NewCapital International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1062)

NewCapital

Annual Report 2008

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Corporate Information

DIRECTORS

Executive Directors

Mr. Liu Xiao Guang *(Chairman)*

Mr. Lawrence H. Wood *(Chief Executive Officer)*
(also known as Wu Yuk Shing or Hu Xu Cheng)
(also appointed as alternate director to Mr. Cheng Bing Ren since 13 December 2007)

Mr. Cheng Bing Ren
Mr. Liu Xue Min
Mr. Shi Tao
Mr. Lin Si Yu
Mr. Xiong Wei

Independent Non-executive Directors

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

QUALIFIED ACCOUNTANT

Mr. Chu Kim Wah

COMPANY SECRETARY

Miss Cheng Wing Sze, Christy

AUDIT COMMITTEE

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

REMUNERATION COMMITTEE

Mr. Liu Xiao Guang
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3306
Two Exchange Square
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

The Bank of East Asia, Limited

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER

DLA Piper Hong Kong

INVESTMENT MANAGER

KBR Management Limited
Suite 3306
Two Exchange Square
Central
Hong Kong

PROJECT MANAGER

ZY International Project Management (China) Limited
P.O. Box 957
Offshore Incorporations Centre
Tortola, British Virgin Islands

CUSTODIAN

Orangefield Management (Hong Kong) Limited
Room 1001-1002
10/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1062

WEBSITE

www.newcapital.com.hk
www.irasia.com/listco/hk/newcapital

Chairman's Statement

For the year ended 31 December 2008, the audited loss for New Capital International Investment Limited ("New Capital" or the "Company") and its subsidiaries (the "Group") totaled HK$33,956,826. The consolidated net asset value per share of the Company was HK$0.274 as at 31 December 2008. The Group's audited profit for the year ended 31 December 2007, and consolidated net asset value per share as at 31 December 2007 were HK$35,414,291 and HK$0.343 respectively.

HIGHLIGHTS OF THE YEAR

Beginning with the U.S. sub-prime crisis, the world market conditions deteriorated into a severe credit recession, which shut down the global economy in 2008. No part of the world has escaped from the financial tsunami, but each region suffers varying degrees of market amongst. Some stand in relatively good positions, while others face severe problems.

Gross Domestic Product (GDP) reports for the world's major economies are all down, and most nations are reporting declining industrial production and falling exports. All of Asia's major exporters have recorded a sharp fall in exports.

China's GDP growth decelerated sharply to only 6.8% in 4Q 2008 from 9.0% in 3Q 2008. For 2008 as a whole, China's GDP growth averaged 9.0% to 30 trillion yuan, the slowest in seven years. Fixed-assets investment expanded 26.1 percent to 14.82 trillion yuan, while real-estate investment surged 23 percent to 3.52 trillion yuan.

With the major industrial countries heading for deep recession, the outlook for exports in 2009 is not optimistic, much of the China's economic growth will have to be driven by domestic demand. China's government has been very responsive, by launching a RMB4 trillion stimulus package and other measures to revive economic activities and property transactions. It means to support economy by rapid expansion in government infrastructure spending, policies to revive housing investment, encourage domestic consumption and also financial supports to pillar industries in order to assuage the pain of the current downturn.

BUSINESS REVIEW

New Capital is the investment company and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited pursuant to Chapter 21 of the Listing Rules. The principal activity of the Group is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed or unlisted entities on a global basis. There was no change in the nature of the Company's principal activity in 2008.

chairman's statement

The Group experienced profits in 2006 and 2007 from the investment in China Property Development (Holdings) Limited, ("CPDH"). CPDH completed the sale of Beijing Richmond Park Project in December 2007 and distributed dividend to shareholders in 2008, inclusive dividend declared in previous year. The dividend income will strengthen the Company's position in pursuing its strategic plan. In 2008, the Hong Kong stock market slipped in the global downturn. The loss of the Group was mainly recognised from the investment in securities in Hong Kong stock market.

FUTURE PROSPECTS

2009 would be a difficult year for China and Hong Kong, given the severe challenges facing the global economy. With the Chinese government eased fiscal and monetary policies to support the economy, there are signs that business conditions might have stablised for the moment and investor confidence restored. Domestic consumption will become the main driver of China's growth as export demand shrinks. China would most likely be the region that will be able to maintain its stable economic performance. The Board of the Company would meet the challenges in 2009 and is optimistic to capture any opportunities.

Management Discussion and Analysis

RESULT

For the year ended 31 December 2008, the audited loss for New Capital International Investment Limited ("New Capital" or the "Company") and its subsidiaries (the "Group") totaled HK$33,956,826. The consolidated net asset value per share of the Company was HK$0.274 as at 31 December 2008. The Group's audited profit for the year ended 31 December 2007, and consolidated net asset value per share as at 31 December 2007 were HK$35,414,291 and HK$0.343 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group was in a good liquidity position, with cash and bank balances of HK$72,471,934 (31 December 2007: HK$32,298,094). As all the retained cash was placed in Hong Kong Dollars short-term deposits with a major bank in Hong Kong, the Group's exposure to exchange fluctuations is considered minimal. The Board believes that the Group has sufficient financial resources to meet its immediate investment or working capital requirements.

As at 31 December 2008, the Group had net assets of HK$186,750,110 (31 December 2007: HK$233,845,735) and no borrowings or long-term liabilities, putting the Group in an advantageous position to pursue its investment strategies and investment opportunities.

CAPITAL STRUCTURE

There has been no change to the Group's capital structure for the year in 31 December 2008.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2008, there were no charges on the Group's assets or any significant contingent liabilities (31 December 2007: nil)

PORTFOLIO REVIEW

Beijing Far East Instrument Co., Ltd. ("Beijing Far East")

Beijing Far East is a leading industrial precision instrument manufacturer in China. It is a joint venture formed by the Group and Beijing Instrument Industry Holding Co. Ltd. in 1994. The principal business of Beijing Far East is to manufacture meters and precision measuring instruments.

Recent years, Beijing Far East has explored into automated products and industrial integrated control system, it joined hand with other companies and property developers into sector of intelligent building control system and construction technology. In 2008, Beijing Far East acquired Huawen Automation System Engineering Co. Ltd.

Management Discussion and Analysis

and explored into process control system, which supplements the product scope and integrates the production of Beijing Far East.

Beijing Far East Instrument Company Limited, a long-term investment of New Capital, continues to deliver attractive return to the Company in 2008 result. Based on the unaudited management account as at 31 December 2008, the revenue of Beijing Far East increased by 33% to RMB448.57 million, its profit before adjustment grew 20% to RMB11.13 million.

(RMB'm)	**2008**	2007	2006
Revenue	**448.57**	336.94	264.88
Net Profit before tax	**13.21**	10.16	12.97
Net Profit after tax	**11.13**	9.27	12.97

Retail Floors of Wuhan Xing Cheng Building

Wuhan city is the capital of Hubei Province; it is a famous historical and cultural city in China, a central metropolitan in the middle reaches of Yangtze River, national pivotal industrial base, centre of finance, commerce, logistics, information, science and education in Central China, long being reputed as "Oriental Chicago".

Management Discussion and Analysis

Wuhan Xing Cheng Building is a commercial building situated at the prime location of the city centre of Jianghan District in Wuhan. It is adjacent to the Wuhan Mobile & Telecommunication Bureau Building in the east, China Southern Airline Building in the west, 70 metres north of the building is Hankou Railway Station and the five-star Oriental Hotel. The building is at proximity to shopping malls, luxury residential apartments and commercial buildings.

In June 2007, the Group acquired the beneficial interest of Profit Harbour Industrial Limited, a company registered in Hong Kong, which holds 4424m sqm of the two retail floors of Wuhan Xing Cheng Building. The floors are fully leased out to CITIC Bank (中信實業銀行武漢分行) and Beijing Illinois (北京伊力諾依家品店) a nationwide high-end store for household items and furniture. There are 12 office floors above the building with more than 200 office units which provide a large customer base for the retail business.

The acquisition will provide the Group a guaranteed rental income of 8% pa for 3 years and a potential for capital appreciation. The Group will seek to capture market opportunities to realize profit of the investment.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Liu Xiao Guang *(Chairman)*

Aged 54, was appointed as Executive Director of the Company since April 2004. Mr. Liu holds a bachelor degree in economics from Beijing Commerce College in 1982. He is also the chairman of the board of directors of Beijing Capital Land Ltd. ("Beijing Capital"), which is a H-share company listed on the Stock Exchange and is a property developer in Beijing, focusing primarily on developing quality/ high-end office buildings and commercial properties and medium to high-end residential properties. He is also the Chairman of Beijing Capital Co. Ltd., which is a A-Share company listed on the Shanghai Stock Exchange and is a water-supply and infrastructure investment company. He was the deputy director of the Beijing Municipal Planning Commission, deputy secretary-general of the City Planning and Construction Exchange and an adjunct professor of Beijing Commerce College. Mr. Liu has extensive experience in the management and supervision of large investment projects, and in various sectors and industries, including finance, securities, futures, foreign currency, real estate, commerce, foreign trade, tourism, consultancy and government investment fund. Mr. Liu also participated extensively in the review and approval of foreign investment projects as well as in supervising the preparation of foreign investment research and feasibility studies in Beijing. He is currently the president of Beijing Capital Group Co., Ltd., a large-sized enterprise group directly under the supervision of Beijing Municipal People's Government.

Mr. Lawrence H. Wood *(Chief Executive Officer)* *(also known as Wu Yuk Shing or Hu Xu Cheng)* *(also appointed as alternate director to Mr. Cheng Bing Ren since 13 December 2007)*

Aged 47, was appointed as Executive Director of the Company since August 2003. Mr. Wood holds a bachelor degree in economics from the Beijing Economics College in 1983. Over the past 11 years, he has been working with the Beijing International Trade Association and the Beijing International Trade Research Institute, during which period his responsibilities included performing financial and economic research and providing professional advice on Beijing Government's cross-provincial investments and foreign investments, participating in the decision-making process for granting export rights to Beijing government-owned enterprises, evaluating investment proposals as well as supervising sino-foreign investments in Beijing.

