing them that terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Company confirms that it has received written confirmation from its auditors confirming the matters stated under Rule 14A.38 of the Listing Rules.

(ii) Under the rental agreement entered into between the Company and Baron International Consulting Services Limited ("Baron International Consulting") on 1 April 2007 and the renewed agreement on 1 April 2008, Baron International Consulting leased office premises to the Company commencing on 1 April 2007 for a monthly rental fee of HK$80,000. The tenancy agreement will continue for successive period unless terminated at any time by either the Company or the lessor by notice in writing. The tenancy agreement was negotiated between the parties with reference to the normal commercial terms. Baron International Consulting is a fellow subsidiary of the Investment Manager at the time entering into the management agreement by Company and Baron International Consulting.

(iii) Pursuant to a placing agreement between the Company and Baron Capital Limited ("Baron Capital"). The Company paid the placing commission fee of HK$164,640 to Baron Capital during the period. Mr. Wan Chuen Chung, Joseph, the ultimate beneficial owner of Baron Capital, is the father of Ms. Wan Ho Yan, Letty, an executive Director and therefore a Connected Person of the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except for 96,000,000 new ordinary shares issued by placing which were allotted and issued on 21 and 26 February 2008 and 179,200,000 new ordinary shares issued by subscription in consideration for cash proceed on 10 September 2008.

Report of the Directors

Directors' Interests in Competing Business

For the year ended 31 December 2008, the Directors had not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

Audit Committee

The Committee currently comprised solely of independent non-executive Directors, namely, Mr. Kwong Kwan Tong (Chairman), Mr. Yan Mou Keung, Ronald and Mr. Cheng Wing Keung, Raymond. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2008.

Code of Best Practice

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive Directors are not appointed for a specific terms as they are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year.

Pre-emptive Rights

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

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2008.

Report of the Directors

Five Year Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 56.

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

Auditors

Messrs. HLM & Co. Certified Public Accountants acted as auditors of the Company for the years ended 31 December 2006, 2007 and 2008. A resolution will be proposed in the AGM to re-appoint HLM & Co. Certified Public Accountants as auditors of the Company.

On behalf of the Board
China Investment Fund Company Limited

William Robert Majcher
Executive Director
Hong Kong, 11 March 2009

Corporate Governance Report

Corporate Governance Practices

Following the issue of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the Code. Throughout the financial year ended 31 December 2008, except for the requirement that the non-executive Directors should be appointed for specific terms, the Company has complied with all code provisions on the Code. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Forthcoming Annual General Meeting in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting that in the Code.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2008.

Board of Directors

Composition and role

The board of directors (the "Board") of the Company comprises:

Executive Directors:	William Robert Majcher, *Chairman* Wan Ho Yan, Letty, *Managing Director* Chan Wai Lam
Independent Non-executive Directors:	Kwong Kwan Tong Yan Mou Keung, Ronald Cheng Wing Keung, Raymond

There is no relationship between members of the Board.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

Corporate Governance Report

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

The Board comprises of three executive Directors and three independent non-executive Directors. The biographical details of all Directors are presented on page 6 of this annual report. One Director is subject to retirement by rotation and re-election at the forthcoming AGM to be held on 24 April 2009.

Out of three independent non-executive Directors, Mr. Kwong Kwan Tong possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

The Board currently has two principal board committees, namely the Audit Committee and the Remuneration Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from each of the independent non-executive Director an annual confirmation of independence and the Company considers that all of the independent non-executive Directors are independent.

The full Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM, board meeting and committee meetings held in 2008 are set out in the following table:

	Meeting attended/held			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**AGM held on 9 May 2008**
Executive Directors				
William Robert Majcher	72/72			1
Wan Ho Yan, Letty	72/72			1
Chan Wai Lam (appointed with effect from 1 October 2008)	15/72			–
Independent Non-executive Directors				
Yan Mou Keung, Ronald	10/72	2/2	4/4	–
Cheung Wing Keung, Raymond	10/72	2/2	4/4	1
Kwong Kwan Tong (appointed with effect from 1 February 2008)	8/72	2/2	4/4	1

Corporate Governance Report

Chairman and Managing Director

The roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is responsible for the leadership and effective running of the Board. The Managing Director is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

Re-election of Directors

Under the Code Provision A.4.1, non-executive Directors should be appointed for specific terms, subject to re-election at the general meeting of the Company. Currently, all independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting that in the Code.

Audit Committee

The Company established the Audit Committee on 3 December 2001, which is currently comprised solely of independent non-executive Directors, namely, Mr. Kwong Kwan Tong (Chairman), Mr. Yan Mou Keung, Ronald and Mr. Cheng Wing Keung, Raymond. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the consolidated financial statements for the year ended 31 December 2008.

HLM & Co. Certified Public Accountants (the "Auditors") were appointed as auditors of the Company until conclusion of the AGM. During the year, the Auditors rendered no non-audit services to the Group and the Group also did not incur any non-audit service fees.

The Group's 2008 audited financial statements had been duly reviewed by the Audit Committee with the Auditors. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that is satisfied with the professional performance of the Auditors and therefore recommends the Board that Auditors be re-appointed as our auditors in the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2008 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

Remuneration Committee

The Company established the Remuneration Committee on 28 July 2005, which is currently comprised solely of independent non-executive Directors, namely, Mr. Yan Mou Keung, Ronald, Mr. Cheng Wing Keung, Raymond and Mr. Kwong Kwan Tong. Mr. Cheng Wing Keung, Raymond is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive Director. Remuneration and the employment contracts of new appointing Directors have to be reviewed and approved by the Remuneration Committee. Compensation of removal or dismissal of Directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

Internal Controls

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the Directors and reviews conducted by the Audit committee. The Board believes that the existing internal control system is adequate and effective.

