COL Capital Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 383

Annual Report 2008

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms. Chong Sok Un	*(Chairman)*
Dato' Wong Peng Chong	*(Executive Director)*
Mr. Kong Muk Yin	*(Executive Director)*
Mr. Lo Wai On	*(Independent Non-executive Director)*
Mr. Lau Siu Ki	*(Independent Non-executive Director)*
Mr. Zhang Jian	*(Independent Non-executive Director)*

SECRETARY

Ms. Fung Ching Man, Ada

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

WEBSITE

http://www.colcapital.com.hk

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited
Societe Generale Bank & Trust
UBS AG
Merrill Lynch (Asia Pacific) Limited

ADR DEPOSITARY BANK

The Bank of New York
American Depositary Receipts
620 Avenue of the Americas, 6/F
New York, NY 10011
USA

SOLICITORS

P.C. Woo & Co.
Fred Kan & Co.
Robertsons

HONG KONG BRANCH SHARE REGISTRARS

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I have the pleasure to present the financial results of COL Capital Limited, together with its subsidiaries, (the "Group") for the year ended 31 December 2008.

FINANCIAL RESULTS

For the year ended 31 December 2008, the Group recorded a turnover of HK$660,308,000 (2007: HK$2,289,440,000) and a loss attributable to shareholders of HK$2,799,811,000 (2007: profit of HK$1,378,824,000) mainly arising from the Group's securities trading and investment business amid the global financial crisis during the year. Loss per share of the Group was HK$9.79 (2007: earnings per share of HK$4.78).

Consequently, the Group's net asset value per share decreased to HK$2.83 (2007: HK$14.85) as at 31 December 2008.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: interim dividend of HK$0.01 per share and final dividend of HK$0.04 per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

2008 was a very difficult year for global investors. The financial crisis that began in mid 2007, with the US sub-prime problems and the burst of the US housing bubble, intensified in 2008. There were overnight failures of large financial institutions, the drying up of the credit facilities and the battering of the global equity markets. This unprecedented turmoil in the global economic and financial environment resulted in a severe economic slowdown and even global economic contraction.

Under such a turbulent investment environment, the Group reduced its business activities in trading and investment in financial securities and recorded a lower turnover of HK$640,648,000 (2007: HK$2,270,637,000) and a substantial loss of HK$2,629,163,000 (2007: profit of HK$1,605,287,000) mainly due to the realized loss on disposal of investments held for trading of HK$792,741,000 (2007: realized gain of HK$319,703,000) and the mark-to-market unrealized loss from investments held for trading of HK$1,893,094,000 (2007: unrealized gain of HK$1,259,479,000). These losses were partially offset by dividend income from listed investments of HK$60,932,000 (2007: HK$36,512,000).

CHAIRMAN'S STATEMENT

As at 31 December 2008, the Group maintained a long-term investment portfolio of available-for-sale investments of HK$356,835,000 (2007: HK$849,923,000), a short-term portfolio of available-for-sale investments of HK$124,055,000 (2007: HK$9,801,000) and investments held for trading of HK$818,971,000 (2007: HK$3,617,216,000).

The Group's money lending business recorded a turnover of mainly interest income of HK$15,654,000 (2007: HK$14,023,000) and a profit of HK$15,301,000 (2007: HK$13,898,000) during the year under review. As at 31 December 2008, the Group's loan portfolio amounted to HK$164,875,000 (2007: HK$174,015,000).

The Group's investment properties located in Hong Kong and China recorded a turnover of HK$4,006,000 (2007: HK$4,780,000) and a loss of HK$9,846,000 (2007: profit of HK$43,402,000) due mainly to a revaluation loss of HK$12,408,000 (2007: gain of HK$37,351,000). As at 31 December 2008, the Group's investment properties portfolio amounted to HK$103,105,000 (2007: HK$110,925,000).

Principal associated companies

The share of profits of associates of the Group for the year ended 31 December 2008 was HK$3,701,000 (2007: loss of HK$4,094,000).

For the year under review, Shanghai Allied Cement Limited ("SAC"), a former 27% associate of the Group, recorded a turnover of HK$557,249,000 (2007: HK$434,300,000) and a net profit attributable to shareholders of HK$2,487,000 (2007: loss of HK$21,658,000). In May 2008, subsequent to the acquisition of the remaining 5% equity interest for a consideration of RMB4,600,000, Shandong Allied Wangchao Cement Limited became a wholly-owned subsidiary of SAC. With no positive future prospects for its slag powder business and to avoid further loss, SAC disposed of its entire equity holding in Beijing Shanglian Shoufeng Construction Materials Limited during the year for a consideration of RMB4,700,000.

As announced on 29 December 2008, the conditional acquisition of the entire issued share capital of Redstone Gold Limited ("Redstone"), a company engaged in the business of gold mining in Yunnan Province, China, for an aggregate consideration of HK$1 billion ("Agreement") was terminated since the parties involved could not reach agreement on re-negotiation of the terms of the Agreement and the termination notice was served by SAC on the vendors in December 2008. A supplemental loan agreement and a deed of undertaking have been entered into for the repayment of the refundable deposit and loan to SAC.

During the year, the Group received dividend of approximately HK$114.6 million from Printronics Electronics Limited, a 40% associate of the Group which was settled by receipt of about 20.7 million shares of Tianjin Printronics Circuit Corporation ("TPC"). TPC is a company incorporated in China and its shares are listed as "A-Share" on the Shenzhen Stock Exchange. As at the year-end date, these TPC shares were held under the Group's short term trading portfolio.

CHAIRMAN'S STATEMENT

Financial resources, borrowings, capital structure and exposures to fluctuations in exchange rates

As at 31 December 2008, the Group's non current assets consisted mainly of investment properties of HK$103,105,000 (2007: HK$110,925,000); property, plant and equipment of HK$3,036,000 (2007: HK$3,796,000); prepaid lease payments of HK$54,000 (2007: HK$1,001,000), interest in associates of HK$138,501,000 (2007: HK$368,297,000) and long-term investments of HK$356,835,000 (2007: HK$849,923,000). These non-current assets were principally financed by shareholders' funds. As at 31 December 2008, the Group had net current assets of HK$178,810,000 (2007: HK$2,770,377,000) and current ratio of 1.2 times (2007: 3.3 times) calculated on the basis of the Group's current assets over current liabilities.

During the year under review, all of the Group's borrowings were arranged on a short term basis in Hong Kong Dollars, repayable within one year and secured by certain investments held for trading, available-for-sale investments and securities broker houses deposit. As at 31 December 2008, the Group had borrowings of HK$854,682,000 (2007: HK$918,838,000) and a gearing ratio of 100.9% (2007: 20.5%), calculated on the basis of the Group's net borrowings (after pledged bank deposits bank balances and cash) over shareholders' fund.

In order to reduce its gearing, strengthen its capital base and reorganize its capital structure with long term funding, the Group conducted a rights issue in December 2008, of 275,622,494 rights shares at HK$0.40 each to qualifying shareholders on the basis of one rights share for every share held (the "Rights Issue") and the placing of HK$300 million 9% unsecured three-year convertible bonds with conversion price of HK$0.75 per share (the "Placing of Convertible Bonds"), both on a fully underwritten basis, to raise a total of approximately HK$410 million. The Rights Issue and the Placing of Convertible Bonds were completed in February 2009.

In 2008, the issued share capital of the Group was reduced from HK$2,761,835 to HK$2,756,225 as a result of the repurchase of 578,000 shares and issue of 16,947 shares following the exercise of warrants, for a consideration of HK$1,377,680 and HK$59,314 respectively.