Mr. Cheng Bing Ren

Aged 58, was appointed as Executive Director of the Company since April 2004. Mr. Cheng holds a graduate certificate from Beijing Normal College, a teachers' college in the PRC, in 1977. He is the deputy general manager of the Beijing International Trust and Investment Corporation Limited ("BITIC"), a state-owned enterprise which is engaged in the provision of financial trust products and services. Since Mr. Cheng joined BITIC in 1987, he has been primarily responsible for managing BITIC's trust management business. Being a member of the senior management of BITIC's trust management business, Mr. Cheng has wide discretion and authority to make investment decisions for the discretionary trust clients of BITIC. Most of these clients have been assigned by the PRC government. Mr. Cheng is also responsible for the evaluation, monitoring and management of investments for BITIC itself. Mr. Cheng worked as a deputy chairman of China Security Corp. Limited since 2002, primarily responsible for human resource management and internal auditing issues and making significant strategy decision.

Biographical Details of Directors

Mr. Liu Xue Min

Aged 50, was appointed as Executive Director of the Company since April 2004. Mr. Liu graduateded from Post Graduate Institute of Chinese Academy of Social Science in the PRC in 1998, majoring in currency and banking. Mr Liu has been the chairman of First Capital Securities Co., Limited (formerly known as Foshan Securities Co., Limited) since December 1997.

Mr. Shi Tao

Aged 45, was appointed as Executive Director of the Company since November 2006. Mr. Shi holds a Bachelor degree in Engineering from Tsinghua University and a Master degree in Engineering from Wuhan Industrial University (now known as Wuhan University of Technology). Mr. Shi has extensive business experience in the PRC. Mr. Shi is currently the President of Sense Control International Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Shi is also an Executive Director of China Haidian Holdings Limited, company whose shares are listed on The Stock Exchange of Hong Kong Limited since April 2004.

Mr. Lin Si Yu

Aged 38, was appointed as Executive Director of the Company since April 2008. Mr. Lin holds a Bachelor Degree in Fu Zhou University. He is currently the deputy general manager of 冠城大通股份有限公司 (Citychamp Dartong Company Limited) ("Citychamp"), listed on the Shanghai Stock Exchange. He had been also the board secretary of Citychamp. Mr. Lin is also the director and shareholder of Sense Control International Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO").

Mr. Xiong Wei

Aged 46, was appointed as Executive Director of the Company since April 2008. Mr. Xiong had joined Hong Kong office of Insurance Affairs of Shum Yip Holdings Company Limited and The People's Insurance Company of China – Branch of Shenzhen. He has extensive business experience in the PRC. Mr. Xiong is currently the director and shareholder of Econoworth Investments Limited, the substantial shareholder of the Company within the meaning of Part XV of the SFO.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Chun Kei

Aged 42, was appointed as Independent Non-executive Director of the Company since April 2004. Mr. To holds a bachelor degree in business administration from The University of Western Sydney, Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants and Association of International Accountants. Mr. To has over 11 years of experience in accounting and financial management. He was the financial controller of a private company in Hong Kong which is primarily engaged in the property investment business from 2001 to 2004. Prior to joining this private company in 2001, he worked as the financial controller of Kiu Lok Service Management Co., Ltd., a subsidiary of New World Property Holdings Limited, from 2000 to 2001. He also worked as a senior accountant in Hop Hing Holdings Limited, the shares of which are listed on the Stock Exchange, during 1994 to 2000.

Dr. Kwong Chun Wai Michael

Aged 44, was appointed as Independent Non-executive Director of the Company since April 2004. Dr. Kwong holds a bachelor degree with honours in philosophy from the University of Nottingham in the United Kingdom in 1987 and a doctor degree in business administration from Newport University in the United States in 2001. He is a fellow member of the International Institute of Management, a fellow member of the Hong Kong Institute of Marketing and a member of the Institute of Supply Chain Management. Dr. Kwong is currently an independent non-executive Director of China Haidian Holdings Limited, a company whose shares are listed on the Stock Exchange, a director of the Hong Kong Economic and Trade Association, examiner of Cambridge Career Awards in Business, University of Cambridge Local Examination Syndicate in the United Kingdom and a business strategist specialising in the area of marketing and business administration. He has worked in leading media corporations as senior executives and served in the past as executive committee member in the Hong Kong branch of the Chartered Institute of Marketing and council member of the Hong Kong Institute of Marketing.

Mr. Fung Tze Wa

Aged 52, was appointed as Independent Non-executive Director since April 2004. Mr. Fung holds a master degree in professional accounting from Hong Kong Polytechnic University in 2000. Mr. Fung is a certified public accountant. He is a member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Fung has been a director of World Link CPA Limited, a professional accounting firm in Hong Kong since 2007 and had worked in the fields of accounting and finance in several listed companies in Hong Kong for over 11 years. Mr. Fung has extensive experience in auditing, taxation and company secretarial practice in Hong Kong. He is an independent non-executive director of China Haidian Holdings Limited and Jiwa Bio-Pharm Holdings Limited, companies whose shares are listed on the Stock Exchange.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

In order to maintain high standards of corporate governance, the Company has applied the principles and complied with all the Code Provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2008 with the exception of the following:

Provision A.4.1 Non-executive Directors of the Company are not appointed for as specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings.

Provision E.1.2 The chairman of the Board did not attend the annual general meeting held on 13 May 2008 which is due to business commitment.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

As at 31 December 2008, the Board comprised ten Directors as follows:

Executive Directors:

Mr. Liu Xiao Guang	*(Chairman)*
Mr. Lawrence H Wood	*(Chief Executive Officer)*
(also known as Wu Yuk Shing or Hu Xu Cheng)	
(also appointed as alternate director to Mr. Cheng Bing Ren since 13 December 2007)	
Mr. Cheng Bing Ren	
Mr. Liu Xue Min	
Mr. Shi Tao	
Mr. Lin Si Yu	*(appointed on 14 April 2008)*
Mr. Xiong Wei	*(appointed on 14 April 2008)*

Independent Non-executive Directors:

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

The Board comprises seven executive directors (one of whom is the Chairman) and three Independent Non-executive Directors. Those three Independent Non-executive Directors, two of them possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board. The biographical details of the directors are set out on pages 8 to 10 of this Annual Report.

Corporate Governance Report

The Board is responsible for formulating the overall strategic development, reviewing and monitoring the business performance of the Group, approving investment proposals as well as approving the financial statements of the Group. The Independent Non-executive Directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings.

The Independent Non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Company has received annual confirmation from each Independent Non-executive Director that they met all the independence set out in Rule 3.13 of Chapter 3 of the Listing Rules, the Board considers these Independent Non-executive Directors to be independent.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation of the Group. Notice of at least 14 days for the regular meetings held in April, June, September and December and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meetings. Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year, ten full board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director is set out below:

Name of director		**Number of board meetings attended**	**Attendance rate**
Executive Directors			
Mr. Liu Xiao Guang	*(Chairman)*	5/10	50%
Mr. Lawrence H. Wood	*(Chief Executive Officer)*	9/10	90%
(also known as Wu Yuk Shing or Hu Xu Cheng)			
(also appointed as alternate director to Mr. Cheng Bing Ren since 13 December 2007)			
Mr. Cheng Bing Ren (Note 1)		0/10	0%
Mr. Liu Xue Min		8/10	80%
Mr. Shi Tao		3/10	30%
Mr. Lin Si Yu (Note 2)		3/10	30%
Mr. Xiong Wei (Note 3)		3/10	30%
Independent Non-executive Directors			
Mr. To Chun Kei		9/10	90%
Dr. Kwong Chun Wai Michael		8/10	80%
Mr. Fung Tze Wa		9/10	90%

Notes:

1. Mr. Lawrence H. Wood appointed as alternate director to Mr. Cheng Bing Ren since 13 December 2007 for attending all meetings of the Company. Therefore, the attendance rate of Mr. Cheng Bing Ren was 0%.

2. Mr. Lin Si Yu was appointed as director of the Company on 14 April 2008.

3. Mr. Xiong Wei was appointed as director of the Company on 14 April 2008.

Corporate Governance Report

Chairman and Chief Executive Officer

The Chairman of the Company is Mr. Liu Xiao Guang and the Chief Executive Officer of the Company is Mr. Lawrence H. Wood. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

Re-election of Directors

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company. In accordance with the relevant provisions in the Articles of Association of the Company, the appointment of directors is considered by the board and they must stand for election by shareholders at the annual general meetings.

The Independent Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the provisions of the Company's Articles of Association.

Audit Committee

As at 31 December 2008, the Audit Committee comprised the following Audit Committee members:

Mr. To Chun Kei *(Chairman)*
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

All of the Audit Committee members are Independent Non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2005 and revised in 2009.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

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

Corporate Governance Report

During the year, three Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of director	Number of Audit Committee meetings attended	Attendance rate
Mr. To Chun Kei	3/3	100%
Dr. Kwong Chun Wai Michael	2/3	66.7%
Mr. Fung Tze Wa	2/3	66.7%

Remuneration Committee

As at 31 December 2008, the Remuneration Committee comprised the following remuneration committee members:

Mr. Liu Xiao Guang *(Chairman)*
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

The majority of the Remuneration Committee members are Independent Non-executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of directors and senior management. The terms of reference of the Remuneration Committee were adopted in 2005 and revised in 2007.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Group and the desirability of performance-based remuneration.

During the year, one Remuneration Committee meeting was held and the individual attendance of each member is set out below:

Name of director	Number of Remuneration Committee meetings attended	Attendance rate
Mr. Liu Xiao Guang	1/1	100%
Mr. To Chun Kei	1/1	100%
Dr. Kwong Chun Wai Michael	0/1	0%
Mr. Fung Tze Wa	1/1	100%

Corporate Governance Report

AUDITOR'S REMUNERATION

Messsrs. Deloitte Touche Tohmatsu was re-appointed by the shareholders as the Company's auditors during 2008. Their engagement of the audit for 2008 has been reviewed and approved by the Audit Committee.