Directors' Responsibility Statement

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the financial statements should be distributed to the Shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2008, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

Communication with Shareholders

The Company has announced its annual results and interim results in a timely manner during the year. The general meeting serves as a communication channel between Directors and shareholders. During general meeting, chairman of the Board and its committees will present to answer any queries that our shareholders may have, and separate resolutions are proposed on each substantially separate issue, including the re-election of individual directors.

The notice of AGM shall be sent to all shareholders at least 20 clear business days prior to the date of meeting. Details of each proposed resolution, voting procedures and other relevant information are set out in the notice of AGM and the circular contain such detail information will be issued to the Shareholders in due course.

Independent Auditors' Report

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

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TO THE SHAREHOLDERS OF CHINA INVESTMENT FUND COMPANY LIMITED
中國投資基金有限公司
(Incorporated as an exempted company in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 55, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditors' Report

Opinion

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

HLM & Co.
Certified Public Accountants

Hong Kong, 11 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$	2007 HK$ (Restated)
Revenue	5	**1,945,647**	2,349,010
Net realised gain on disposal of financial assets at fair value through profit or loss		**529,579**	10,235,630
Net unrealised loss on financial assets at fair value through profit or loss		**(38,689,046)**	(243,800)
		(36,213,820)	12,340,840
Other income	5	**1,030,466**	1
Administrative expenses		**(8,079,999)**	(4,393,048)
Finance cost	7	**(196,889)**	–
(Loss)/profit before taxation	8	**(43,460,242)**	7,947,793
Taxation	10	**–**	–
(Loss)/profit for the year		**(43,460,242)**	7,947,793
(LOSS)/EARNINGS PER SHARE	11		
– Basic (HK cents)		**(4.64) cents**	1.09 cents
– Diluted (HK cents)		**N/A**	N/A

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$	2007 HK$
Non-current assets			
Property, plant and equipment	12	**753,130**	–
Prepaid lease payments – long-term portion	13	**3,230,657**	–
Available-for-sale financial assets	14	**22,914,413**	17,698,730
		26,898,200	17,698,730
Current assets			
Prepaid lease payments – current portion	13	**86,151**	–
Prepayments, deposits and other receivables	15	**419,464**	221,718
Financial assets at fair value through profit or loss	16	**45,132,730**	38,862,640
Cash and cash equivalents	17	**34,121,705**	58,753,942
		79,760,050	97,838,300
Current liabilities			
Accrued liabilities and other payables	18	**8,491,170**	156,616
Borrowings	19	**7,801,250**	–
		16,292,420	156,616
Net current assets		**63,467,630**	97,681,684
Net assets		**90,365,830**	115,380,414
Capital and reserves			
Share capital	20	**10,752,000**	8,000,000
Reserves	21	**79,613,830**	107,380,414
Total equity		**90,365,830**	115,380,414
Net asset value per share	11	**0.08**	0.14

The financial statements on pages 20 to 55 were approved and authorised for issue by the Board of Directors on 11 March 2009 and are signed on its behalf by:

William Robert Majcher
Director

Wan Ho Yan, Letty
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital HK$	Other reserve HK$	Share premium HK$	Investment revaluation reserve HK$	Accumulated losses HK$	Total HK$
The Group						
At 1 January 2007	4,800,000	–	79,555,597	–	(11,065,144)	73,290,453
Issue of shares by open offer	2,400,000	–	8,766,167	–	–	11,166,167
Issue of shares for share options exercised	800,000	–	21,176,000	–	–	21,976,000
Equity-settled arrangements	–	1,000,001	–	–	–	1,000,001
Net profit for the year	–	–	–	–	7,947,793	7,947,793
At 31 December 2007	8,000,000	1,000,001	109,497,764	–	(3,117,351)	115,380,414
Issue of shares for cash by placing	960,000	–	9,531,361	–	–	10,491,361
Issue of shares for cash by subscription	1,792,000	–	8,422,400	–	–	10,214,400
Cancellation of equity-settled arrangements	–	(1,000,001)	–	–	–	(1,000,001)
Equity-settled arrangements	–	2,451,200	–	–	–	2,451,200
Deficits on revaluation of available-for-sale financial assets	–	–	–	(3,711,302)	–	(3,711,302)
Net loss for the year	–	–	–	–	(43,460,242)	(43,460,242)
At 31 December 2008	10,752,000	2,451,200	127,451,525	(3,711,302)	(46,577,593)	90,365,830