During the year under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, Australian Dollar, RMB, New Taiwan Dollar and Malaysian Ringgit. Because of the short-term nature, the Group had not actively hedged risks arising from the Australian Dollar, RMB and Malaysian Ringgit denominated assets and transactions. As the exchange rates of the New Taiwan Dollar were relatively stable during the year, the Group was not materially affected by exposure to this currency.

Charge on Group Assets

As at 31 December 2008, the Group's investments held for trading, available-for-sale investments, bank balances and cash, and securities broker houses deposit with respective carrying values of HK$773,077,000 (2007: HK$3,121,898,000), HK$108,323,000 (2007: HK$460,628,000) and HK$1,167,000 (2007: HK$10,718,000) were pledged to banks and securities brokers house to secure short term credit facilities granted to the Group.

Employees

The Group had 14 employees as at 31 December 2008 (2007: 15). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

CHAIRMAN'S STATEMENT

Prospects

The Group expects 2009 to be another difficult year with major uncertainties due to the continued economic downturn, rising unemployment and radical changes to the investment environment. Though governments worldwide have responded with massive fiscal stimulus and bailout packages together with aggressive monetary measures to counter the economic turmoil, it is expected that recovery may be a prolonged process.

The Group had taken steps in early 2009 to improve and restructure its capital base through the Rights Issue and the Placing of Convertible Bonds. Steps were also taken to further strengthen its financial position by the on-market disposal of its long term investments of 38 million shares in Sun Hung Kai & Co. Limited and 197.9 million shares in SAC, realizing cash proceeds of approximately HK$178.2 million and HK$138.0 million respectively. Subsequent to the disposal, SAC ceased to be the Group's associated company and the Group has no further interest in SAC. The Group also disposed of the 20.7 million TPC shares realizing cash proceeds of HK$120.1 million. The proceeds from these disposals have been used to reduce the short term borrowings of the Group. As at the date of this annual report, the Group has reduced borrowings to approximately HK$396 million, comprised of approximately HK$96 million short term borrowing and HK$300 million long term unsecured convertible bonds. The adjusted gearing ratio has also been reduced to 42.1%.

As a value investor, the Group will continuously review and adjust its investment strategies and investment portfolio in light of the prevailing investment environment to seek and identify grossly undervalued investment and business opportunities in China, Hong Kong and the Asia Pacific region. The Group expects that opportunities will present themselves in these geographical areas and the Group's renewed financial strength will enable it to take advantage of these opportunities as they arise, to enhance value for shareholders.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our shareholders for their continued support and to our management and staff for their efforts and contribution to the Group during 2008.

Chong Sok Un
Chairman

Hong Kong, 23 April 2009

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Chong Sok Un, aged 54, was appointed as executive director and chairman of the Company on 23 August 2002. Ms. Chong is also an executive director of APAC Resources Limited. She has been chairman of Long Island Golf & Country Club, Dongguan, China since September 1998. She is now the Vice-Chairman of the 30th Term Board of Directors of Yan Oi Tong and Director of Po Leung Kuk for the year 2009-10. During 1992 to 2000, she was appointed as director and chief executive officer of Shenyin Wanguo (H.K.) Limited. She was a non-executive director of Shanghai Allied Cement Limited from 25 June 2007 to 23 April 2009.

Dato' Wong Peng Chong, aged 65, was appointed as executive director of the Company on 15 March 2002. Dato' Wong is also the vice-president of Shanghai Allied Cement Limited. Upon his graduation from the University of Malaya in 1967 with a Bachelor of Arts (Honours), he joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. Dato' Wong joined the private sector in 1985 and has served in various senior management positions, including executive directorships in public listed companies, in Hong Kong and Malaysia.

Mr. Kong Muk Yin, aged 43, was appointed as executive director of the Company on 13 May 2002. Mr. Kong is also an executive director of Shanghai Allied Cement Limited. He was graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has extensive experience in corporate finance, financial management, accounting and auditing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Wai On, aged 47, was appointed as non-executive director of the Company on 15 March 2002 and then changed his office held to independent non-executive director on 29 October 2002. He is also an independent non-executive director of First Natural Foods Holdings Limited (Provisional Liquidators Appointed). He is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and has been practising under the name of his own firm, W.O. Lo & Co., Certified Public Accountants (Practising) since 1986. He has broad experience in providing tax consulting and auditing services to companies including listed companies in Hong Kong.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau Siu Ki, aged 50, was appointed as independent non-executive director of the Company on 3 June 2004. He has over 25 years of experience in corporate finance, financial advisory and management, accounting and auditing. He is currently working as a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") as well as the Hong Kong Institute of Certified Public Accountants. He is also a member of the Council of ACCA. He has served as a member of the Committee of the Hong Kong branch of ACCA since 1995 and was the Chairman of ACCA Hong Kong for the year 2000/2001. Mr. Lau is also the independent non-executive directors of Carry Wealth Holdings Limited, Greenfield Chemical Holdings Limited, Comba Telecom Systems Holdings Limited, TCL Communication Technology Holdings Limited, Foxconn International Holdings Limited, Proview International Holdings Limited, Samson Holding Ltd., Embry Holdings Limited and Wah Sang Gas Holdings Limited. He was an independent non-executive director of Forefont International Holdings Limited (now known as Forefront Group Limited) from 25 May 2001 to 18 April 2007 and Sys Solutions Holdings Limited (now known as Enviro Energy International Holdings Limited) from 6 December 2002 to 20 December 2006.

Mr. Zhang Jian, aged 67, was appointed as non-executive director of the Company on 16 October 2006. He is a professional senior engineer in PRC. He is the Honorary Chairman of Xian University of Architecture & Technology Peking Alumni Association and the Outside Director of China National Building Material Group Corporation and also the Chairman of the Board of Sino-Mining International Investment Co. Ltd. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as Chairman and General Manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as General Manager of China Nonferrous Metal Mining & Construction (Group) Co., Ltd.

SENIOR MANAGEMENT

Ms. Fung Ching Man, Ada, aged 42, is the company secretary of the Company. She is an associate member of The Institute of Chartered Secretaries and Administrators and has 20 years of working experience in the company secretarial profession.

DIRECTORS' REPORT

The Directors of the Company (the "Director(s)") present their annual report and the audited consolidated financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

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

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: interim dividend of HK$0.01 per share and final dividend of $0.04 per share).

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and outstanding warrants of the Company during the year are set out in note 30 to the consolidated financial statements.

During the year, warrants in the value of HK$59,314.5 have been exercised to subscribe for 16,947 Shares of the Company at HK$3.5 per share. At the balance sheet date, the Company had outstanding warrants in the value of HK$193,269,167. Exercise in full of such warrants would result in the issue of 55,219,762 additional shares.

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are set out in note 30 to the consolidated financial statements. The Directors considered that, the repurchases of the Company's shares would increase the net asset value per share of the Group.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties were revalued at 31 December 2008 and the resulting revaluation decrease of HK$12,408,000 has been charged to the consolidated income statement.

The Group's buildings were revalued at 31 December 2008 and the resulting revaluation increase and decrease have been credited to the consolidated income statement and charged to the building revaluation reserve of HK$54,000 and HK$50,000 respectively.

Details of these and other movements in the investment properties, and property, plant and equipment of the Group during the year are set out in notes 17 and 18 to the consolidated financial statements, respectively.