During the year 2008, the total amount of remuneration paid/payable to the auditor of the Company for the audit and non-audit services rendered to the Group is as follows:

	HK$
Annual audit services	970,000
Interim review services	400,000

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group. The directors also ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. The Company is committed to maintain an open and effective communication policy to update its shareholders and investors on relevant information on its business through the annual general meeting, the annual and interim reports, notices, announcements, circulars as well as Company's website.

The annual general meeting provides a useful forum for shareholders to exchanges views with the Board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors.

INTERNAL CONTROLS

The qualified accountant of the Company has performed a review on the internal control systems of the Company during 2008 in accordance with the Procedure Manual of the Company. The report was submitted to the Audit Committee to review.

Report of the Directors

The Directors present their report to the shareholders together with the audited consolidated financial statements for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated in the Cayman Islands. Its investment objective is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed and/or unlisted companies or entities on a global basis.

SUBSIDIARIES AND ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries, associates and jointly controlled entities at 31 December 2008 are set out in notes 29, 13 and 14, respectively, to the consolidated financial statements.

RESULTS

The results of the Group for the financial year ended 31 December 2008 are set out in the consolidated income statement as set out on page 26 of the annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is given on page 60 of the annual report.

DIVIDEND PROPOSED

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital during the financial year are set out in note 20 to the consolidated financial statements on page 49 of the annual report.

RESERVES

Movements in the reserves during the financial year are set out on page 28 of the annual report.

Report of the Directors

DIRECTORS

The directors of the Company during the financial year were:

Executive Directors

Mr. Liu Xiao Guang	*(Chairman)*
Mr. Lawrence H Wood	*(Chief Executive Officer)*
(also known as Wu Yuk Shing or Hu Xu Cheng)	
(also appointed as alternate director to Mr. Cheng Bing Ren since 13 December 2007)	
Mr. Cheng Bing Ren	
Mr. Liu Xue Min	
Mr. Shi Tao	
Mr. Lin Si Yu	*(appointed as director on 14 April 2008)*
Mr. Xiong Wei	*(appointed as director on 14 April 2008)*

Independent Non-executive Directors

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

Mr. Cheng Bing Ren, Mr. Liu Xue Min and Mr. Fung Tze Wa will retire by rotation from the board of directors in accordance with Article 88 of the Company's articles of association at the forthcoming annual general meeting. Mr. Cheng Bing Ren, Mr. Liu Xue Min and Mr. Fung Tze Wa, all being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACT

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the Directors of the Company and their respective associates had interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company and the Stock Exchange, details of which are set out in the section headed "Interests and Short Positions of Shareholders" below.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to the Directors, as at 31 December 2008, the persons/companies who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	No. of Shares	Approximate% of shareholding
Mr. Lin Si Yu (Note 1)	107,600,000	15.77
Sense Control International Limited (Note 1)	107,600,000	15.77
Dover VI Associates, LLC (Note 2)	105,800,000	15.51
Dover VI Associates, L.P. (Note 2)	105,800,000	15.51
Dover SPING GP LLC (Note 2)	85,140,000	12.48
Dover SPING L.P. (Note 2)	85,140,000	12.48
Dover Street VI L.P. (Note 2)	20,660,000	3.03
Mr. Xiong Wei (Note 3)	62,000,000	9.09
Econoworth Investments Limited (Note 3)	62,000,000	9.09

Notes:

1. Sense Control International Limited is beneficially and wholly owned by Mr. Lin Si Yu. Mr. Lin Si Yu is therefore deemed to be interested in the same parcel of shares held by Sense Control International Limited.

2. (a) The 85,140,000 shares were held by Dover SPING L.P., Dover SPING GP LLC, which has controlling interest in Dover SPING L.P., is therefore deemed to be interested in the same parcel of shares held by Dover SPING L.P..

   (b) The 20,660,000 shares were held by Dover Street VI L.P..

   (c) Dover VI Associates, LLC has controlling interest in Dover VI Associates L.P. and Dover VI Associates L.P. has controlling interest in Dover SPING GP LLC and Dover Street VI L.P.. Both Dover VI Associates, LLC and Dover VI Associates L.P. are therefore deemed to be interested in the 85,140,000 shares held by Dover SPING L.P. and the 20,660,000 shares held by Dover Street VI L.P..

3. Econoworth Investments Limited is beneficially and wholly owned by Mr. Xiong Wei. Mr. Xiong Wei is therefore deemed to be interested in the same parcel of shares held by Econoworth Investments Limited.

POST BALANCE SHEET EVENT

Details of a post balance sheet event of the Group are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles of Association of the Company nor are there any pre-emptive rights provisions generally applicable under the law of the Cayman Islands.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material beneficial interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

SHARE OPTION SCHEME

As at 31 December 2008, the particulars in relation to the share option scheme of the Company that are required to be disclosed under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules, were as follows:

1. Purpose

To give incentive to any executive director or employee of the Company, or any director or employee of any subsidiaries from time to time of the Company

2. Participants

Any director, employee, executive of the Company, or any subsidiaries from time to time of the Company

3. The total number of ordinary securities available for issue under the scheme together with the percentage of the issued share capital that it represents as at the date of the annual report.

64,711,400 ordinary shares, which represents 9.49% of the issued share capital at date of this annual report

4. Maximum entitlement of each participant

Not to exceed 1% of the issued share capital in any 12 month period

5. Period within which the securities must be taken up under an option

30 calendar months commencing from the expiration of the first 6 calendar months period after the offer date of the relevant option

6. Minimum period for which an option must be held before it can be exercised

6 calendar months after the offer date of the relevant option

7. Amount payable on application or acceptance of the option

HK$10

8. Period within which payments or calls must or maybe made or loans for such purpose must be repaid

Not applicable

Report of the Directors

9. The basis of determining the exercise price

The closing price of the share on the date of acceptance of grant or the average closing price of the 5 trading days preceding the day of acceptance of the relevant option or the nominal value of the share, whichever is higher

10. The remaining life of the share option scheme

Valid and effective for a period of 10 years after the date of adoption of the share option scheme unless otherwise terminated under the terms of the option scheme.

Since the adoption of the share option scheme of the Company on 7 February 2005, no options to subscribe for ordinary share in the Company have been granted to any eligible participants under the share option scheme and no options have been cancelled or lapsed in accordance with the terms of the share option scheme during the financial year.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions are as follows:

(1) Under an investment management agreement between the Company and Avanta Investment Management Limited ("Avanta") dated 21 August 2006, Avanta agreed to provide investment management advice and all matters relating to the Company's listing status and regulations in relation to Listing Rules and Corporate Governance to the Company for a period of three years from 1 September 2006. Avanta is a company incorporated in Hong Kong with limited liability under the Companies Ordinance on 17 April 1998, and is principally engaged in the business of provision of financial and investment advisory services to clients on direct investment projects and is a deemed licensed corporation to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. To the best of the Directors' knowledge, information and belief having all reasonable enquiry, Avanta is an independent third party not connected with the Company and its connected persons. Avanta, in accordance with the terms of the agreement, is entitled to a fee of HK$400,000 per annum, payable quarterly in advance. Avanta is regarded as a connected person of the Company and accordingly the investment management agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The total amount of the aforesaid transaction for the year ended 31 December 2008 was HK$50,000. The investment management agreement with Avanta was terminated on 29 February 2008.

On 3 March 2008, the Company entered into another investment management agreement with KBR Management Limited ("KBR"). KBR is a company incorporated in Hong Kong with limited liability under the Companies Ordinance on 24 August 2007, and is principally engaged in the business of provision of financial and investment advisory services to clients on direct investment projects and is a deemed licensed corporation to carry out Type 4 (advising on securities), Type 6 (corporate finance) and Type 9 (asset management) regulated activities under the SFO. The sole shareholder of KBR is Mr. Kwan Bo Ren and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, ultimate beneficial owners of KBR are independent third parties not connected with the Company and its connected persons. The board of directors of KBR includes Mr. Kwan Bo Ren and Ms. Lau Yin Wing. KBR provides investment management advice and all matters relating to the Company's listing status and regulations in relation to Listing Rules and Corporate Governance to the Company for an initial term of three years, subject to renewal for a term of three years, the investment management fee is HK$400,000 per annum, payable quarterly in advance. KBR is regarded as a connected person of the Company and accordingly the new investment management agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The total amount of the aforesaid transaction for the year ended 31 December 2008 was HK$333,333.

Report of the Directors

(2) Under a custodian agreement between the Company and Orangefield Management (Hong Kong) Limited ("Orangefield") dated 20 September 2006, Orangefield shall be responsible for the safe-keeping of all the Documents of Title which may be delivered to it by the Company from time to time during the continuance of the custodian agreement. The custodian agreement has no fixed term but is subject to termination by either Orangefield or the Company giving to the other party not less than one month's prior notice of termination. Orangefield is entitled to receive a fixed fee of HK$60,000 per annum, payable quarterly in advance. To the best of the Directors' knowledge, information and belief having all reasonable enquiry, Orangefield is an independent third parties not connected with the Company and its connected persons.

Orangefield is regarded as a connected person of the Company and accordingly the custodian agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The total amount of the aforesaid transaction for the year ended 31 December 2008 was HK$60,000.

The Directors engaged the auditor of the Company to perform certain agreed-upon procedures in respect of continuing connected transactions of the Company. The procedures were performed solely to assist the Directors of the Company to evaluate in accordance with Rules 14A.38 of the Listing Rules whether the above continuing connected transactions:

(a) had received the approval of the Directors of the Company;

(b) had been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(c) had not exceeded the relevant cap amounts for the financial year ended 31 December 2008.

The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the relevant agreements governing such transactions and that these transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

Details of the Company's share option scheme are set out in the section headed "Share Option Scheme" above.

No options were granted to, or exercised by, the Directors during the year. There was no outstanding option granted to the Directors at the beginning and at the end of the financial year.