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$	2007 HK$
Cash flows from operating activities		
(Loss)/profit before taxation	**(43,460,242)**	7,947,793
Adjustments for:		
Depreciation	**30,385**	–
Amortisation of prepaid lease payments	**71,792**	–
Interest income	**(691,678)**	(1,453,719)
Interest expenses	**196,889**	–
Cancellation of equity-settled arrangements	**(1,000,001)**	–
Impairment loss on available-for-sale financial assets	**3,711,302**	–
Unrealised loss on financial assets at fair value through profit or loss	**38,689,046**	242,300
Loss on disposal of subsidiaries	**–**	52,268
Impairment loss on other receivable	**–**	23,941
Operating cash flows before movements in working capital	**(2,452,507)**	6,812,583
Increase in financial assets at fair value through profit or loss	**(44,959,136)**	(18,146,670)
(Increase)/decrease in prepayments, deposits and other receivables	**(197,746)**	19,535,015
Increase/(decrease) in accrued liabilities and other payables	**8,334,554**	(77,347)
Net cash (used in)/generated from operations	**(39,274,835)**	8,123,581
Interest expenses	**(196,889)**	–
Interest received	**691,678**	1,453,719
Net cash (used in)/generated from operating activities	**(38,780,046)**	9,577,300
Investing activities		
Purchase of property, plant and equipment	**(4,172,115)**	–
Increase in available-for-sale financial assets	**(12,638,287)**	(6,750,998)
Sale proceeds on disposal of subsidiaries	**–**	10,000,000
Net cash (used in)/generated from investing activities	**(16,810,402)**	3,249,002
Financing activities		
Net proceeds from borrowings	**7,801,250**	–
Net proceeds from equity-settled arrangements	**2,451,200**	1,000,001
Net proceeds from issue of shares	**20,705,761**	33,142,167
Net cash generated from financing activities	**30,958,211**	34,142,168
Net (decrease)/increase in cash and cash equivalents	**(24,632,237)**	46,968,470
Cash and cash equivalents at beginning of year	**58,753,942**	11,785,472
Cash and cash equivalents at end of year (Note 17)	**34,121,705**	58,753,942

Notes to the Financial Statements

For the year ended 31 December 2008

1. General

China Investment Fund Company Limited (the "Company") is an exempted company incorporated with limited liability in the Cayman Islands on 18 September 2001. Its registered office is at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is at 4/F, Aon China Building, 29 Queen's Road Central, Hong Kong. The Company has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2 January 2002.

The Company is principally engaged in investing in listed and unlisted securities. The activities of its subsidiaries are set out in note 28 to the financial statements.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which have become effective.

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

The application of the new HKFRSs had no material effects on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 39 (Amendments)	Eligible Hedged Items[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HK(IFRIC)-Int 13	Customer loyalty programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[3]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC)-Int 9, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for accounting periods beginning on or after 1 January 2009
2 Effective for accounting periods beginning on or after 1 July 2009
3 Effective for accounting periods beginning on or after 1 July 2008
4 Effective for accounting periods beginning on or after 1 October 2008

* Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC)-Int 2.

The directors of the Company anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group in the period of initial application.

3. Significant Accounting Policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2008 comprise of the financial statements of the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(d) Revenue

Revenue from sales of listed financial assets at fair values through profit or loss is recognised on a trade-date.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

3. Significant Accounting Policies *(continued)*

(e) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost or fair value less subsequent depreciation and impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Freehold land is stated at cost less any subsequent accumulated impairment losses.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment other than freehold land over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecongised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

(f) Prepaid lease payments

Prepaid lease payments represent up-front prepayments made for the land use rights as expensed in the consolidated income statement on a straight-line basis over the period of the lease.

(g) Foreign currencies

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

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

3. Significant Accounting Policies *(continued)*

(h) Leasing

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

The Group as lessee

Assets held under finance leases are recongised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(i) Financial instruments

(1) Financial assets

Financial assets are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the income statement.

The Group's financial assets are classified into two of the four categories, including financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. Significant Accounting Policies *(continued)*

(i) Financial instruments *(continued)*

(1) Financial assets *(continued)*

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

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

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

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

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

The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. Significant Accounting Policies *(continued)*

(i) Financial instruments *(continued)*

(1) Financial assets *(continued)*

Loans and receivables

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

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

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

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

3. Significant Accounting Policies *(continued)*

(i) Financial instruments *(continued)*

(1) Financial assets *(continued)*

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Policies *(continued)*

(i) Financial instruments *(continued)*

(2) Financial liabilities and equity instruments

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

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

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

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

3. Significant Accounting Policies *(continued)*

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. To the extent that fixed-rate bank borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflected the hedged interest rate.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Impairment of tangible and intangible assets other than goodwill

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

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

3. Significant Accounting Policies *(continued)*

(n) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, excepted when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with equity.

(o) Cash and cash equivalents

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

4. Financial Instruments – Risk Management

The management of financial risks is carried out by the investment manager under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, the use of financial instruments and the investment of excess liquidity.

The Group's major financial instruments include financial assets at fair value through profit or loss, and other investments in available-for-sale financial assets. Details of these financial instruments are disclosed in respective notes. Financial risks include market price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Market price risk

The Group's investments in equity of other entities are Hong Kong listed and overseas unlisted equity. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as minerals and property investment and development. Temporarily, the Group management has monitored price risk and will consider hedging of the risk if necessary.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is increased to 15% in the current year as a result of the volatile financial market.

If equity prices had been 15% higher/lower (2007: 5% higher/lower), loss for the year ended 31 December 2008 would increase/decrease by HK$6,769,910. (2007: increase/decrease by HK$1,943,132). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss. Also, if the fair value of the available-for-sale financial assets had increased or decreased by 15% (2007: 5%) and all other variables were held constant, the investment revaluation reserve would increase or decrease by HK$3,437,162 (2007: HK$884,937).

(b) Credit risk

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

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

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

4. Financial Instruments – Risk Management *(continued)*

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2008, the Group has available bank loan of approximately HK$7,801,250 (2007: HK$Nil). Details of which is set out in note 19.

(d) Interest rate risk

The Group's fair value interest rate risk related primarily to fixed-rate borrowings from a financial Institution (see note 19 for details of these borrowings). Also, The Group's variable interest bearing bank deposits and debts are exposed to interest rate risk which is considered to be minimal.

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest bearing bank deposits and debt securities, have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point change is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's post tax loss for the year ended 31 December 2008 would decrease/increase by HK$10,380 (2007: HK$19,820).