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-executive Directors:

Mr. Lo Wai On
Mr. Lau Siu Ki
Mr. Zhang Jian

In accordance with clause 99 of the Company's bye-laws, Ms. Chong Sok Un and Dato' Wong Peng Chong will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2008, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long positions in the shares of the Company

	Number of ordinary shares of HK$0.01 each					Percentage of issued ordinary shares
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	
Ms. Chong Sok Un ("Ms. Chong")	–	–	330,842,256 (Note)	–	330,842,256	120.03%

Note: Vigor Online Offshore Limited ("Vigor"), a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), owns (i) 106,484,400 shares; (ii) 21,296,880 units of warrants giving rise to an interest in 21,296,880 underlying shares of the Company; and (iii) 203,060,976 rights shares to be underwritten at HK$0.40 each subject to the terms and conditions of the underwriting agreement dated 23 November 2008 entered into between the Company and Vigor in relation to the proposed rights issue of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 330,842,256 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2008, none of the Directors, the chief executive of the Company nor their associates had any 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 SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares, underlying shares, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation (Note 1)	330,842,256	120.03%
China Spirit Limited ("China Spirit")	Held by controlled corporation (Note 1)	330,842,256	120.03%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner (Note 1)	330,842,256	120.03%
Mr. John Zwaanstra ("Mr. John Zwaanstra")	Held by controlled corporation (Note 2)	42,664,400	15.46%
Penta Investment Advisers Limited ("Penta Investment")	Investment Manager (Note 3)	42,664,400	15.46%
Mercurius GP LLC ("Mercurius")	Founder of a discretionary trust (Note 4)	16,506,400	5.99%
Mr. Todd Zwaanstra ("Mr. Todd Zwaanstra")	Trustee (Note 5)	16,506,400	5.99%
Penta Asia Fund, Ltd. ("Penta Asia")	Held by controlled corporation (Note 6)	16,506,400	5.99%
Lee and Lee Trust ("LL Trust")	Held by controlled corporation (Note 7)	400,000,000	145.13%
Allied Group Limited ("Allied Group")	Held by controlled corporation (Note 8)	400,000,000	145.13%
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporation (Note 9)	400,000,000	145.13%

DIRECTORS' REPORT

Name	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares
AP Jade Limited ("AP Jade")	Held by controlled corporation (Note 9)	400,000,000	145.13%
AP Emerald Limited ("AP Emerald")	Held by controlled corporation (Note 9)	400,000,000	145.13%
Sun Hung Kai & Co. Limited ("SHK & Co.")	Held by controlled corporation (Note 9)	400,000,000	145.13%
Sun Hung Kai Securities Limited ("SHK Securities")	Held by controlled corporation (Note 10)	400,000,000	145.13%
Sun Hung Kai International Limited ("SHK International")	Placing Agent (Note 11)	400,000,000	145.13%

Notes:

1. Vigor, a wholly-owned subsidiary of China Spirit, owns (i) 106,484,400 shares; (ii) 21,296,880 units of warrants giving rise to an interest in 21,296,880 underlying shares of the Company; and (iii) 203,060,976 rights shares to be underwritten at HK$0.40 each subject to the terms and conditions of the underwriting agreement dated 23 November 2008 entered into between the Company and Vigor in relation to the proposed rights issue of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 330,842,256 ordinary shares of the Company.

2. Mr. John Zwaanstra is deemed to be interested in (i) 35,736,000 shares; and (ii) 6,928,400 units of warrants giving rise to an interest of 6,928,400 underlying shares of the Company through his 100% interest in Penta Investment.

3. Penta Investment has an interest in (i) 35,736,000 shares; and (ii) 6,928,400 units of warrants giving rise to an interest of 6,928,400 underlying shares of the Company as an investment manager.

4. Mercurius is the founder of the Mercurius Partners Trust ("Mercurius Trust"), being a discretionary trust and is therefore deemed to have interests in the shares and the underlying shares of the Company in which Mr. Todd Zwaanstra and Mercurius Trust are interested.

5. Mr. Todd Zwaanstra is deemed to have interest in the shares and underlying shares of the Company in which Penta Master Fund Limited ("Penta Master") is interested pursuant to his control of more than one-third of the voting power of Penta Asia as trustee of the Mercurius Trust.

6. Penta Asia is deemed to be interested in (i) 12,716,000 shares; and (ii) 3,790,400 units of warrants giving rise to an interest in 3,790,400 underlying shares of the Company through its 100% interest in Penta Master.

7. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of LL Trust, being a discretionary trust. They together own approximately 44.52% interest in the issued share capital of Allied Group and are therefore deemed to have the same interest held by Allied Group.

8. Allied Group owns approximately 73.90% interest in the issued share capital of Allied Properties and is therefore deemed to have the same interest held by Allied Properties.

9. Through AP Jade and AP Emerald, direct and indirect wholly-owned subsidiaries of Allied Properties respectively, Allied Properties owns approximately 63.20% interest in the issued share capital of SHK & Co. and is therefore deemed to have the same interest held by SHK & Co.

10. SHK Securities is deemed to be interested in 400,000,000 shares of the Company through its 100% interest in SHK International.

11. SHK International act as the placing agent to the convertible bonds of the Company in the aggregate principle of HK$300,000,000 convertible into shares of the Company at HK$0.75 each under the placing agreement.

Save as disclosed above, as at 31 December 2008, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for were less than 30% of the Group's total revenue. The Group had no major suppliers due to the nature of principal activities of the Group.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased a total of 578,000 ordinary shares in the capital of the Company on the Stock Exchange in the range from HK$0.70 to HK$4.20 for a total consideration of HK$1,377,680. The said shares were subsequently cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

INDEPENDENCE OF 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 of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

DIRECTORS' REPORT

EMOLUMENT POLICY

The emolument policy of the general staff of the Group is set up by the management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

DONATIONS

During the year, the Group made donations amounting to HK$145,800.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 38 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chong Sok Un
Chairman

Hong Kong, 23 April 2009

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. Throughout the year ended 31 December 2008, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code on CGP") listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors

Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-executive Directors

Mr. Lo Wai On
Mr. Lau Siu Ki
Mr. Zhang Jian

The Board members have no financial, business, family or other material/relevant relationships with one another. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the Code on CGP for the Board to have at least one-third in number of its members comprising Independent Non-executive Directors.

The Independent Non-executive Directors possess appropriate professional qualifications or accounting or related financial management expertise. Having made specific enquiry with all Independent Non-executive Directors, all such Directors confirmed that they have met the criteria of Rule 3.13 of the Listing Rules regarding the guidelines for assessment of independence. The biographical details of the Directors are set out in pages 7 to 8 of this Annual Report.

CORPORATE GOVERNANCE REPORT

During the year, 4 full board meetings were held and the attendance of each Director is set out as follows:

Name of Directors	Number of board meetings attended in 2008	Attendance rate
Ms. Chong Sok Un *(Chairman)*	4/4	100%
Dato' Wong Peng Chong	4/4	100%
Mr. Kong Muk Yin	4/4	100%
Mr. Lo Wai On	4/4	100%
Mr. Lau Siu Ki	3/4	75%
Mr. Zhang Jian	4/4	100%

The schedule of board meetings for a year is planned in the preceding year. At least 14 days notice of all board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all Directors at least 3 days before the date of every board meeting so that the Directors have the time to review the documents.

Every Board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving policies relating to the Board's compliance, etc whilst managing the Group's business is the responsibility of the management of the Group (the "Management").

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions, to the powers of the Management, in particular, with respect to the circumstances where the Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The Chairman of the Company is Ms. Chong Sok Un. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by separate individuals who have no relationship with each other, except as fellow Directors, to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the function of the Chief Executive Officer is performed by the two Executive Directors, namely Dato' Wong Peng Chong who is in charge of day-to-day business operations of the Group and Mr. Kong Muk Yin who is in charge of finance and accounts aspect of the Group. The functions and responsibilities between the Chairman and the two Executive Directors performing the function of Chief Executive Officer are clearly segregated.

Appointment and Re-election of Directors

The Independent Non-executive Directors have been appointed for a specific term, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the bye-laws of the Company (the "Bye-laws").