Save as disclosed above, at no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debenture of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

Report of the Directors

INVESTMENTS

Details of the Group's investments as at 31 December 2008 are set out on pages 5 to 7.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31 December 2008.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the financial year.

EMPLOYEE

As at 31 December 2008, the Company has 7 employees. Basic salary, double pay, discretionary bonus and mandatory provident fund scheme are provided to these employees.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors. The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent. This Committee acts in an advisory capacity and makes recommendations to the Board. The Group's 2008 final results was reviewed and recommended to the Board for approval by this Committee on 31 March 2009.

DISTRIBUTABLE RESERVE

At 31 December 2008, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK$43,404,114 (2007: HK$170,810,953).

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

Report of the Directors

AUDITOR

The consolidated financial statements for the year ended 31 December 2008 were audited by Deloitte Touche Tohmatsu who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

By Order of the Board of Directors of
New Capital International Investment Limited

Liu Xiao Guang
Chairman

Hong Kong, 16 April 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Capital International Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 59, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, 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 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.

AUDITOR'S 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.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY (Continued)

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 auditor's 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.

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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	**2008** HK$	2007 HK$
Turnover	5	**1,681,717**	1,055,601
Other income and gains	6	**531,569**	1,178,419
Operating expenses	6	**(12,533,061)**	(29,071,466)
Share of (losses) profits of associates	6	**(9,686,214)**	58,184,024
Share of (losses) profits of jointly controlled entities	6	**(244,496)**	1,178,020
Gain on disposal of available-for-sale securities	6	**–**	2,701,007
Change in fair value of held for trading investments		**(26,727,101)**	188,686
Gain on dilution of interest in an associate	13(b)	**13,335,760**	–
(Loss) profit before taxation	6	**(33,641,826)**	35,414,291
Taxation	7	**(315,000)**	–
(Loss) profit for the year		**(33,956,826)**	35,414,291
Dividend proposed	10	**–**	2.0 cents
Basic (loss) earnings per share	11	**(4.98) cents**	5.59 cents

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$	2007 HK$
Non-current assets			
Property, plant and equipment	12	**49,762**	212,197
Interest in associates	13	**70,773,138**	148,521,008
Interest in jointly controlled entities	14	**23,946,348**	24,795,500
Loan to a jointly controlled entity	15	**7,470,489**	9,522,393
		102,239,737	183,051,098
Current assets			
Dividend receivable from an associate		**–**	21,606,409
Other receivables	16	**6,555,166**	12,574,687
Held for trading investments	17	**18,029,500**	–
Cash and cash equivalents	18	**72,471,934**	32,298,094
		97,056,600	66,479,190
Current liabilities			
Other payables	19	**12,231,227**	15,684,553
Net current assets		**84,825,373**	50,794,637
Total assets less current liabilities		**187,065,110**	233,845,735
Non-current liabilities			
Deferred tax	7	**315,000**	–
Net assets		**186,750,110**	233,845,735
Capital and reserves			
Share capital	20	**6,820,940**	6,820,940
Reserves	21	**179,929,170**	227,024,795
Total equity		**186,750,110**	233,845,735
Net asset value per share	23	**0.274**	0.343

The consolidated financial statements on pages 26 to 59 were approved and authorised for issue by the Board of Directors on 16 April 2009 and are signed on its behalf by:

Liu Xiao Guang
Director

Lawrence H. Wood
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company							
	Share capital HK$	Share premium HK$	Special reserve HK$	Exchange reserve HK$	Fair value reserve HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2007	6,202,140	177,760,966	382,880,958	5,951,002	2,291,500	269,000	(383,690,143)	191,665,423
Changes in fair value of available-for-sale securities	–	–	–	–	409,507	–	–	409,507
Exchange differences on translation of associates and jointly controlled entities	–	–	–	1,691,330	–	–	–	1,691,330
Total income for the year recognised directly in equity	–	–	–	1,691,330	409,507	–	–	2,100,837
Transfer to consolidated income statement upon disposal of available-for-sale securities	–	–	–	–	(2,701,007)	–	–	(2,701,007)
Profit for the year	–	–	–	–	–	–	35,414,291	35,414,291
Total recognised income and expense for the year	–	–	–	1,691,330	(2,291,500)	–	35,414,291	34,814,121
Repurchase of shares	(1,200)	–	–	–	–	1,200	(1,200)	(1,200)
Premium on repurchase of shares	–	–	–	–	–	–	(20,936)	(20,936)
Issue of shares	620,000	16,709,000	–	–	–	–	–	17,329,000
Issue of shares expenses	–	(19,169)	–	–	–	–	–	(19,169)
2006 final dividend (note a)	–	(9,921,504)	–	–	–	–	–	(9,921,504)
At 31 December 2007 and 1 January 2008	6,820,940	184,529,293	382,880,958	7,642,332	–	270,200	(348,297,988)	233,845,735
Exchange differences on translation of associates and jointly controlled entities and total income for the year recognised directly in equity	–	–	–	503,081	–	–	–	503,081
Loss for the year	–	–	–	–	–	–	(33,956,826)	(33,956,826)
Total recognised income and expense for the year	–	–	–	503,081	–	–	(33,956,826)	(33,453,745)
2007 final dividend (note b)	–	(13,641,880)	–	–	–	–	–	(13,641,880)
At 31 December 2008	6,820,940	170,887,413	382,880,958	8,145,413	–	270,200	(382,254,814)	186,750,110

Notes:

(a) Pursuant to a resolution passed in the annual general meeting of the Company held on 28 May 2007, a final dividend of HK1.6 cents per share, amounting to HK$9,921,504, for the year ended 31 December 2006 was paid and distributed out of the share premium account.

(b) Pursuant to a resolution passed in the annual general meeting of the Company held on 13 May 2008, a final dividend of HK2.0 cents per share, amounting to HK$13,641,880, for the year ended 31 December 2007 was paid and distributed out of the share premium account.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 HK$	2007 HK$
Operating activities			
(Loss) profit before taxation		**(33,641,826)**	35,414,291
Adjustments for:			
Depreciation of property, plant and equipment		**188,852**	190,725
Share of losses (profits) of associates		**9,686,214**	(58,184,024)
Share of losses (profits) of jointly controlled entities		**244,496**	(1,178,020)
Gain on disposal of available-for-sale securities		**–**	(2,701,007)
Change in fair value of held for trading investments		**14,163,055**	–
Gain on dilution of interest in an associate		**(13,335,760)**	–
Operating cash flows before changes in working capital		**(22,694,969)**	(26,458,035)
Decrease in other receivables		**6,019,521**	5,874,142
Increase in held for trading investments		**(32,192,555)**	–
(Decrease) increase in other payables		**(3,453,326)**	14,031,191
Cash used in operations		**(52,321,329)**	(6,552,702)
Investing activities			
Dividend received from an associate		**104,111,562**	–
Investment contribution	5	**31,500,000**	–
Repayment from a jointly controlled entity		**2,051,904**	1,114,861
Refund of investment	5	**(31,500,000)**	–
Payment for purchase of property, plant and equipment		**(26,417)**	(37,235)
Proceeds from disposal of available-for-sale securities, net of expenses		**–**	7,045,807
Investment in a jointly controlled entity		**–**	(10,100,000)
Net cash from (used in) investing activities		**106,137,049**	(1,976,567)
Financing activities			
Dividend paid		**(13,641,880)**	(9,921,504)
Issue of shares		**–**	17,329,000
Repurchase of shares		**–**	(22,136)
Expenses on issue of shares		**–**	(19,169)
Net cash (used in) from financing activities		**(13,641,880)**	7,366,191
Net increase (decrease) in cash and cash equivalents		**40,173,840**	(1,163,078)
Cash and cash equivalents at 1 January		**32,298,094**	33,461,172
Cash and cash equivalents at 31 December	18	**72,471,934**	32,298,094

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL

The Company is incorporated in the Cayman Islands on 1 August 2003 as an exempted company with limited liability under the Companies Law, Cap 22 (Laws of 1961 as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), Interpretations and Amendments issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

Basis of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial instruments classified as available-for-sale securities and held for trading investments are stated at their fair values as explained in the accounting policy below.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or jointly controlled entity's profit or loss and of change in equity, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates or jointly controlled entities for the year, including any impairment loss on goodwill relating to the investments in associates or jointly controlled entities recognised for the year.

When the Group's share of losses exceeds its interest in the associate or jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or jointly controlled entity. For this purpose, the Group's interest in the associate or jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair values, which are generally their transaction prices. These investments are subsequently accounted for as follows, depending on their classification.

Available-for-sale securities are initially recognised at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses which are recognised directly in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments in securities held for trading are initially recognised at fair value and are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investment in equity securities are recognised on the balance sheet when the Group becomes a party to the contractual provision of the instruments. Investment in equity securities are derecognised when the rights to receive cash flows from the investment in equity securities expire or, the Group has transferred substantially all the risks and rewards of the ownership. All regular way purchases or sales are recognised and derecognised on a trade date basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses.

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

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

Leasehold improvements	3 years
Furniture and fixtures	3 years

The useful life of an asset is reviewed annually.

Loans and receivables

Loan to a jointly controlled entity, dividend receivable from an associate and other receivables are initially recognised at fair value and thereafter stated at amortised cost as determined by the effective interest method less impairment losses for bad and doubtful debts.

Impairment of assets

Impairment of investments in equity securities and other receivables

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

- significant financial difficulty of the counterparty;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the counterparty will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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

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

- For other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

- For other current receivables and other financial assets carried at amortised cost, if in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

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

Impairment of other assets

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

- Property, plant and equipment

  If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of other assets (continued)

- Recognition of impairment losses

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

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

Other payables

Other payables are recognised or derecognised when the contracted obligations are incurred or extinguished.

Other payables are initially recognised at fair value and thereafter stated at amortised cost according to the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and which are subject to an insignificant risk of changes in value, having been within three months of maturity at inception.

Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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

Taxation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

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

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

  – the same taxable entity; or

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and contingent liabilities

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

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

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is measured at fair value of the consideration received or receivable and recognised in profit or loss as follows:

Dividends

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

Interest income

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

Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year. Balance sheet items are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

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

Leases

Leases which transfer to the Group substantially all the risks and rewards of ownership of an asset are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has applied, for the first time, a number of amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of revised and new standards, amendments and interpretations which are not effective for the accounting period ended 31 December 2008 and which have not been adopted in these consolidated financial statements and the followings are the developments:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidations	1 January 2009
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2009
HKFRS 2 (Amendment)	Vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	1 January 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – INT 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – INT 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operations	1 October 2008
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives	Effective for accounting periods ending on or after 30 June 2009
HK(IFRIC) – INT 18	Transfers of assets from customers	Effective for transfer of assets from customers received on or after 1 July 2009

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SEGMENT REPORTING

The Group's principal activities are holding of securities and equity investments as a single business segment. No geographical segment information is presented as the results of the Group are mainly derived from its associates and jointly controlled entities.

5. TURNOVER

The Group's turnover represents interest income, investment income and dividend income from held for trading investments. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	2007
	HK$	HK$
Interest income	**309,583**	1,055,601
Investment income (note)	**1,270,500**	–
Dividend income from held for trading investments	**101,634**	–
	1,681,717	1,055,601

Note: During the year ended 31 December 2008, the Group intended to make investment indirectly in the development right of a gold mine in the PRC and paid HK$31,500,000. Shortly afterwards, the Group withdrew from the investment and obtained refund of the monies paid with a premium of HK$1,270,500 which is included as investment income above.

6. (LOSS) PROFIT BEFORE TAXATION

	2008	2007
	HK$	HK$
(Loss) profit before taxation has been arrived at after charging (crediting):		
Other income and gains		
Net foreign exchange gain	**(531,569)**	(1,118,419)
Others	**–**	(60,000)
	(531,569)	(1,178,419)
Operating expenses		
Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plan	**59,761**	57,544
Salaries, wages and other benefits	**3,229,276**	3,248,868
	3,289,037	3,306,412
Auditor's remuneration	**1,370,000**	1,250,000
Consultancy fee	**360,000**	360,000
Custodian fee (note a)	**60,000**	60,000
Depreciation of property, plant and equipment	**188,852**	190,725
Investment management fees (note b)	**383,333**	300,000
Operating lease charges for premises	**1,230,120**	835,610
Project management fee (note c)	**980,205**	15,147,309
Legal and secretarial fees	**1,669,435**	1,364,383
Change in fair value of put option	**854,451**	42,282
Other operating expenses	**2,147,628**	6,214,745
	12,533,061	29,071,466

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. (LOSS) PROFIT BEFORE TAXATION (continued)

Notes:

(a) On 20 September 2006, the Group entered into a custodian agreement with Orangefield Management (Hong Kong) Limited. The Group paid custodian fee of HK$60,000 (2007: HK$60,000) in the current year.

(b) During the year ended 31 December 2007, investment management fee was paid to Avanta Investment Management Limited ("Avanta"). The investment management agreement entered into with Avanta was effective on 1 September 2006 with an initial term of three years. On 29 February 2008, the Company terminated the investment management agreement with Avanta. On 3 March 2008, the Company entered into another investment management agreement with KBR Management Limited ("KBR"). A director of an associate of the Group, China Property Development (Holdings) Limited ("CPDH"), who resigned as a director of CPDH on 2 February 2008, is the sole owner and a director of KBR. A key management personnel of the Company is a director of KBR.

During the year, investment management fees paid to Avanta and KBR were HK$50,000 and HK$333,333, respectively.

(c) Project management fees are paid to ZY International Project Management Limited pursuant to a project management agreement dated 27 September 2006. ZY International Project Management Limited was paid a fee calculated at the rate of one per cent per annum of the net asset value of the Group as at the end of each month, payable in advance. ZY International Project Management Limited is also entitled to receive an incentive fee calculated at (i) 10% of the realised profit of the Group for a financial year if the realised profit per issued share does not exceed 10%; (ii) 15% of the realised profit if the realised profit per issued share exceeds 10% but is below 15%, or (iii) 20% of the realised profit if the realised profit per share equals or exceeds 15%. The project management fees were effective on 1 October 2006 with an initial term of three years.

In September 2008, ZY International Project Management Limited assigned the rights and obligations of such project management agreement to its wholly-owned subsidiary, ZY International Project Management (China) Limited.

Share of (losses) profits of associates

	2008 **HK$**	2007 HK$
Share of (losses) profits of associates	**(8,921,996)**	58,904,543
Share of associates' taxation	**(764,218)**	(720,519)
	(9,686,214)	58,184,024

Share of (losses) profits of jointly controlled entities

	2008 **HK$**	2007 HK$
Share of profits of jointly controlled entities	**59,504**	1,178,020
Share of jointly controlled entities' taxation	**(304,000)**	–
	(244,496)	1,178,020

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. (LOSS) PROFIT BEFORE TAXATION (continued)

Gain on disposal of available-for-sale securities

	Skyworth Digital Holdings Limited		China Construction Bank Corporation		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Sale proceeds, net of expenses	**–**	2,223,183	**–**	4,822,624	**–**	7,045,807
Original cost	**–**	(1,971,000)	**–**	(2,373,800)	**–**	(4,344,800)
	–	252,183	**–**	2,448,824	**–**	2,701,007

The gain on disposal for the year ended 31 December 2007 included HK$2,701,007 which was transferred from the fair value reserve.

7. TAXATION

The tax charge for the year and the deferred tax at 31 December 2008 represent deferred taxation on undistributable profit of an associate.

Reconciliation between taxation and accounting (loss) profit at applicable rate:

	2008	2007
	HK$	HK$
(Loss) profit before taxation	**(33,641,826)**	35,414,291
Taxation on (loss) profit for the year calculated at 16.5% (2007: 17.5%)*	**(5,550,901)**	6,197,501
Tax effect of non-deductible expenses	**354,474**	793,003
Tax effect of non-taxable income	**(2,268,251)**	(657,406)
Tax effect of share of losses (profits) of associates and jointly controlled entities	**1,638,567**	(10,388,358)
Tax effect of tax losses not recognised	**5,826,111**	4,055,260
Tax effect of undistributable profit of an associate	**315,000**	–
Taxation	**315,000**	–

* On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. DIRECTORS' REMUNERATION

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

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Total HK$
Year ended 31 December 2008			
Executive directors			
Liu Xiao Guang	**30,000**	**–**	**30,000**
Cheng Bing Ren	**30,000**	**–**	**30,000**
Lawrence H Wood	**720,000**	**–**	**720,000**
Liu Xue Min	**30,000**	**–**	**30,000**
Shi Tao	**30,000**	**–**	**30,000**
Lin Si Yu	**21,417**	**–**	**21,417**
Xiong Wei	**21,417**	**–**	**21,417**
Independent Non-executive Directors			
Fung Tze Wa	**100,000**	**–**	**100,000**
To Chun Kei	**100,000**	**–**	**100,000**
Kwong Chun Wai Michael	**100,000**	**–**	**100,000**
	1,182,834	**–**	**1,182,834**
Year ended 31 December 2007			
Executive directors			
Liu Xiao Guang	30,000	5,000	35,000
Cheng Bing Ren	30,000	5,000	35,000
Lawrence H Wood	690,000	115,000	805,000
Liu Xue Min	30,000	5,000	35,000
Shi Tao	30,000	5,000	35,000
Independent Non-executive Directors			
Fung Tze Wa	100,000	16,666	116,666
To Chun Kei	100,000	16,666	116,666
Kwong Chun Wai Michael	100,000	16,666	116,666
	1,110,000	184,998	1,294,998

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2007: one) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2007: four) individuals are as follows:

	2008	2007
	HK$	HK$
Salaries and other emoluments	**1,367,999**	1,655,903
Retirement scheme contributions	**32,000**	45,204
	1,399,999	1,701,107

The emoluments of the four (2007: four) individuals with the highest emoluments are within the band from nil to HK$1,000,000.

10. DIVIDEND PROPOSED

The directors do not propose any dividend for the year ended 31 December 2008.

A final dividend of HK2.0 cents per share for the year ended 31 December 2007 was proposed by the directors and was approved by the shareholders in the annual general meeting held on 13 May 2008.

11. BASIC (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the ordinary equity holders of the Company is as follows:

	2008	2007
	HK$	HK$
(Loss) profit		
(Loss) profit for the purpose of (loss) earnings per share	**(33,956,826)**	35,414,291
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**682,094,000**	633,177,068

No diluted (loss) earnings per share has been presented as there were no potential ordinary shares for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	**Furniture and fixtures**	**Total**
	HK$	HK$	HK$
COST			
At 1 January 2007	401,733	155,970	557,703
Additions	–	37,235	37,235
At 31 December 2007 and 1 January 2008	401,733	193,205	594,938
Additions	–	26,417	26,417
At 31 December 2008	401,733	219,622	621,355
ACCUMULATED DEPRECIATION			
At 1 January 2007	145,070	46,946	192,016
Charge for the year	133,911	56,814	190,725
At 31 December 2007 and 1 January 2008	278,981	103,760	382,741
Charge for the year	122,752	66,100	188,852
At 31 December 2008	401,733	169,860	571,593
CARRYING VALUES			
At 31 December 2008	–	49,762	49,762
At 31 December 2007	122,752	89,445	212,197

13. INTEREST IN ASSOCIATES

	2008	2007
	HK$	HK$
Share of net assets	**70,773,138**	148,521,008

The following list contains particulars of associates, both of which are unlisted companies, which principally affect the results or assets of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

13. INTEREST IN ASSOCIATES (continued)

Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued and paid-up capital	Proportion of interest held by the Group 2008 Voting	2008 Beneficial	2007 Voting	2007 Beneficial	Principal activity
CPDH	Incorporated	Cayman Islands	3,161 ordinary shares, 460 non-voting ordinary shares, 500 redeemable voting deferred shares and 2,567 deferred non-voting shares; all shares are at US$0.01 each	**20.49%**	**33.42%**	20.49%	33.42%	Investment holding (note (a)(i))
Beijing Far East Instrument Company Limited ("Beijing Far East")	Sino-foreign joint venture	PRC	Registered and paid-up capital of RMB212,696,657 (2007: RMB151,926,184)	**25%**	**25%**	35%	35%	Manufacture of electronic and electrical instruments (note (b))

Particulars of the subsidiaries under CPDH are as follows:

Name of company	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued and paid-up capital	Proportion of ownership interest 2008	2007	Principal activity
Sound Advantage Limited ("Sound Advantage")	Incorporated	British Virgin Islands ("BVI")	1 ordinary share of US$1	**100%**	100%	Investment holding
Choice Capital Limited ("Choice Capital")	Incorporated	BVI	1 ordinary share of US$1	**100%**	100%	Investment holding

Summarised financial information on associates:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	(Loss) profit HK$'000
2008					
100 per cent	**551,701**	**(284,161)**	**267,540**	**573,732**	**(32,004)**
2007					
100 per cent	780,912	(332,052)	448,860	326,241	161,497

Details of contingent liabilities of the associates are disclosed in note 27.