(e) Foreign currency risk

The Group has foreign currency on financial assets, which expose the Group to foreign currency risk. Approximately 13% of the Group's financial assets are denominated in currencies other than the functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	ASSETS	
	2008	2007
	HK$	HK$
RMB	**–**	16,527,638
CAD	**1,126,334**	–
EUR	**10,198**	–
USD	**2,069,643**	2,959,132

4. Financial Instruments – Risk Management *(continued)*

(e) Foreign currency risk *(continued)*

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB and CAD. For the currency risk of the Group's financial assets, the exposure is mainly in HKD against CAD, if the exchange rate of HKD against foreign currency has been increased/decreased by 5%, the Group's loss for the year would increase/decrease by HK$160,309 (2007:HK$974,339).

(f) Fair values

As at 31 December 2008, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit and loss are included in the balance sheet at amounts approximating to their fair values. The available-for-sale financial assets included unlisted investments, which do not have a quoted market price in an active market, have been measured at cost less any impairment loss.

5. Revenue and Other Income

An analysis of revenue and other income is as follows:

	2008 **HK$**	2007 HK$ (Restated)
Interest income from:		
– Deposits in financial institutions	**691,678**	1,453,719
– Available-for-sale financial assets	**543,301**	528,219
Dividend income from:		
– Financial assets at fair value through profit or loss	**710,668**	367,072
	1,945,647	2,349,010
Other income		
– Forfeited deposits on termination of equity-settled arrangements	**1,000,000**	–
– Others	**30,466**	1
	1,030,466	1

6. Segment Information

During the years ended 31 December 2008 and 2007 respectively, the company's revenue were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the company's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses. The company's segment revenue, assets and liabilities for the year, analysed by geographical market, are as follows:

	Hong Kong		The People's Republic of China		Others		Consolidated	
	2008 HK$	2007 HK$	**2008 HK$**	2007 HK$	**2008 HK$**	2007 HK$	**2008 HK$**	2007 HK$
Segment revenue:								
Interest income from bank deposits	**691,678**	1,453,719	**–**	–	**–**	–	**691,678**	1,453,719
Interest income from available-for-sale financial assets	**360,019**	167,900	**–**	–	**–**	–	**360,019**	167,900
Other interest incomes	**–**	360,319	**–**	–	**183,282**	–	**183,282**	360,319
Dividend received	**710,668**	367,072	**–**	–	**–**	–	**710,668**	367,072
	1,762,365	2,349,010	**–**	–	**183,282**	–	**1,945,647**	2,349,010
Segment assets	**97,730,666**	99,009,392	**–**	16,527,638	**8,927,584**	–	**106,658,250**	115,537,030
Unallocated assets							**–**	–
Total assets							**106,658,250**	115,537,030
Total liabilities							**16,292,420**	156,616

7. Finance Costs

	2008 HK$	2007 HK$
Interest on:		
Bank loans wholly repayable within one year	**196,889**	–

8. (Loss)/Profit Before Taxation

	2008 HK$	2007 HK$
The Group's (loss)/profit before taxation has been arrived at after charging:		
Directors' remuneration (Note 9):		
Fees	**262,500**	180,000
Other emoluments	**1,538,000**	475,000
Provident fund contributions	**15,000**	7,250
Staff costs		
Salaries	**1,115,241**	654,179
Other benefits	**–**	–
Provident fund contributions	**36,270**	25,008
Total staff costs (including directors' remuneration)	**2,967,011**	1,341,437
Auditors' remuneration		
Current year	**90,000**	71,000
Under provision in prior years	**12,500**	2,000
	102,500	73,000
Investment management fee	**780,000**	825,000
Exchange loss	**2,117,904**	6,487
Depreciation on property, plant and equipment	**30,385**	–
Operating lease rentals of land and buildings	**960,000**	729,000
Loss on disposal of subsidiaries	**–**	52,268
Impairment loss on other receivables	**–**	23,941

9. Directors' Remuneration

(a) Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

2008

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Mandatory provident fund contributions HK$	Total HK$
Executive directors				
Chan Wai Lam (Note1)	–	108,000	3,000	111,000
Wan Ho Yan, Letty	–	710,000	12,000	722,000
William Robert Majcher	–	720,000	–	720,000
Independent non-executive directors				
Lo Wah Wai (Note 2)	5,000	–	–	5,000
Kwong Kwan Tong (Note 3)	82,500	–	–	82,500
Yan Mou Keung, Ronald	87,500	–	–	87,500
Cheng Wing Keung, Raymond	87,500	–	–	87,500
	262,500	1,538,000	15,000	1,815,500

2007

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Mandatory provident fund contributions HK$	Total HK$
Executive directors				
Ng Hon Cheung, Sannio	–	40,000	2,000	42,000
Wan Ho Yan, Letty	–	195,000	5,250	200,250
William Robert Majcher	–	240,000	–	240,000
Independent non-executive directors				
Lo Wah Wai	60,000	–	–	60,000
Yan Mou Keung, Ronald	60,000	–	–	60,000
Cheng Wing Keung, Raymond	60,000	–	–	60,000
	180,000	475,000	7,250	662,250

9. Directors' Remuneration *(continued)*

(a) Notes:

(1) Appointed on 1 October 2008
(2) Resigned on 1 February 2008
(3) Appointed on 1 February 2008

The above directors' fees, salaries, allowances and benefits in kind and mandatory provident fund contributions were paid to all directors, executives and non-executives, in respect of their duties and responsibilities with the Group and the prevailing market value.