The provision A.4.2 of the Code on CGP requires all Directors, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. The Company has fully complied with code provision A.4.2 of the Code on CGP.

BOARD COMMITTEES

The Board establishes committees to assist it in carrying out its responsibilities. The Board has appointed 4 Board committees, viz, the Executive Committee, Investment Committee, Remuneration Committee and Audit Committee to oversee particular aspects of the Group's affairs. Each of the committees has defined terms of reference setting out its duties, powers and function. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

Executive Committee

The Executive Committee was established on 23 May 1998 with terms of reference. The Committee is composed of the Chairman and two Executive Directors of the Board. The Executive Committee is responsible for approving and monitoring the daily operations of the Group. The Executive Committee held 14 meetings during the year.

Investment Committee

The Investment Committee was established on 2 February 2000 with terms of reference. The Committee is composed of the Chairman and two Executive Directors of the Board. The Investment Committee is responsible for approving and monitoring the Group's investment related activities. The investment committee met 3 times during the year.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee was established on 15 April 2005 with terms of reference. The Committee comprises three Independent Non-executive Directors and two Executive Directors.

The meeting of the Remuneration Committee shall be held at least once a year. One meeting was held in 2008. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2008	Attendance rate
Mr. Lau Siu Ki *(Chairman)*	1/1	100%
Mr. Lo Wai On	1/1	100%
Mr. Zhang Jian	1/1	100%
Dato' Wong Peng Chong	1/1	100%
Mr. Kong Muk Yin	1/1	100%

The remuneration policy of the Group is to ensure all its employees are remunerated in line with market terms and individual performance.

At the meetings held during the year, the overall pay trend in Hong Kong of 2008 was reviewed and noted.

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

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

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

3. To ensure that the level of remuneration for Independent Non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board.

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

CORPORATE GOVERNANCE REPORT

Nomination of Directors

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors.

According to the Bye-Laws, notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office of the Company at least seven days before the date of the general meeting, or else no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting.

The period for lodgment of the notices referred to above will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

The detailed information on election of Directors including detailed biography of all Directors standing for election or re-election to ensure shareholders to make an informed decision on their election has been set out in the circular regarding, inter alia, the securities repurchase mandate and notice of annual general meeting (the "Securities Repurchase Circular").

Audit Committee

The Audit Committee of the Company comprises three Independent Non-executive Directors.

The Audit Committee shall meet at least twice a year. 4 meetings were held during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate, the attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2008	Attendance rate
Mr. Lo Wai On *(Chairman)*	4/4	100%
Mr. Lau Siu Ki	4/4	100%
Mr. Zhang Jian	4/4	100%

During the meetings held in 2008, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2007 and for the six months ended 30 June 2008;

(ii) reviewed the effectiveness of internal control system;

(iii) reviewed the external auditor's statutory audit plan and engagement letter;

(iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 31 December 2007; and

(v) reviewed and recommended for approval by the Board the 2008 audit scope and fees.

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

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

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

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

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

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

6. To review the Company's systems of financial controls, internal controls and risk management to ensure that they are appropriate and functioning properly.

7. To consider any findings of major investigations of internal control matters and management's response.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid or payable to the Company's auditor, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit services	780
Non-audit services	388
	1,168

INTERNAL CONTROL

The Board and senior management are responsible for establishing, maintaining and operating an effective system of internal control. The internal control system of the Company comprises a well-established organizational structure and comprehensive polices and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, employees, and the Group's assets.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and involving in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

a) The Executive Committee was established to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

b) The Audit Committee of the Company reviews internal control issues identified by external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems.

c) The Investment Committee was established to monitor the Group's investment related activities and respective operating and financial policies.

d) The Remuneration Committee was established to ensure all the Directors and the senior management of the Group are remunerated in line with market terms and individual performance.

e) The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and other applicable regulations are delegated to the company secretarial department. The Management reviews the system of internal controls and briefs the reporting systems with the Executive Directors regularly and the Audit Committee annually.

f) Every newly appointed Director was provided with a comprehensive handout detailing the responsibilities and duties of being a director of the Company. In particular highlighting the respective applicable rules and regulation, including the Listing Rules, which a director should aware and be informed on the first occasion of his appointment with the Company.

g) The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). A copy of the Model Code was sent to each Director and the relevant employees of the Group who are required to be provided under the Model Code. Enquiries have been made with Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2008, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Company establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports and press announcement. Such information is also available on the Company's website.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. At the Company's last annual general meeting (the "AGM"), Chairman of the Board as well as Chairman of the Audit Committee and Remuneration Committee were present to answer shareholders' questions.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of the retiring Directors.

The Company's last AGM was held on 26 June 2008 and the Securities Repurchase Circular was sent to shareholders at least 21 days prior to the meeting, setting out details of each proposed resolution, voting procedures (including the procedures for demanding and conducing a poll) and other relevant information. The Chairman explained the procedures for demanding and conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution.

The next AGM will be held on 10 June 2009, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the shareholders at the commencement of the meeting. The Chairman will answer any questions from shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules effective on 1 January 2009.

On behalf of the Board

Chong Sok Un
Chairman

Hong Kong, 23 April 2009

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE SHAREHOLDERS OF COL CAPITAL LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of COL Capital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 89, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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
23 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue (excluding securities trading)		**80,592**	55,315
Gross proceeds from sale of investments held for trading		**579,716**	2,234,125
Total		**660,308**	2,289,440
Continuing operations:			
Revenue (excluding securities trading)	6	**80,592**	55,315
Net (loss) gain on investments	8	**(2,688,205)**	1,560,870
Other income	9	**5,707**	24,943
Administrative and other expenses		**(22,222)**	(78,680)
Finance costs	10	**(50,955)**	(35,801)
Share of profits (losses) of associates		**3,701**	(4,094)
Impairment loss recognised on associates		**(122,324)**	–
Fair value changes on investment properties		**(12,408)**	37,351
Revaluation surplus on buildings		**54**	144
(Loss) profit before taxation		**(2,806,060)**	1,560,048
Taxation credit (charge)	12	**2,377**	(175,873)
(Loss) profit from continuing operations		**(2,803,683)**	1,384,175
Discontinued operation:			
Loss for the year from discontinued operation	13	**–**	(1,528)
(Loss) profit for the year	14	**(2,803,683)**	1,382,647
Attributable to:			
Equity holders of the Company		**(2,799,811)**	1,378,824
Minority interests		**(3,872)**	3,823
		(2,803,683)	1,382,647
Dividends recognised as distribution	15	**11,047**	13,846
(Loss) earnings per share	16		
From continuing and discontinued operations			
– Basic		**HK$(9.79)**	HK$4.78
From continuing operations			
– Basic		**HK$(9.79)**	HK$4.78

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	17	**103,105**	110,925
Property, plant and equipment	18	**3,036**	3,796
Prepaid lease payments	19	**54**	1,001
Interests in associates	20	**138,501**	368,297
Available-for-sale investments	21	**356,835**	849,923
		601,531	1,333,942
Current assets			
Available-for-sale investments	21	**124,055**	9,801
Loan notes	22	**–**	52,401
Investments held for trading	23	**818,971**	3,617,216
Debtors, deposits and prepayments	24	**36,648**	41,284
Loan receivables	25	**164,875**	174,015
Tax recoverable		**4,050**	4,050
Pledged bank deposits	26	**1,167**	10,718
Bank balances and cash	26	**66,279**	67,824
		1,216,045	3,977,309
Current liabilities			
Creditors and accrued charges	27	**70,011**	97,995
Customers' deposits and receipts in advance		**34,647**	14,192
Other borrowings	28	**854,682**	918,838
Derivative financial instruments	29	**9,453**	4,874
Taxation payable		**68,442**	171,033
		1,037,235	1,206,932
Net current assets		**178,810**	2,770,377
Net assets		**780,341**	4,104,319