Notes to the Consolidated Financial Statements

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13. INTEREST IN ASSOCIATES (continued)

Notes:

(a) CPDH

(i) CPDH, through its wholly owned subsidiaries, Sound Advantage and Choice Capital, acquired a 80% equity interest in World Lexus Pacific Limited ("World Lexus") in 2002. World Lexus's sole asset is a wholly owned PRC subsidiary, Beijing Pacific Palace Real Estate Development Co., Ltd. ("Beijing Pacific Palace"), which is engaged in a property development project at the Lido area of Jiangtai Town, Chaoyang District, Beijing, the PRC ("Pacific Town project").

(ii) CPDH entered another agreement and acquired the remaining 20% equity interest in World Lexus (the "20% Equity Transfer Agreement") from the former minority shareholders for a consideration of RMB85 million in November 2004, including reimbursement of the preliminary costs amounting to RMB45 million of the Pacific Town project incurred by the former minority shareholders prior to the acquisition of the 80% equity interest in World Lexus by Sound Advantage and Choice Capital from the same minority shareholders in 2002.

CPDH withheld part of the consideration and reimbursement costs as a result of the breaches of the 20% Equity Transfer Agreement and other contingent liabilities by the former minority shareholders as set out in notes 27 (a) and (d).

These claims are currently the subject of arbitration proceedings. The first hearing of arbitration proceedings ended on 20 April 2007 and the second hearing is scheduled in September 2009.

(iii) In November 2007, CPDH disposed of its entire interest in World Lexus. The gain on disposal of World Lexus was recognised by CPDH in its 2007 income statement. In accordance with the sale and purchase agreement, CPDH is entitled to 90% of the total consideration upon completion of the disposal of World Lexus and the remaining 10% amounting to US$6,275,000 was withheld within a year after completion of the disposal as guarantee for any contingent liabilities and undisclosed tax liabilities.

In November 2008, the buyer of World Lexus requested the escrow agent not to release such remaining consideration withheld to CPDH, details of which are set out in note 27 (h).

(iv) The directors of the Company, after considering the status of the above litigations and claims and the information provided by the directors of CPDH, are of the opinion that no provision or additional impairment loss is required to be made in the consolidated financial statements of CPDH which are used for equity accounting in the consolidated financial statements of the Group. The directors of the Company are of the opinion that there will be no further contingent liabilities in respect of the arbitration proceedings.

(b) Beijing Far East

In March 2002, the Group entered into a conditional agreement with Beijing Capital Group pursuant to which, the Group agreed to sell an equity interest of 9% in Beijing Far East for a consideration of approximately RMB14 million, subject to the fulfilment of certain conditions. The consideration is payable over a period of 5 years. According to the agreement between the Group and Beijing Capital Group, Beijing Capital Group is required to transfer back the equity interest in Beijing Far East in relation to any unpaid portion of the consideration to the Group upon the expiry of the 5-year period ended 31 December 2006. Up to 31 December 2007, the disposal had not been accounted for as the conditions had not been satisfied, including no settlement of the consideration. The voting interest in Beijing Far East of 9% was transferred back to the Group during the year ended 31 December 2007. The Group has been accounted for the interest in Beijing Far East in accordance with the relevant beneficial interests for the years ended 31 December 2007 and 2008.

In December 2008, Beijing Far East increased its registered and paid-up capital from RMB151,926,184 to RMB212,696,657. The Group did not make any capital contribution for such increase. Accordingly, the Group's equity interests in Beijing Far East was reduced from 35% to 25%, resulting in a gain on dilution of interest in Beijing Far East which was recognised in the current year consolidated income statement.

Notes to the Consolidated Financial Statements

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14. INTEREST IN JOINTLY CONTROLLED ENTITIES

	2008	2007
	HK$	HK$
Share of net assets	**23,946,348**	24,795,500

Name of jointly controlled entity	Form of business structure	Place of incorporation and operations	Particulars of issued and paid-up capital	Proportion of interests held by the Group 2008 Voting	2008 Profit sharing	2007 Voting	2007 Profit sharing	Principal activity
Profit Harbour Industries Limited ("Profit Harbour")	Incorporated	Hong Kong	300 ordinary shares, 9,000 non-voting ordinary shares and 700 redeemable voting deferred shares; all shares are at HK$1 each	**30%**	**100%**	30%	100%	Investment holding
China Eco-Hotel Limited ("China Eco-Hotel")	Incorporated	Hong Kong	10,100,000 ordinary shares, 10,100,000 non-voting shares; all shares are at HK$1 each	**30%**	**50%**	30%	50%	Investment holding

Particulars of the subsidiaries under Profit Harbour and China Eco-Hotel are as follows:

Name of company	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued and paid-up capital	Proportion of ownership interest 2008	Proportion of ownership interest 2007	Principal activity
Under Profit Harbour:						
Shui Wing Investments Ltd.	Incorporated	BVI/PRC	Issued and fully paid-up capital of US$1	**100%**	100%	Property holding
Under China Eco-Hotel:						
Anyi (Sichuan) Hotel Development Co., Ltd. ("Anyi")	Sino-foreign joint venture	PRC	Registered and paid-up capital of RMB22,000,000	**N/A**	90.10%	Inactive in 2007 and being liquidated in 2008

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

14. INTEREST IN JOINTLY CONTROLLED ENTITIES (continued)

Summarised financial information on jointly controlled entities (100% interest):

	2008	2007
	HK$'000	HK$'000
Non-current assets	11,088	11,423
Current assets	20,537	24,882
Current liabilities	(238)	(337)
Non-current liabilities	(7,503)	(9,536)
Net assets	23,884	26,432
Revenue	3,453	5,719
Expenses	(2,677)	(2,846)
Profit for the year	776	2,873

(a) Profit Harbour

During the year ended 31 December 2007, the Group entered into an agreement ("Agreement") with the vendor of the investment deposit to settle the outstanding investment deposits by transfer of equity interest of Profit Harbour which holds certain investment properties in the PRC. The investment deposit represented consideration paid to acquire a 15% equity interest in a joint venture entity in the PRC in 2003.

In accordance with the Agreement, the Group acquired 300 ordinary shares and 9,000 non-voting ordinary shares of HK$1 each of Profit Harbour and loan of principal amount of HK$10,637,254 due and owing by Profit Harbour to the vendor, and the considerations were fully and validly made by way of settlement against the sum of HK$29,284,932 of the investment deposit.

The vendor then provided a minimum annual rental guarantee from the existing tenancies of the investment properties in the PRC. The vendor also granted the Group an option to require the vendor to purchase all of the Group's legal and beneficial interest in and loan due from Profit Harbour at any time from 1 January 2011 to 31 December 2011, at a pre-determined consideration set out in the Agreement.

The directors considered that the interest in Profit Harbour would be recoverable from the Group's attributable interest derived from these investment properties in the PRC and accordingly, no impairment loss for the investment in and loan to Profit Harbour is recognised at 31 December 2008.

(b) China Eco-Hotel

The Group entered into an agreement to set up a jointly controlled entity, China Eco-Hotel, to invest in Anyi.

Anyi was established to operate and manage budget hotel business in the PRC. China Eco-Hotel subscribed for an equity interest of 90.9% in Anyi for a total consideration of RMB20,000,000.

Anyi has not commenced business since its establishment. On 3 December 2007, the directors of China Eco-Hotel proposed to liquidate Anyi. During the year, China Eco-Hotel obtained approval from the relevant PRC authorities in relation to the liquidation of Anyi. The liquidation of Anyi was completed during the year and did not result in any significant financial impact on China Eco-Hotel in the current year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

15. LOAN TO A JOINTLY CONTROLLED ENTITY

The loan to Profit Harbour is interest-free and unsecured, further details of which are set out in note 14(a).

16. OTHER RECEIVABLES

	2008	2007
	HK$	HK$
Advance to a venture partner (note a)	5,050,000	5,050,000
Derivative financial instruments (note b)	497,400	1,351,851
Brokerage deposits account	–	5,623,689
Others	1,007,766	549,147
	6,555,166	12,574,687

Notes:

(a) The amount included advance of HK$5,050,000 (2007: HK$5,050,000) to the venture partner of China Eco-Hotel. The advance is secured by pledge of 5,000,000 ordinary shares of China Eco-Hotel held by that venture partner.

(b) Derivative financial instruments represent the fair value of put option to require the vendor to purchase all of the Group's legal and beneficial interest in and loan due by Profit Harbour, details of which are set out in note 14(a).

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

17. HELD FOR TRADING INVESTMENTS

The investments are equity securities listed in the Stock Exchange.

18. CASH AND CASH EQUIVALENTS

	2008	2007
	HK$	HK$
Deposits with banks	7,468,056	29,038,453
Cash at bank and in hand	65,003,878	3,259,641
	72,471,934	32,298,094

The effective interest rates of the deposits range from 1.18% to 4.53% (2007: 1.88% to 4.91%) per annum and all of them have a maturity within three months from initial inception.