There was no arrangement under which a director waived or agreed to waive any remuneration during both years ended 31 December 2008 and 2007.

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, 3 (2007: 2) were directors of the Company whose emoluments are included in the disclosures in note 9(a) above. The emolument of the remaining 2 employees (2007: 3) was as follows:

	2008	2007
	HK$	HK$
Basic salaries and other benefits	**597,000**	527,260
Mandatory provident fund contributions	**19,900**	18,662
Total emoluments	**616,900**	545,922

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

10. Taxation

No provision for Hong Kong profits tax is required since the group has no assessable profit for the year (2007: nil). Tax losses carried forward amount to approximately HK$53,542,182.

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

	2008 **HK$**	2007 HK$
(Loss)/profit before taxation	**(43,460,242)**	7,947,793
Tax calculated at the Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**(7,170,940)**	1,390,864
Tax effect of non-taxable incomes	**(231,387)**	(339,375)
Tax effect of non-deductible expenses	**–**	4,190
Tax effect on timing difference not recognised	**(10,435)**	–
Tax effect of utilisation of tax losses not recognised	**7,412,762**	(1,055,679)
Taxation for the year	**–**	–

Details of the potential deferred tax asset not recognised in the year are set out in note 25.

11. Net Asset Value Per Share and (Loss)/Earnings Per Share

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated balance sheet of HK$90,365,830 (2007: HK$115,380,414) by the number of shares in issue as at 31 December 2008, being 1,075,200,000 (2007: 800,000,000).

(Loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the net loss for the year of HK$43,460,242 (2007: net profit of HK$7,947,793) and the weighted average number of 935,995,616 (2007: 729,354,521) ordinary shares in issue during the year. The diluted (loss)/earnings per share is not presented because there were no potential dilutive shares during the both years ended 31 December 2008 and 2007.

12. Property, Plant and Equipment

	Leasehold improvements HK$	Buildings HK$	Total HK$
COST			
At 1 January 2007, 31 December 2007 and at 1 January 2008	–	–	–
Additions	36,580	746,935	783,515
At 31 December 2008	36,580	746,935	783,515
DEPRECIATION AND IMPAIRMENT			
At 1 January 2007, 31 December 2007 and at 1 January 2008	–	–	–
Charge for the year	5,487	24,898	30,385
At 31 December 2008	5,487	24,898	30,385
NET BOOK VALUE			
At 31 December 2008	31,093	722,037	753,130
At 31 December 2007	–	–	–

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	4%
Leasehold improvements	20%

An independent valuation of the Group's land and buildings was performed by Messrs. Asset Appraisal Limited, an independent professional valuer, to determine the fair value of the land and buildings as at 31 December 2008. The valuation was arrived at by reference to recent market transactions on arm's length terms.

13. Prepaid Lease Payments

	2008 HK$	2007 HK$
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term-lease	**3,316,808**	–
Analysed for reporting purposes as:		
Current assets	**86,151**	–
Non-current assets	**3,230,657**	–
	3,316,808	–

14. Available-for-sale Financial Assets

	2008 HK$	2007 HK$
Overseas convertible debentures, at cost (note a)	**8,927,590**	–
Less: impairment loss recognised (note d)	**–**	–
	8,927,590	–
Unlisted equity securities, at cost (note b)	**9,888,710**	17,698,730
Less: impairment loss recognised (note d)	**(948,466)**	–
	8,940,244	17,698,730
Unlisted bonds, at cost (note c)	**7,809,415**	–
Less: impairment loss recognised (note d)	**(2,762,836)**	–
	5,046,579	–
Total	**22,914,413**	17,698,730

14. Available-for-sale Financial Assets *(continued)*

Notes:

(a) During the year, the Group acquired convertible debenture in Jordan Ventures Ltd. ("JVL") at CAD1,410,000. JVL is a new company incorporated on 26 November 2007. One of the terms and conditions in the convertible debenture agreement stated that the Group may request to redeem the debenture at full amount commencing six months after 11 March 2008 or before 18 months from the opening of head office of JVL. After 18 months of opening of head office of JVL, the principal amount of the debenture will be converted on the basis of cash CAD1.05 into 1 common share of the JVL. The interest rate of the convertible debenture is at the prime rate (charged by Canadian Imperial Bank of Commerce) per annum paid monthly to the registered holder. The overseas convertible debenture investments are stated at cost less any accumulated impairment losses because there are no quoted market prices for such overseas convertible debenture investments. In addition, the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

(b) In 2007, the Company entered into an agreement with a merchant bank Coutts Bank to acquire Coutts Private Equity Limited Partnership ("CPELP"). The investment objective of the Partnership is to seek medium to long term capital appreciation. CPELP offers the Company to access to a multi-manager private equity fund, managed by top-tier private equity managers investing in international buy-out opportunities.

During the year, the group also acquired unlisted equity securities being 38,450 shares of 8.125% perferred shares in The Hong Kong and Shanghai Banking Corporation Limited. The market for these financial assets are not active, the Group establishes the value by references provided by the financial institutions. These include the use of recent arm's length transaction and reference to other instruments that are substantially the same.

(c) The Group acquired unlisted bonds, being USD1 million at 7.875% LLOYDS TSB BANK PLC. The market for this financial asset is not active, the Group establishes the value by references provided by the financial institution. This includes the use of recent arm's length transaction and reference to another instrument that is substantially the same.

(d) The directors conducted a review of the group's available-for-sale investments during the year and determined that the provision for impairment loss was set up based on estimated recoverable amount of available-for-sale financial assets.