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTE	**2008** **HK$'000**	2007 HK$'000
Capital and reserves			
Share capital	30	**2,756**	2,762
Reserves		**777,585**	4,097,685
Equity attributable to equity holders of the Company		**780,341**	4,100,447
Minority interests		**–**	3,872
		780,341	4,104,319

The financial statements on pages 26 to 89 were approved and authorised for issue by the Board of Directors on 23 April 2009 and are signed on its behalf by:

Ms. Chong Sok Un	**Dato' Wong Peng Chong**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Building revaluation reserve HK$'000 (Note)	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Retained profits (accumulated loss) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	2,829	625,061	1,274	432,100	2,111	969	1,334,703	2,399,047	16,847	2,415,894
Fair value changes on available-for-sale investments	–	–	–	288,183	–	–	–	288,183	–	288,183
Surplus on transfer from prepaid lease payments to investment properties at fair value	–	–	3,242	–	–	–	–	3,242	–	3,242
Surplus on revaluation of buildings	–	–	520	–	–	–	–	520	–	520
Share of changes in equity of associates	–	–	–	–	–	5,944	–	5,944	–	5,944
Exchange differences arising from translation of foreign operations	–	–	–	–	–	2,123	–	2,123	–	2,123
Net income recognised directly in equity	–	–	3,762	288,183	–	8,067	–	300,012	–	300,012
Realised upon disposal of available-for-sale investments	–	–	–	596	–	–	–	596	–	596
Profit for the year	–	–	–	–	–	–	1,378,824	1,378,824	3,823	1,382,647
Total recognised income for the year	–	–	3,762	288,779	–	8,067	1,378,824	1,679,432	3,823	1,683,255
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(16,798)	(16,798)
Reversed previously recognised changes in fair value of investments held for trading	–	–	–	–	–	–	68,265	68,265	–	68,265
Changes in equity of SAC (as defined in note 20) on previous held interest	–	–	–	–	–	–	(74)	(74)	–	(74)
Dividends paid	–	–	–	–	–	–	(13,846)	(13,846)	–	(13,846)
Repurchase of shares	(67)	(32,310)	–	–	67	–	(67)	(32,377)	–	(32,377)
At 31 December 2007	2,762	592,751	5,036	720,879	2,178	9,036	2,767,805	4,100,447	3,872	4,104,319
Fair value changes on available-for-sale investments	–	–	–	(514,802)	–	–	–	(514,802)	–	(514,802)
Surplus on transfer from prepaid lease payments to investment properties at fair value	–	–	2,214	–	–	–	–	2,214	–	2,214
Deficit on revaluation of buildings	–	–	(50)	–	–	–	–	(50)	–	(50)
Share of changes in equity of associates	–	–	–	–	–	3,459	–	3,459	–	3,459
Exchange difference arising from translation of foreign operations	–	–	–	–	–	3,353	–	3,353	–	3,353
Net income (expenses) recognised directly in equity	–	–	2,164	(514,802)	–	6,812	–	(505,826)	–	(505,826)
Realised upon disposal of available-for-sale investments	–	–	–	(2,104)	–	–	–	(2,104)	–	(2,104)
Loss for the year	–	–	–	–	–	–	(2,799,811)	(2,799,811)	(3,872)	(2,803,683)
Total recognised income and expenses for the year	–	–	2,164	(516,906)	–	6,812	(2,799,811)	(3,307,741)	(3,872)	(3,311,613)
Dividend paid	–	–	–	–	–	–	(11,047)	(11,047)	–	(11,047)
Repurchase of shares (note 30)	(6)	(1,371)	–	–	6	–	(6)	(1,377)	–	(1,377)
Issue of new shares upon exercise of warrants (note 30)	–	59	–	–	–	–	–	59	–	59
At 31 December 2008	2,756	591,439	7,200	203,973	2,184	15,848	(43,059)	780,341	–	780,341

Note: At 31 December 2008, the balance of building revaluation reserve included surplus of HK$5,456,000 (2007: HK$3,242,000), arising from revaluation of prepaid lease payments on transfer of prepaid lease payments to investment properties carried at fair value.

COL Capital Limited

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(2,806,060)**	1,558,547
Adjustments for:		
Interest income	**(4,016)**	(10,060)
Depreciation of property, plant and equipment	**315**	284
Loss on disposal of property, plant and equipment	**–**	293
Reversal of inventories	**–**	(571)
Interest expense	**50,955**	35,801
Amortisation of prepaid lease payments	**1**	25
Net (gain) loss on disposal of available-for-sale investments	**(2,104)**	596
Change in fair value of investments held for trading	**1,893,094**	(1,259,479)
Fair value changes on investment properties	**12,408**	(37,351)
Revaluation surplus on buildings	**(54)**	(144)
Share of (profits) losses of associates	**(3,701)**	4,094
Impairment loss recognised on associates	**122,324**	–
Change in fair value of derivative financial instruments	**4,579**	4,874
Operating cash flow before movements in working capital	**(732,259)**	296,909
Decrease in inventories held for sale	**–**	2,042
Decrease (increase) in investments held for trading	**905,151**	(691,999)
Decrease (increase) in debtors, deposits and prepayments	**4,636**	(7,576)
Decrease (increase) in loan receivables	**9,140**	(50,417)
(Decrease) increase in creditors and accrued charges	**(27,984)**	42,515
Increase (decrease) in customers' deposits and receipts in advance	**20,455**	(17,091)
Cash generated from (used in) operating activities	**179,139**	(425,617)
Interest paid	**(50,955)**	(35,801)
Tax paid	**(100,214)**	(21,031)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**27,970**	(482,449)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	NOTE	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Proceeds from redemption of loan notes		**52,401**	–
Proceeds from disposal of available-for-sale investments		**9,864**	1,434
Decrease (increase) in pledged bank deposits		**9,551**	(10,718)
Interest received		**4,016**	8,135
Purchases of available-for-sale investments		**(31,200)**	(15,600)
Purchases of property, plant and equipment		**(979)**	(95)
Disposal of a subsidiary	37	**–**	71,330
Proceeds from redemption convertible bonds		**–**	6,626
Acquisition of associates		**–**	(273,484)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**43,653**	(212,372)
FINANCING ACTIVITIES			
New borrowings raised		**2,008,953**	4,447,322
Proceeds from issue of shares		**59**	–
Repayments of borrowings		**(2,073,109)**	(3,698,584)
Dividends paid		**(11,047)**	(13,846)
Repurchase of shares		**(1,377)**	(32,377)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(76,521)**	702,515
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(4,898)**	7,694
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES		**3,353**	2,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**67,824**	58,007
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**66,279**	67,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability 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 on page 2 of the annual report.

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39.

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

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

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[3]
HK(IFRIC) – INT 18	Transfers of assets from customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods ending on or after 30 June 2009.
5 Effective for annual periods beginning on or after 1 July 2008.
6 Effective for annual periods beginning on or after 1 October 2008.
7 Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. 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 asset) is included in the consolidated income statement in the year in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of buildings is credited to the building revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the building revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus is transferred to retained profits.