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the group entities to which they are related.

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For the year ended 31 December 2008

18. CASH AND CASH EQUIVALENTS (continued)

	2008	2007
	HK$	HK$
United States dollars	**2,716,154**	2,771,691

19. OTHER PAYABLES

All of the other payables are expected to be settled within one year.

20. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2007, 31 December 2007, 1 January 2008 and 31 December 2008	12,000,000,000	120,000,000
Issued and fully paid:		
At 1 January 2007	620,214,000	6,202,140
Repurchase of shares (note a)	(120,000)	(1,200)
Issue of new shares (note b)	62,000,000	620,000
At 31 December 2007, 1 January 2008 and 31 December 2008	682,094,000	6,820,940

Notes:

(a) The Company repurchased its own shares on the Stock Exchange as follows:

	Number	**Price per share**		**Aggregate**
Month	**of shares**	**Lowest**	**Highest**	**consideration**
		HK$	HK$	HK$
2007				
January 2007	120,000	0.182	0.185	22,136

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against accumulated losses. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated losses to the capital redemption reserve.

(b) Pursuant to a subscription agreement dated 19 September 2007 made between the Company and Econoworth Investments Limited ("the Subscriber"), the Subscriber agreed to subscribe for 62,000,000 shares in the Company and the Company agreed to issue 62,000,000 shares in the share capital of the Company to the Subscriber at a subscription price of HK$0.2795 per share.

On completion of the subscription on 16 October 2007, 62,000,000 shares of HK$0.01 each were issued and allotted to the Subscriber at a consideration of HK$0.2795 per share. The shares issued rank pari passu in all respects with the existing shares of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

21. RESERVES

Nature and purposes of reserves

Share premium

The share premium of the Company represents the aggregate of:

(i) The excess of the value of the shares of ING Beijing Investment Company Limited ("ING Beijing") acquired pursuant to the scheme of arrangement which became effective in April 2005 (the "Scheme") over the nominal value of the shares of the Company issued in exchange has been credited to the share premium account. The application of the share premium account is governed by section 34 of the Companies Law of the Cayman Islands.

(ii) The 2006 and 2007 final dividend payment as set out in the consolidated statement of changes in equity.

Details of the Scheme are set out in the circular of ING Beijing dated 13 January 2005. ING Beijing was liquidated in November 2005.

Special reserve

The special reserve represents the difference between the amount recorded as share capital issued by the Company pursuant to the Scheme and the amount recorded for the share capital of ING Beijing acquired.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of associates and jointly controlled entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 2.

Capital redemption reserve

The capital redemption reserve represents the nominal value of shares cancelled upon repurchase.

Distributability of reserves

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the equity holders of the Company provided that immediately following the date on which dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

22. EQUITY COMPENSATION BENEFITS

The Company operates a share option scheme under which the Board of Directors of the Company may grant options to employees of the Company and its subsidiaries, including directors, to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 64,711,400 ordinary shares. The maximum entitlement for each participant under the share option scheme is not permitted to exceed 1% of the issued share capital in any 12-month period. An amount of HK$10 is payable upon acceptance of an option as consideration and minimum period of 6 calendar months after the offer date of the relevant option must be held before it can be exercised. The subscription price will be the highest of:

(a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant (being a business day);

(b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(c) the nominal value of the shares of the Company.

There were no options granted under the share option scheme of the Company during the years ended 31 December 2008 and 2007 or outstanding options as at the respective balance sheet dates.

23. NET ASSET VALUE PER SHARE

The net asset value per share is computed based on the consolidated net assets of HK$186,750,110 (2007: HK$233,845,735) and 682,094,000 ordinary shares in issue as at 31 December 2008 (2007: 682,094,000 ordinary shares).

24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, new share issues and share buy-backs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

25. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2008	2007
	HK$	HK$
Financial assets		
Loans and receivables		
Loan to a jointly controlled entity	**7,470,489**	9,522,393
Dividend receivable from an associate	**–**	21,606,409
Other receivables	**5,113,299**	10,732,625
Cash and cash equivalents	**72,471,934**	32,298,094
	85,055,722	74,159,521
Held for trading investments	**18,029,500**	–
Derivative financial instruments	**497,400**	1,351,851
	103,582,622	75,511,372
Financial liabilities		
At amortised cost		
Other payables	**10,485,011**	13,485,416

Financial risk management objectives and policies

The Group's major financial instruments include loan to a jointly controlled entity, dividend receivable from an associate, held for trading investments, other receivables, cash and cash equivalents and other payables. Details of these financial instruments are disclosed in respective notes. It is the Group's policy not to enter into any trading of financial instruments including derivative transactions.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Credit risk

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

At 31 December 2007, the Group had concentration risks for funds of HK$5,623,689 under a brokerage account included in other receivables. The risk associated was limited because the counterparty is with sound credit-rating. The Group did not have any balance in this brokerage account at 31 December 2008.

The Group has concentration risks for advance to a venturer partner as set out in note 16. Such concentration of credit risks have been reduced by the collateral held by the Group.

The Group has concentration risks for loan to a jointly controlled entity. The directors carry a periodic review on the financial position and liquidity of the jointly controlled entity and considered that the exposure to such credit risk is minimal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

25. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk

The Group's activities expose it primarily to the market risk of changes in interest rate risk and equity price risk. Market risk exposures are further measured by sensitivity analysis. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk. The Company's market risk exposure is minimal. Details of each type of market risk are described as follows:

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank deposits and the Group's cash flow interest rate risk relates primarily to variable-rate bank balances. The Group currently does not enter into interest rate swaps hedge against its exposure to interest rate risk. The Group currently does not have an interest rate hedge policy. However, the management will periodically monitor interest rate exposure. The fair value interest rate risk on bank deposits is insignificant as the time deposits are short term.

Interest rate sensitivity

A 50 basis point is used and represents management's assessment of the reasonably possible change in interest rates.

The sensitivity has been determined assuming that change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the financial instruments in existence at that date.

If interest rates had been 50 basis points higher and all other variables were held constant, the potential effect on loss/profit for the year is as follows:

	2008	2007
	HK$	HK$
Decrease in loss/increase in profit for the year	**324,906**	16,129

Price risk

Equity price risk

Investments in securities are subject to changes in market prices. The Group is exposed to equity price changes arising from equity investments which are classified as held for trading securities.

Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant industry indicators, as well as the Group's liquidity needs. To minimise the exposure to price change, the management sets up guidance on disposal of certain investment if the aggregate loss of that investment exceeds certain percentage of the initial cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

25. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

The sensitivity has been determined assuming that the change in market price of held for trading investments had occurred at the balance sheet date and other variables were held constant, if the closing market price is 10% higher/lower, the loss for the year ended 31 December 2008 would decrease/increase by HK$1,802,950.

The sensitivity analysis is not representative to the equity price risk as the Group did not have any held for trading securities at 31 December 2007, and cannot reflect the exposure throughout the year.

Other price risk

The fair value of put option is mainly subject to the volatility of the underlying assets of a jointly controlled entity and risk-free rate. The management considers the potential effect on the profit or loss for the year is not significant if the volatility and risk-free rate are 5% and 1% higher/lower respectively, assuming other variables were held constant at the balance sheet date.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Other payables is the only category of financial liabilities of the Group and all amounts are expected to be settled within one year.

Fair values

All financial instruments carried at amortised cost are not materially different from their fair values at 31 December 2008 and 2007.

Estimation of fair values

Fair value of held for trading securities is based on quoted bid market prices at the balance sheet date without any deduction for transaction costs.

The estimate of the fair value of put option as set out in note 16 is measured based on the Binominal Option Pricing Model.

Fair value of other financial assets and financial liabilities is determined by discounting future cash flows using market interest rates for similar instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

26. COMMITMENTS

Capital commitments

At the balance sheet date, the Group did not have any capital commitment.

Operating lease commitments

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008	2007
	HK$	HK$
Within one year	**1,971,840**	534,040
In the second to fifth year inclusive	**3,279,197**	–
	5,251,037	534,040

The Group leases a property under an operating lease. The lease runs for an initial period of three years for fixed rentals, with an option to renew the lease upon expiry when all terms are re-negotiated. The lease does not include any contingent rentals.

27. CONTINGENT LIABILITIES

As set out in note 13(a), the Group's associate, CPDH, had the following contingent liabilities relating to CPDH's former subsidiaries, Beijing Pacific Palace and World Lexus.

(a) In July 2004, Beijing Pacific Palace commenced legal proceedings against a consultancy company to recover a deposit paid of RMB14 million in relation to the Pacific Town project plus compensation of RMB34 million for the delay in resettlement work of Phase I. The consultancy company made a counter claim of RMB20 million against Beijing Pacific Palace for breach of contract.

According to the first judgement delivered in July 2005, the court dismissed the counter claim of the consultancy company and ordered it to repay RMB9 million to Beijing Pacific Palace plus interest for the period from May 2002 to July 2005. Beijing Pacific Palace did not agree with the first judgement and filed an appeal with the court in August 2005. The final judgement was delivered in December 2005 whereby the court ordered the consultancy company to repay the entire amount of the deposit paid of RMB14 million plus interest for the period from May 2002 to the date of repayment. However, the claim of the compensation of RMB34 million by Beijing Pacific Palace was dismissed.