15. Prepayments, Deposits and Other Receivables

	2008 **HK$**	2007 HK$
Prepayments	**226,980**	198,858
Deposits	**5,590**	–
Interest receivables	**56,563**	22,860
Dividend receivables	**130,331**	–
	419,464	221,718

16. Financial Assets at Fair Value Through Profit or Loss

	2008 HK$	2007 HK$
Equity securities listed in Hong Kong, at market value	**45,132,730**	38,862,640

As at 31 December 2008, financial assets at fair value through profit or loss included the following investments:

Name of investee company	Number of shares held	Proportion of investee's company capital owned	Cost HK$	Market value HK$	Unrealised loss arising on revaluation HK$	Dividend received/ receivable during the year HK$
(a) Regal Hotels International Holdings Limited	300,000	0.03%	1,920,000	645,000	(1,275,000)	38,856
(b) Cosmopolitan International Holdings Limited	36,100,000	1.9037%	17,027,100	15,162,000	(1,865,100)	–
(c) Regal Real Estate Investment Trust	1,000,000	0.03%	2,130,000	970,000	(1,160,000)	178,607
(d) Century City International Holdings Limited	1,788,000	0.08%	2,217,120	697,320	(1,519,800)	26,721
(e) Bank of Communication Company Limited	252,000	0.0011%	1,544,206	1,408,680	(135,526)	1,642
(f) Prosperity Investment Holdings Limited	7,596,000	6.09%	12,638,800	3,266,280	(9,372,520)	–
(g) China Life Insurance Company Limited	150,000	0.002%	3,567,500	3,532,500	(35,000)	–
(h) CNOOC Limited	500,000	0.0011%	3,634,170	3,620,000	(14,170)	–
(i) China Mobile Limited	40,000	0.0002%	3,136,000	3,112,000	(24,000)	–
(j) Maanshan Iron & Steel Company Limited	1,000,000	0.0577%	2,792,160	2,760,000	(32,160)	–
(k) iOne Holdings Limited	4,400,000	1.913%	7,040,000	3,564,000	(3,476,000)	–

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

Notes:

(a) Regal Hotels International Holdings Limited ("Regal") is principally engaged in Hotel Ownership and Management, property investment, other investment.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Regal was approximately HK$2,957.3 million and the basic earnings per share was HK29.6 cents. At 31 December 2007, the audited consolidated net asset value of the Regal International was approximately HK$5,281.7 million. Dividend received was approximately HK$38,856 during the year.

16. Financial Assets at Fair Value Through Profit or Loss *(continued)*

Notes: *(continued)*

(b) Cosmopolitan International Holdings Limited ("Cosmopolitan") is principally engaged in securities trading, property investment and development, provision of information technology services.

For the year ended 31 March 2008, the audited consolidated profit from ordinary activities attributable to shareholders of Cosmopolitan was approximately HK$77,048,000 and the basic earnings per share was HK4.47 cents. At 31 March 2008, the audited consolidated net asset value of the Cosmopolitan was approximately HK$359,279,000. No dividend was received during the year.

(c) Regal Real Estate Investment Trust ("Regal REIT") is principally engaged in owning and investing in income-producing hotels and hospitality-related properties.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Regal REIT was approximately HK$2,694,247,000 and the basic earnings per share was HK$0.917. As at 31 December 2007, its audited consolidated net asset value was approximately HK$10,915,076. Dividend received was approximately HK$178,607 during the year.

(d) Century City International Holdings Limited ("CCIH") is principally engaged in property development and investment, construction and building related businesses and other investments.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of CCIH was approximately HK$758,600,000 and the basic earnings per share was HK3.83 cent. As at 31 December 2007, its audited consolidated net asset value was approximately HK$5,791,600,000. Dividend received was approximately HK$26,721 during the year.

(e) Bank of Communications Company Limited ("Bank of Comm.") is principally engaged in the provision of banking and related financial services.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Bank of Comm. was approximately RMB20,274,000,000 and the basic earnings per share was RMB0.42. As at 31 December 2007, its audited consolidated net asset value was approximately RMB133,321,000,000. Dividend received was approximately HK$1,642 during the year.

(f) Prosperity Investment Holdings Limited ("Prosperity") is principally engaged in holding equity or equity-related investments and the provision of management services to these investee companies.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Prosperity was approximately HK$150,238,913 and the basic earnings per share was HK24.53 cents. At 31 December 2007, the audited consolidated net asset value of the Prosperity was approximately HK$547,861,914. No dividend was received during the year.

(g) China Life Insurance Company Limited ("China Life") is principally engaged in the writing of life insurance business, providing life, annuities, accident and health insurance products in China.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of China Life was approximately RMB38,879,000,000 and the basic earnings per share was RMB 1.38. As at 31 December 2007, its audited consolidated net asset value was approximately RMB206,376,000,000. No dividend was received during the year.

16. Financial Assets at Fair Value Through Profit or Loss *(continued)*

Notes: *(continued)*

(h) CNOOC Limited ("CNOOC") is principally engaged in the exploration, development, production and sales of crude oil, natural gas and other petroleum products.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of CNOOC was approximately RMB31,258,299 and the basic earnings per share was RMB0.72. As at 31 December 2007, its audited consolidated net asset value was approximately RMB134,314,738. No dividend was received during the year.

(i) China Mobile Limited ("China Mobile") is principally engaged in the provision of mobile telecommunications and related services in thirty-one provinces, autonomous regions and municipalities of Mainland China and Hong Kong Special Administrative Region ("Hong Kong").