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

Where an item of property, plant and equipment together with the relevant prepaid lease payments, if any, is transferred to an investment property, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in building revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment losses. When the Group's share of losses of associates equals or exceeds its interest in that associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

For acquisition of associates which involved successive share purchases for which the investment was previously accounted for at fair value with changes in fair value included in profit or loss, cumulative changes in the fair value of previously held ownership interests are reversed through profit or loss and retained profits respectively. The investee's profit or loss, changes in the investee's retained profits and other equity balances after each exchange transaction are included in the profit or loss, retained profits or the relevant reserves respectively to the extent that they relate to the previously held ownership interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid lease payments

Prepaid lease payments of land under operating lease are charged to the consolidated income statement on a straight-line basis over the lease terms.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including investments held for trading, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Effective interest method (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity instruments or financial assets at fair value through profit or loss. The Group designated investments in equity securities, unit trusts investments and club debentures as available-for-sale financial assets. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets (including certain equity securities investments and club debentures) are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as debtors, loan receivables and loan notes, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When debtors or loan receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities

Financial liabilities including creditors and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to repurchase the Company's own equity instruments are deducted from equity. No gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

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

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

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

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

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

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for an investment properties under fair value model.

Retirement benefits scheme

Payments to the Group's defined contribution scheme or Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2008, no deferred tax asset has been recognised in the Group's consolidated balance sheet in relation to the estimated unused tax losses and deductible temporary differences of approximately HK$2,606 million (2007: HK$726 million) and HK$7.8 million (2007: HK$9.4 million) respectively. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

5. FINANCIAL INSTRUMENTS

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 debt and equity balance. The Directors of the Company consider share capital and retained profits are the capital of the Group. The Group's overall strategy remains unchanged from prior years.

The Directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

Categories of financial instruments

	2008	2007
	HK$'000	HK$'000
Financial assets		
Investments held for trading	**818,971**	3,617,216
Loans and receivables (including cash and cash equivalents)	**268,400**	345,722
Available-for-sale financial assets	**480,890**	859,724
Financial liabilities		
Amortised cost	**860,600**	952,574
Financial liabilities held for trading	**9,453**	4,874

Financial risk management objectives and policies

The Group's major financial instruments include equity investments, loan notes, loan receivables, debtors, creditors, other borrowings, pledged bank deposits and bank balances. Details of these financial instruments are disclosed in respective notes. 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 appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk

Currency risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rate relating to foreign currency denominated loan receivables, bank balances, other debtors and other borrowings from financial institutions. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars ("USD")	**132,152**	130,921	**–**	11,014
Renminbi ("RMB")	**90,263**	107,221	**–**	–
Australian Dollars ("AUD")	**14,968**	–	**–**	–

Sensitivity analysis

As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates.

The following table details the Group's sensitivity to a 10% (2007: 5%) increase and decrease in HK$ against relevant foreign currencies and all other variables were held constant. 10% (2007: 5%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. As a result of volatile market, the sensitivity rate is increased to 10% in the current year. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts its translation at the year end for a 10% (2007: 5%) change in foreign currencies rates. A positive number below indicates a decrease in loss (2007: increase in profit) for the year where foreign currencies strengthen 10% (2007: 5%) against HK$. For a 10% (2007: 5%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the profit for the year.

	RMB Impact		AUD Impact	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease in loss for the year	**7,537**	–	**1,250**	–
Increase in profit for the year	**–**	4,423	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Other price risk

(i) Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments, investments held for trading and derivative financial instruments. The Group's available-for-sale investments, investments held for trading and derivative financial instruments have significant concentration of price risk in Hong Kong stock market. The management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is increased to 10% in the current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% (2007: 5%) higher/lower and all other variables were held constant, the Group's:

- loss for the year ended 31 December 2008 would decrease/increase by HK$68,384,000 (2007: profit for the year would increase/decrease by HK$151,019,000) as a result of the changes in fair value of held for trading investments; and
- investment revaluation reserve would increase/decrease by HK$48,021,000 (2007: HK$42,952,000) for the Group as a result of the changes in fair value of available-for-sale investments.
- loss for the year ended 31 December 2008 would decrease/increase by HK$1,498,000/ HK$1,646,000 (2007: profit for the year would increase/decrease by HK$2,645,000/ HK$3,980,000) as a result of the changes in the fair value of derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Other price risk (continued)

(ii) Foreign currencies risk on non-monetary items

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 32% (2007: 14%) of the Group's investments are denominated in currencies other than the functional currency of the group entity.

The carrying amounts of the Group's foreign currency denominated investments held for trading and available-for-sale investments at the reporting date are as follows:

	2008	2007
	HK$'000	HK$'000
USD	**56,135**	66,740
Australian Dollars	**97,329**	186,330
Malaysian Ringgit	**45,182**	97,483
New Taiwan Dollars	**108,323**	263,909
RMB	**113,989**	–

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2007: 5%) increase and decrease in HK$ against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis. As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate. 10% (2007: 5%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. As a result of the volatile financial market in 2008, the management adjusted the sensitivity rate from 5% to 10% for purpose of assessing foreign currencies risk on non-monetary items. A positive number below indicates an decrease in loss (2007: increase in profit) for the year where foreign currencies strengthen 10% (2007: 5%) against HK$. For a 10% (2007: 5%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the profit for the year and the investment revaluation reserve.

	2008	2007
	HK$'000	HK$'000
Decrease in loss/increase in profit for the year	**14,251**	14,191
Increase in investment revaluation reserve	**22,231**	13,195

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Interest rate risk

The Group's fair value interest rate risk relates primarily to bank deposits, fixed rate loan notes and fixed rate loan receivables. The Group's cash flow interest rate risk relates to its variable rate loan receivables, bank balances and other borrowings.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Prime Rate arising from the Group's variable interest rate instruments.

A 100 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year.

If the interest rate of loan receivables and other borrowings had been 100 basis point higher/lower and all other variable were held constant, the Group's loss for the year would increase/decrease by HK$6,577,000 (2007: profit for the year would decrease/increase by HK$7,656,000).

Credit risk

The Group's credit risk is primarily attributable to trade debtors, loan notes, loan receivables and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

Bank balances and deposits are placed in various banks and the Group has limited exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

The Group has significant concentration of credit risk on loan notes and loan receivables as the credit risk is mainly attributable to certain counterparties. Other than these, there is no significant concentration of credit risk in trade debtors as the exposure spread over a number of counterparties and customers.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual debt, loan notes and loan receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the 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. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. For derivative financial instruments, the Group has approximately HK$30,136,000 (2007: HK$81,689,000) contractual cash outflow in return with listed securities within 1 year. The nature of the derivative financial instruments is disclosed in note 29 to the financial statements.

For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	Repayable on demand	Less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at year end
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2008							
Non-derivative financial liabilities							
Creditors	**–**	**–**	**5,636**	**150**	**132**	**5,918**	**5,918**
Other borrowings							
– variable rates	**prime rate plus spread**	**489,682**	**–**	**–**	**307,500**	**797,182**	**789,682**
– fixed rates	**8%**	**–**	**–**	**–**	**66,733**	**66,733**	**65,000**
		489,682	**5,636**	**150**	**374,365**	**869,833**	**860,600**
As at 31 December 2007							
Non-derivative financial liabilities							
Creditors	–	–	29,826	380	3,530	33,736	33,736
Other borrowings							
– variable rates	prime rate plus spread	918,838	–	–	–	918,838	918,838
		918,838	29,826	380	3,530	952,574	952,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

5. FINANCIAL INSTRUMENTS *(continued)*

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and the fair values of the unit trusts have been determined based on the fair value of the underlying quoted investments;

- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates as input; and

- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair value.

6. REVENUE

	2008	2007
	HK$'000	HK$'000
Dividend income from listed investments	**60,932**	36,512
Interest income from loan receivables	**15,654**	14,023
Rental income	**4,006**	4,780
	80,592	55,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. BUSINESS AND GEOGRAPHICAL INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions – securities trading and investments, financial services and property investment. These divisions are the basis on which the Group reports its primary segment information.

The Group was also engaged in mobile phone distribution. This operation was discontinued in the year 2007 (see note 13).