Beijing Pacific Palace has provided for an impairment loss of RMB4 million against the deposit in prior years. The remaining amount of RMB10 million is recoverable from the former minority shareholders under the terms of the 20% Equity Transfer Agreement and has been withheld from the consideration payable to the former minority shareholders. As the consultancy company may not have the ability to repay the entire amount of the deposit and only RMB10 million is recoverable under the 20% Equity Transfer Agreement, CPDH withheld and will claim such amount of RMB10 million together with unrecovered costs in the arbitration proceedings as set out in (e) below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

27. CONTINGENT LIABILITIES (continued)

(b) In April 2005, a third party made a claim of RMB5.3 million plus interest and damages against World Lexus for services rendered pursuant to certain agreements which amounted to a total of RMB9.4 million. As these agreements were not disclosed in the 20% Equity Transfer Agreement, this constitutes a breach of warranties included in the 20% Equity Transfer Agreement and CPDH has withheld the amount claimed by the third party from the consideration payable to the former minority shareholders. In September 2005, the third party commenced legal proceedings in the Hong Kong High Court against World Lexus and subsequently, the former minority shareholders of World Lexus filed an application to the court for an intervention to the litigation. In December 2006, CPDH paid the third party RMB2.2 million and such third party's claim against World Lexus was dismissed. CPDH withheld and claimed such payment of RMB2.2 million from the former minority shareholders together with other unrecovered costs in this action in the arbitration proceedings as set out in (e) below.

(c) In July 2005, another third party made a claim of approximately RMB53 million against World Lexus pursuant to an agreement entered into by the third party and World Lexus in 2001 for services rendered in connection with the Pacific Town project. This agreement was also not disclosed in the 20% Equity Transfer Agreement and constitutes a breach of warranties.

In July 2006, World Lexus was provided with a confirmation from the third party confirming that the third party has waived the rights under the alleged agreement and has withdrawn the claim. CPDH included the claim of unrecovered costs in relation to the arbitration proceedings in (e) below.

(d) Up to 31 December 2008, CPDH paid the former minority shareholders and their designated accounts of approximately RMB12 million and HK$13.9 million respectively. As a result of the breach of the 20% Equity Transfer Agreement and other litigations as set out in (a) to (c) above, CPDH withheld an amount of approximately RMB40,000,000, in which it also included the former minority shareholders' failure to provide tax invoices of approximately RMB4.95 million to Beijing Pacific Palace; withholding payment of RMB20 million arising from the former minority shareholders' failure assisting recovering of RMB18.1 million from a contracted party to Beijing Pacific Palace (the "Contracted Party"); and other unrecovered costs of the litigations arising out of the breach of the 20% Equity Transfer Agreement. Out of the withheld amount, CPDH deposited an amount of approximately RMB19,000,000 to the Hong Kong High Court.

(e) In April 2005, CPDH, and the former minority shareholders and the Contracted Party commenced arbitration proceedings in respect of the deductions involving the matters referred to in (a) and (d) above as well as certain other deductions which CPDH has made under the terms of the 20% Equity Transfer Agreement.

The first hearing of the arbitration proceedings ended on 20 April 2007 and a second hearing was scheduled on 28 September 2009.

(f) In serving the legal documents for the arbitration against CPDH proceedings as related to (e) above, one of the former minority shareholders and the Contracted Party made a counter claim in respect of loss of the development right relating to part of the Pacific Town project in the arbitration proceedings. The counter claim on the loss in the development right in part of the Pacific Town project by these parties is with reference to the business valuation conducted by their valuer, and the compensation of such loss of development right is RMB20,000,000 in accordance with the 20% Equity Transfer Agreement. In June 2007, the other former minority shareholder objected the counter claim against CPDH and Beijing Pacific Palace in the arbitration proceedings.

In September 2007, one of the former minority shareholders of World Lexus and other independent third parties sought for an inter alia a declaration from the Hong Kong High Court to bring a counter claim by way of a derivation action. CPDH applied for an intervention in the case and a hearing is scheduled in April 2008. CPDH failed in the case. In May 2008, CPDH was informed that the former minority shareholders have reached an agreement to pursue the counter claim.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

27. CONTINGENT LIABILITIES (continued)

(g) The hearing of CPDH's application for security for costs and the former minority shareholders' and the Contracted Party's application for interim payment resumed on 18 and 19 August 2008. In November 2008, the Tribunal made its award and ordered the Contracted Party to pay HK$10 million as security for the costs in pursuing the counter claim on the loss of the development right in part of the Pacific Town project and ordered CPDH to pay interim payment of about RMB19 million to the designated account of the former minority shareholders and the Contracted Party. CPDH arranged such payment in March 2009.

The former minority shareholders and the Contracted Party applied for another interim payment of RMB10 million to the Tribunal, and the hearing is scheduled in May 2009.

(h) In November 2008, the buyer of World Lexus issued a claim letter to the escrow agent for contingent liabilities and undisclosed information, and requested the escrow agent not to release the remaining consideration withheld to CPDH of approximately US$6,275,000. CPDH denounced that the contingent liabilities and undisclosed information were within the definition of the sale and purchase agreement and were properly made as according to the escrow agreement. The escrow agent applied for an interpleader proceedings to the Hong Kong High Court and the hearing is scheduled on 16 April 2009. CPDH will oppose the interpleader application on the ground that the claims made by the buyer of World Lexus are not relevant to the release of funds in escrow.

28. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group paid key management personnel compensation as follows:

	2008	2007
	HK$	HK$
Salaries and other short-term employee benefits	**1,367,999**	2,391,625
Retirement scheme contributions	**32,000**	24,000
	1,399,999	2,415,625

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

29. FINANCIAL INFORMATION OF THE COMPANY

(a) Condensed balance sheet

	2008	2007
	HK$	HK$
Total assets	**152,820,715**	201,286,440
Total liabilities	**(102,325,461)**	(23,384,347)
Net assets	**50,495,254**	177,902,093
Capital and reserves		
Share capital (note 20)	**6,820,940**	6,820,940
Reserves (note c)	**43,674,314**	171,081,153
Total equity	**50,495,254**	177,902,093

(b) Subsidiaries

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation	Issued and paid up capital held directly by the Company	Proportion of ownership interest held		Principal activity
			2008	2007	
Great Progress Ltd. (note)	Mauritius	2 shares of US$1 each	**N/A**	100%	Investment holding
Grow Reach Investment Ltd.	BVI	2 shares of US$1 each	**100%**	100%	Investment holding
Kencheers Investments Ltd.	BVI	1 share of US$1	**100%**	100%	Investment holding
Pacific Equity Venture Inc.	BVI	1 share of HK$1	**100%**	100%	Investment holding
Success Journey Ltd.	BVI	1 share of US$1	**100%**	100%	Investment holding

Note: Great Progress Ltd. was deregistered in the current year.

To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

29. FINANCIAL INFORMATION OF THE COMPANY (continued)

(c) Reserves

	Share premium HK$	Fair value reserve HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2007	177,760,966	2,576,200	269,000	(14,826,503)	165,779,663
Changes in fair value of available-for-sale securities and expenses for the year recognised directly in equity	–	(127,376)	–	–	(127,376)
Transfer to income statement upon disposal of available-for-sale securities	–	(2,448,824)	–	–	(2,448,824)
Profit for the year	–	–	–	1,130,299	1,130,299
Total recognised income and expense for the year	–	(2,576,200)	–	1,130,299	(1,445,901)
Repurchase of shares	–	–	1,200	(1,200)	–
Premium on repurchase of shares	–	–	–	(20,936)	(20,936)
Issue of shares	16,709,000	–	–	–	16,709,000
Issue of shares expenses	(19,169)	–	–	–	(19,169)
2006 final dividend	(9,921,504)	–	–	–	(9,921,504)
At 31 December 2007 and January 1, 2008	184,529,293	–	270,200	(13,718,340)	171,081,153
Loss for the year and total recognised expense for the year	–	–	–	(113,764,959)	(113,764,959)
2007 final dividend	(13,641,880)	–	–	–	(13,641,880)
At 31 December 2008	170,887,413	–	270,200	(127,483,299)	43,674,314

30. POST BALANCE SHEET EVENT

Pursuant to written resolutions by all members of China Eco-Hotel dated 26 March 2009, China Eco-Hotel was placed in members' voluntarily winding up. The liquidation procedures are not yet completed up to the date of this report.

Five Year Group Financial Summary

RESULTS

	2008	2007	2006	2005	2004
	HK$	HK$	HK$	HK$	HK$
Turnover	**1,681,717**	1,055,601	1,298,316	1,621,862	1,095,902
(Loss) profit for the year	**(33,956,826)**	35,414,291	25,860,547	(12,726,109)	6,251,287

	2008	2007	2006	2005	2004
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	**49,762**	212,197	365,687	498,024	–
Interest in associates	**70,773,138**	148,521,008	110,856,719	81,347,993	88,567,299
Interest in jointly controlled entities	**23,946,348**	24,795,500	–	–	–
Loan to a jointly controlled entity	**7,470,489**	9,522,393	–	–	–
Available-for-sale securities	**–**	–	6,636,300	21,976,950	13,600,000
Investment deposit	**–**	–	29,284,932	29,284,932	35,000,000
	102,239,737	183,051,098	147,143,638	133,107,899	137,167,299
Current assets					
Dividend receivable from an associate	**–**	21,606,409	–	–	–
Other receivables	**6,555,166**	12,574,687	12,713,975	309,542	742,142
Held for trading investments	**18,029,500**	–	–	–	–
Cash and cash equivalents	**72,471,934**	32,298,094	33,461,172	38,967,253	49,387,783
	97,056,600	66,479,190	46,175,147	39,276,795	50,129,925
Current liabilities					
Other payables	**12,231,227**	15,684,553	1,653,362	1,379,222	3,483,557
Net current assets	**84,825,373**	50,794,637	44,521,785	37,897,573	46,646,368
Non-current liabilities					
Deferred tax	**315,000**	–	–	–	–
Net assets	**186,750,110**	233,845,735	191,665,423	171,005,472	183,813,667
Share capital	**6,820,940**	6,820,940	6,202,140	6,471,140	6,471,140
Reserves	**179,929,170**	227,024,795	185,463,283	164,534,332	177,342,527
Total equity	**186,750,110**	233,845,735	191,665,423	171,005,472	183,813,667

The consolidated financial statements in relation to each of the two years ended 31 December 2004 and 2005 were prepared on the basis as all the entities which took part in the scheme of arrangement were under common control before and immediately after the scheme becoming effective in April 2005.