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of China Mobile was approximately RMB87,062,000,000 and the basic earnings per share was RMB4.35. As at 31 December 2007, its audited consolidated net asset value was approximately RMB374,239,000,000. No dividend was received during the year.

(j) Maanshan Iron & Steel Company Limited ("Maanshan") is principally engaged in manufacturing and selling of iron and steel products.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Maanshan was approximately RMB2,467,253,000 and the basic earnings per share was RMB38.06 cents. At 31 December 2007, the audited consolidated net asset value of the Maanshan was approximately RMB23,455,486,000. No dividend was received during the year.

(k) iOne Holdings Ltd ("iOne") is principally engaged in provision of financial printing services for the financial sector in Hong Kong.

For the six months ended 30 June 2008, the unaudited consolidated profit from ordinary activities attributable to shareholders of iOne was approximately HK$38,257,000 and the basic earnings per share was HK$0.19. At 30 June 2008, the unaudited consolidated net asset value of the iOne was approximately HK$69,527,000. No dividend was received during the year.

17. Cash and Cash Equivalents

	2008 HK$	2007 HK$
Deposits with banks and other financial institutions	**32,090,013**	56,481,957
Cash at bank and in hand	**2,031,692**	2,271,985
	34,121,705	58,753,942

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

	2008	2007
EUR Dollars	**EUR941**	EUR946
US Dollars	**USD267,047**	USD379,376

18. Accrued Liabilities and Other Payables

	2008 HK$	2007 HK$
Accrued expenses	**138,136**	156,616
Accrued interest	**191,289**	–
Other payable-broker	**8,161,745**	–
	8,491,170	156,616

19. Borrowings

	2008 HK$	2007 HK$
Other loans-unsecured and wholly repayable within one year	**7,801,250**	–

During the year, the Group obtained a new loan in the amount of USD1,000,000, equivalent to approximately HK$7,801,250. The loan bears interest at market rate and will be repayable within one year. The proceeds were used to finance the acquisition of financial instruments.

20. Share Capital

	Number of ordinary shares		Nominal value	
	2008	2007	**2008**	2007
			HK$	HK$
Authorised:				
At 1 January	**1,500,000,000**	600,000,000	**15,000,000**	6,000,000
Increase by creation of additional 900,000,000 shares of HK$0.01 each	**–**	900,000,000	**–**	9,000,000
At 31 December	**1,500,000,000**	1,500,000,000	**15,000,000**	15,000,000

Issued and fully paid:

	Notes	**Number of shares of HK$0.01 each**	**HK$**
At 1 January 2007		480,000,000	4,800,000
Issue of shares by open offer		240,000,000	2,400,000
Issue in consideration for cash proceed and the called options granted by Prosperity Investment Holdings Limited		80,000,000	800,000
31 December 2007 and 1 January 2008		800,000,000	8,000,000
Issue of shares for cash by placing	a	96,000,000	960,000
Issue of shares for cash by subscription	b	179,200,000	1,792,000
At 31 December 2008		1,075,200,000	10,752,000

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

(a) On 21 and 26 February 2008, the Company had issued and allotted, in aggregate, 96,000,000 new shares at HK$0.111 by placing.

(b) On 10 September 2008, the Company had issued and allotted 179,200,000 new shares at HK$0.057 by subscription.

21. Reserves

	Other reserve HK$	Share premium HK$	Investment revaluation reserve HK$	Accumulated losses HK$	Total HK$
The Group					
At 1 January 2007	–	79,555,597	–	(11,065,144)	68,490,453
Issue of shares by open offer	–	8,766,167	–	–	8,766,167
Issue of shares for share options exercised	–	21,176,000	–	–	21,176,000
Equity-settled arrangements	1,000,001	–	–	–	1,000,001
Net profit for the year	–	–	–	7,947,793	7,947,793
At 31 December 2007	1,000,001	109,497,764	–	(3,117,351)	107,380,414
Issue of shares for cash by placing	–	9,531,361	–	–	9,531,361
Issue of shares for cash by subscription	–	8,422,400	–	–	8,422,400
Cancellation of equity-settled arrangements	(1,000,001)	–	–	–	(1,000,001)
Equity-settled arrangements	2,451,200	–	–	–	2,451,200
Deficits on revaluation of available-for-sale financial assets	–	–	(3,711,302)	–	(3,711,302)
Net loss for the year	–	–	–	(43,460,242)	(43,460,242)
At 31 December 2008	2,451,200	127,451,525	(3,711,302)	(46,577,593)	79,613,830

22. Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 December 2001. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceeding 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

HK$1 per option is payable on the acceptance of an option offer. Options may be exercised in accordance with the terms of the Scheme at any time during the five-year period commencing on the date upon which the option is accepted by the grantee and expiring on the last day of the five-year period or the expiry of the tenth anniversary of the Scheme, whichever is the earlier.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceeding the date of grant; and (iii) the nominal value of a share.

The Scheme will remain in force for a period of 10 years commencing on 3 December 2001.

No option had been granted or agreed to be granted under the Scheme from the date of adoption of the Scheme.

23. Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 December 2008 (2007: nil).

24. Retirement Benefits Scheme

The Group has arranged its Hong Kong employees to joint the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary.

25. Deferred Taxation

At the balance sheet date, the Group has estimated unrecognised tax losses of approximately HK$53,542,182 (2007: HK$8,616,350) to set off against future taxable income. No deferred tax asset is recognised in respect of such tax losses carried forward as the realisation of the related tax benefit through future taxable profits could not be reasonably assessed. The tax losses do not expire under the current tax legislation.