Segment information about these businesses is presented below:

For the year ended 31 December 2008

	Continuing operations			
	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Consolidated HK$'000
Gross proceeds from sale of investments held for trading	579,716	–	–	579,716
Revenue	60,932	15,654	4,006	80,592
Result				
Segment result	(2,629,163)	15,301	(9,846)	(2,623,708)
Share of profits of associates				3,701
Impairment loss recognised on associates				(122,324)
Unallocated other income				5,250
Unallocated corporate expenses				(18,024)
Finance costs				(50,955)
Loss before taxation				(2,806,060)
Taxation				2,377
Loss for the year				(2,803,683)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. BUSINESS AND GEOGRAPHICAL INFORMATION *(continued)*

Business segments *(continued)*

For the year ended 31 December 2008 *(continued)*

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Consolidated HK$'000
Consolidated balance sheet				
Assets				
Segment assets	1,334,624	164,983	105,792	1,605,399
Interests in associates				138,501
Unallocated corporate assets				73,676
Consolidated total assets				1,817,576
Liabilities				
Segment liabilities	505,178	32,465	1,390	539,033
Unallocated corporate liabilities				498,202
Consolidated total liabilities				1,037,235

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other information					
Capital expenditure	–	–	125	854	979
Depreciation	–	–	131	184	315

7. BUSINESS AND GEOGRAPHICAL INFORMATION *(continued)*

Business segments *(continued)*

For the year ended 31 December 2007

	Continuing operations				Discontinued operation	
	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Total HK$'000	Mobile phone distribution HK$'000	Consolidated HK$'000
Gross proceeds from sale of investments held for trading	2,234,125	–	–	2,234,125	–	2,234,125
Revenue	36,512	14,023	4,780	55,315	7,681	62,996
Result						
Segment result	1,605,287	13,898	43,402	1,662,587	(2,087)	1,660,500
Share of losses of associates				(4,094)	–	(4,094)
Unallocated other income				11,359	586	11,945
Unallocated corporate expenses				(74,003)	–	(74,003)
Finance costs				(35,801)	–	(35,801)
Profit before taxation				1,560,048	(1,501)	1,558,547
Taxation				(175,873)	(27)	(175,900)
Profit for the year				1,384,175	(1,528)	1,382,647

7. BUSINESS AND GEOGRAPHICAL INFORMATION *(continued)*

Business segments *(continued)*

For the year ended 31 December 2007 *(continued)*

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Consolidated HK$'000
Consolidated balance sheet				
Assets				
Segment assets	4,564,299	174,253	115,722	4,854,274
Interests in associates				368,297
Unallocated corporate assets				88,680
Consolidated total assets				5,311,251
Liabilities				
Segment liabilities	955,935	15,861	2,301	974,097
Unallocated corporate liabilities				232,835
Consolidated total liabilities				1,206,932

	Continuing operations				Discontinued operation		
	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Total HK$'000	Mobile phone distribution HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other information							
Capital expenditure	–	–	–	–	–	95	95
Depreciation	–	–	139	139	18	127	284
Loss on disposal of property, plant and equipment	–	–	–	–	293	–	293
Reversal of write-down of inventories	–	–	–	–	(571)	–	(571)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. BUSINESS AND GEOGRAPHICAL INFORMATION *(continued)*

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

The Group's securities trading and investments and financial services are mainly carried out in Hong Kong. Rental income from property investment is derived from Hong Kong and the PRC.

The following table provides an analysis of the Group's revenue by geographical market except for investments held for trading and available-for-sale investment, in which the business of securities trading and investments is operated:

	Revenue from continuing operations by geographical market	
	2008	2007
	HK$'000	HK$'000
Hong Kong	**77,810**	52,754
The PRC	**2,782**	2,561
	80,592	55,315

Revenue of HK$7,681,000 from the Group's discontinued distribution of mobile phone for the year ended 31 December 2007 was derived principally from Hong Kong.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located and for investments held for trading and available-for-sale investments, in which the business of securities trading and investments is operated.

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	At	At	**Year ended**	Year ended
	31.12.2008	31.12.2007	**31.12.2008**	31.12.2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,568,489**	4,817,114	**979**	95
The PRC	**36,910**	37,160	**–**	–
	1,605,399	4,854,274	**979**	95

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

8. NET (LOSS) GAIN ON INVESTMENTS

	2008 HK$'000	2007 HK$'000
Change in fair value of investments held for trading (Note a)	**(2,685,835)**	1,579,182
Change in fair value of derivative financial instruments (Note b)	**(4,474)**	(17,716)
Net gain (loss) on disposal of available-for-sale investments	**2,104**	(596)
	(2,688,205)	1,560,870

Notes:

(a) Approximately net realised loss of HK$792,741,000 (2007: net realised gain of HK$319,703,000) on disposal of investments held for trading are included in change in fair value of investments held for trading.

(b) Approximately net realised gain of HK$105,000 (2007: net realised loss of HK$12,842,000) on derivative financial instruments are included in change in fair value of derivative financial instruments.

9. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Interest income from:						
– Loan notes	**762**	4,036	**–**	–	**762**	4,036
– Bank deposits	**737**	982	**–**	47	**737**	1,029
– Others	**2,517**	4,995	**–**	–	**2,517**	4,995
	4,016	10,013	**–**	47	**4,016**	10,060
Net exchange gain	**–**	9,538	**–**	–	**–**	9,538
Others	**1,691**	5,392	**–**	539	**1,691**	5,931
	5,707	24,943	**–**	586	**5,707**	25,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

10. FINANCE COSTS

The amounts represent interest on other borrowings wholly repayable within five years.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The Directors' emoluments are analysed as follows:

	For the year ended 31 December 2008				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive Directors					
Ms. Chong Sok Un	–	455	–	12	467
Dato' Wong Peng Chong	–	1,300	–	12	1,312
Mr. Kong Muk Yin	–	1,170	–	12	1,182
Independent Non-executive Directors					
Mr. Lo Wai On	180	–	–	–	180
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Zhang Jian	80	–	–	–	80
	440	2,925	–	36	3,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

Directors' emoluments *(continued)*

	For the year ended 31 December 2007				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive Directors					
Ms. Chong Sok Un	–	455	55,000	12	55,467
Dato' Wong Peng Chong	–	1,300	600	12	1,912
Mr. Kong Muk Yin	–	1,040	480	12	1,532
Independent Non-executive Directors					
Mr. Lo Wai On	180	–	–	–	180
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Zhang Jian	80	–	–	–	80
	440	2,795	56,080	36	59,351

Note: The performance related incentive payments are determined by reference to the individual performance of the Directors and approved by the Remuneration Committee.

During the year, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

Five highest paid individuals

During the year, the five highest paid individuals included three Directors (2007: three), details of their emoluments are set out above. The emoluments for the remaining two (2007: two) highest paid individuals of the Group are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**1,682**	1,000
Retirement benefits scheme contributions	**22**	24
	1,704	1,024

The emoluments are within the following bands:

	2008 Number of employees	2007 Number of employees
Nil to HK$1,000,000	**2**	2

12. TAXATION CREDIT (CHARGE)

	Continuing operations		**Discontinued operation**		**Consolidated**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Current tax:						
Hong Kong Profits Tax	**–**	(172,005)	**–**	(27)	**–**	(172,032)
Enterprise income tax in the PRC	**(236)**	(3,868)	**–**	–	**(236)**	(3,868)
	(236)	(175,873)	**–**	(27)	**(236)**	(175,900)
Overprovision in prior years						
– Hong Kong Profits Tax	**2,613**	–	**–**	–	**2,613**	–
	2,377	(175,873)	**–**	(27)	**2,377**	(175,900)

12. TAXATION CREDIT (CHARGE) *(continued)*

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% with effect from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. No provision for taxation has been made for Hong Kong Profits Tax as there is no assessable profit for the year ended 31 December 2008.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiary in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiary in the PRC is 25% (2007: 33%).