The Group and the Company had no material unprovided deferred tax liabilities at the balance sheet date (2007: nil).

26. Related Party and Connected Transactions

During the year, the Group had the following significant related party and connected transactions:

(a)

	Notes	**2008** **HK$**	2007 HK$
Investment management fees paid to			
Baron Asset Management Limited (renamed to Bridge Partner Investment Management Limited)		**–**	825,000
Ping An Securities Limited	(i)	**780,000**	–
Rental expenses paid to			
Baron International Investment Holdings Limited		**–**	9,000
Baron International Consulting Services Limited	(ii)	**960,000**	720,000
Financial advisory fee paid to Baron Capital Limited ("Baron Capital")		**–**	411,800
Placing commission fee paid to Baron Capital Limited	(iii)	**164,640**	–

Notes:

(i) Pursuant to the investment management agreement entered into between Ping An Securities Limited and the Company dated 16 January 2008, Ping An Securities Limited was appointed as the investment manager of the Company with the management fee of HK$65,000 per month commencing from 1 January 2008 to 31 December 2008.

A new investment management agreement was entered into between Baron Asset Management Limited and the Company on 18 December 2008. Baron Asset Management Limited was appointed as the investment manager of the Company with the management fee of HK$65,000 per month commencing from 1 January 2009 to 31 December 2009.

(ii) Pursuant to a tenancy agreement signed on 1 April 2007 between the Company and Baron International Consulting Services Limited (the "Baron International Consulting"), Baron International Consulting has leased office premises to the Company commencing on 1 April 2007 for a monthly rental of HK$80,000. The tenancy agreement is renewed on 1 April 2008 for one more year with same monthly rental payment. Baron International Consulting is a fellow subsidiary of the investment manager.

(iii) Pursuant to a placing agreement between the Company and Baron Capital Limited (the "Baron Capital"). The Company paid the placing commission fee to Baron Capital during the year. Mr. Wan Chuen Chung, Joseph, the ultimate beneficial owner of Baron Capital, is the father of Ms. Wan Ho Yan, Letty, an executive Director and therefore a Connected Person of the Company.

26. Related Party and Connected Transactions *(continued)*

(b) Remuneration for key management personnel, representing amounts paid to the Company's Directors as disclosed in note 9(a) is as follows:

	2008 HK$	2007 HK$
Directors' fee	**262,500**	180,000
Salaries, allowance and benefits in kind	**1,538,000**	475,000
Mandatory provident fund contributions	**15,000**	7,250
	1,815,500	662,250

27. Lease Commitments

The Group as lessee

As at 31 December 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2008 HK$	2007 HK$
Within one year	**240,000**	240,000

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases and rentals are negotiated for a term of one year.

28. Particulars of Subsidiaries of the Company

Name	**Place of incorporation/ operation**	**Particulars of issued and paid-up share capital**	**Percentage of equity attributable to the Company**	**Principal activity**
Capital Handle Investments Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Timful International Holdings Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Delux Famous Business Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings

29. Balance Sheet Information of the Company

Balance sheet information of the Company at the balance sheet date includes:

	2008	2007
	HK$	HK$
Non-current assets		
Investments in subsidiaries (note 28)	**24**	8
Available-for-sale financial assets (note 14)	**22,914,413**	17,698,730
	22,914,437	17,698,738
Current assets		
Financial assets at fair value through profit or loss	**26,768,530**	37,785,520
Prepayments, deposits and other receivables	**413,874**	221,718
Amounts due from subsidiaries	**22,439,704**	1,077,112
Cash and cash equivalents (note 17)	**34,121,705**	58,753,942
	83,743,813	97,838,292
Current liabilities		
Accrued liabilities and other payables (note 18)	**8,491,170**	156,616
Borrowings (note 19)	**7,801,250**	–
Net current assets	**67,451,393**	97,681,676
Net assets	**90,365,830**	115,380,414
Capital and reserves		
Share capital (note 20)	**10,752,000**	8,000,000
Reserves (note 21)	**79,613,830**	107,380,414
Total equity	**90,365,830**	115,380,414

30. Comparative Amounts

Certain gains or losses from financial assets previously classified as turnover are reclassified and separately disclosed in the income statement in order to better reflect their nature and conform with current year's presentation.

Five Years Summary

For the year ended 31 December

	2008 HK$	2007 HK$ (Restated)	2006 HK$ (Restated)	2005 HK$ (Restated)	2004 HK$ (Restated)
Results					
Revenue	**1,945,647**	2,349,010	1,221,619	2,553,648	337,044
(Loss)/profit before taxation	**(43,460,242)**	7,947,793	19,328,745	(17,838,601)	(2,104,702)
Taxation	**–**	–	–	–	–
	(43,460,242)	7,947,793	19,328,745	(17,838,601)	(2,104,702)
Assets and Liabilities					
Total assets	**106,658,250**	115,537,030	73,524,416	54,149,337	71,970,331
Total liabilities	**(16,292,420)**	(156,616)	(233,963)	(187,629)	(234,879)
Net assets	**90,365,830**	115,380,414	73,290,453	53,961,708	71,735,452
Share capital	**10,752,000**	8,000,000	4,800,000	4,800,000	4,800,000
Reserves	**79,613,830**	107,380,414	68,490,453	49,161,708	66,935,452
	90,365,830	115,380,414	73,290,453	53,961,708	71,735,452
(Loss)/earnings per share					
– Basic	**(4.64) HK cents**	1.09 HK cents	2.80 HK cents	(3.72) HK cents	(0.62) HK cent
– Diluted	**N/A**	N/A	N/A	N/A	N/A