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

	2008 **HK$'000**	2007 HK$'000
(Loss) profit before taxation		
– Continuing operations	**(2,806,060)**	1,560,048
– Discontinued operation	**–**	(1,501)
	(2,806,060)	1,558,547
Taxation credit (charge) at the income tax rate of 16.5% (2007: 17.5%)	**463,000**	(272,746)
Tax effect of share of profits (losses) of associates	**611**	(716)
Tax effect of expenses that are not deductible	**(165,378)**	(12,885)
Tax effect of income that is not taxable	**11,500**	16,823
Overprovision in respect of prior years	**2,613**	–
Utilisation of tax losses/deductible temporary differences previously not recognised	**99**	98,328
Tax effect of tax losses not recognised	**(310,020)**	(5,364)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(193)**	(119)
Others	**145**	779
Taxation credit (charge)	**2,377**	(175,900)

13. DISCONTINUED OPERATION

The Group ceased the business operation of mobile phone distribution in year 2007.

The results of the discontinued operation which represented the mobile phone distribution operation from 1 January 2007 to 31 March 2007, which have been included in the consolidated income statement for year ended 31 December 2007, were as follows:

	Period ended 31.3.2007 HK$'000
Revenue	**7,681**
Cost of sales	**(7,501)**
Other income	**586**
Distribution expenses	**(1,050)**
Administrative and other expenses	**(1,217)**
Finance costs	**–**
Loss before taxation	**(1,501)**
Taxation	**(27)**
Loss for the period	**(1,528)**

During the period from 1 January 2007 to 31 March 2007, the business operation of mobile phone distribution paid HK$4,009,000 to the Group's net operating cash flows, received HK$47,000 in respect of investing activities and paid HK$11,397,000 in respect of financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

14. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):						
Auditor's remuneration	**1,168**	1,402	**–**	–	**1,168**	1,402
Cost of inventories recognised as expenses	**–**	–	**–**	7,855	**–**	7,855
Amortisation of prepaid lease payments	**1**	25	**–**	–	**1**	25
Depreciation of property, plant and equipment	**315**	266	**–**	18	**315**	284
Reversal of write-down of inventories	**–**	–	**–**	(571)	**–**	(571)
Loss on disposal of property, plant and equipment	**–**	–	**–**	293	**–**	293
Staff costs, inclusive of directors' emoluments	**7,081**	61,784	**–**	944	**7,081**	62,728
Net exchange loss	**2,707**	–	**–**	–	**2,707**	–
Gross rental income from properties	**(4,006)**	(4,780)	**–**	–	**(4,006)**	(4,780)
Less: Direct operating expenses that generated rental income	**898**	1,423	**–**	–	**898**	1,423
Direct operating expenses that did not generate rental income	**363**	22	**–**	–	**363**	22
Net rental income	**(2,745)**	(3,335)	**–**	–	**(2,745)**	(3,335)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

15. DIVIDENDS

	2008 **HK$'000**	2007 HK$'000
Dividends recognised as distribution during the year:		
2007 Interim dividend paid – HK$0.01 per share	**–**	2,762
2007 Final dividend paid – HK$0.04 per share	**11,047**	–
2006 Final dividend paid – HK$0.04 per share	**–**	11,084
	11,047	13,846

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008.

16. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 **HK$'000**	2007 HK$'000
(Loss) earnings for the purpose of basic (loss) earnings per share ((loss) profit for the year attributable to equity holders of the Company)	**(2,799,811)**	1,378,824

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**285,915,057**	288,522,498

No diluted loss per share has been presented because the exercise price of the Company's outstanding warrants was higher than the average market price of shares for the period from date of issue to 31 December 2008.

The calculation of basic (loss) earnings per share attributable to the ordinary equity holders of the Company has been adjusted as a result of the Company's rights issue subsequent to 31 December 2008. Details of the rights issue are disclosed in note 38(1).

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For the year ended 31 December 2008

16. (LOSS) EARNINGS PER SHARE *(continued)*

From continuing operations

The calculation of the basic (loss) earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	HK$'000
(Loss) earnings for the year attributable to equity holders of the Company	**(2,799,811)**	1,378,824
Add: Loss for the period from discontinued operation	**–**	1,528
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	**(2,799,811)**	1,380,352

The denominators used are the same as those detailed above for basic (loss) earnings per share.

From discontinued operation

For the year ended 31 December 2007, basic loss per share for the discontinued operation is HK$0.005 per share. The calculation of the basic loss per share was based on the loss for the period from the discontinued operation of HK$1,528,000 attributable to the ordinary equity holders of the Company and the denominators detailed above for basic (loss) earnings per share.

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2007	81,589
Transfer from prepaid lease payments	4,640
Transfer from buildings	1,098
Net change in fair value	23,598
At 31 December 2007	110,925
Transfer from prepaid lease payments	3,160
Transfer from buildings	1,428
Net change in fair value	(12,408)
At 31 December 2008	**103,105**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

17. INVESTMENT PROPERTIES *(continued)*

The Group's investment properties are analysed as follows:

	2008	2007
	HK$'000	HK$'000
Properties held under medium term leases:		
– in Hong Kong	**66,815**	73,765
– in the PRC	**33,030**	33,350
Properties situated in the PRC held under long term leases	**3,260**	3,810
	103,105	110,925

The fair value of the Group's investment properties at 31 December 2008 and 2007 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the institute of valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions and on the basis of capitalisation of the net income with due allowance for the reversionary income.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

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18. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong under medium-term lease HK$'000	Computer and electronic equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION					
At 1 January 2007	4,105	2,285	3,110	501	10,001
Additions	–	35	60	–	95
Disposals	–	(1,571)	(1,491)	–	(3,062)
Revaluation increase	579	–	–	–	579
Transfer to investment properties	(1,098)	–	–	–	(1,098)
At 1 January 2008	3,586	749	1,679	501	6,515
Additions	–	141	160	678	979
Disposals	–	–	–	(501)	(501)
Revaluation decrease	(62)	–	–	–	(62)
Transfer to investment properties	(1,428)	–	–	–	(1,428)
At 31 December 2008	**2,096**	**890**	**1,839**	**678**	**5,503**
Comprising:					
At cost	–	890	1,839	678	3,407
At valuation – 2008	2,096	–	–	–	2,096
	2,096	890	1,839	678	5,503
DEPRECIATION					
At 1 January 2007	–	2,084	2,704	501	5,289
Provided for the year	85	67	132	–	284
Eliminated on disposals	–	(1,455)	(1,314)	–	(2,769)
Eliminated on revaluation	(85)	–	–	–	(85)
At 1 January 2008	–	696	1,522	501	2,719
Provided for the year	66	35	101	113	315
Eliminated on disposals	–	–	–	(501)	(501)
Eliminated on revaluation	(66)	–	–	–	(66)
At 31 December 2008	**–**	**731**	**1,623**	**113**	**2,467**
CARRYING VALUES					
At 31 December 2008	**2,096**	**159**	**216**	**565**	**3,036**
At 31 December 2007	3,586	53	157	–	3,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

Buildings	Over the shorter of the lease terms or 30-50 years
Computer and electronic equipment	20%
Furniture and fixtures	20%
Motor vehicles	20% – 50%

The buildings of the Group were valued on 31 December 2008 and 2007 by DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers, on a market value basis. DTZ Debenham Tie Leung Limited is not connected with the Group. A revaluation surplus on buildings of approximately HK$54,000 (2007: HK$144,000) has been credited to the consolidated income statement. A revaluation deficit on buildings of approximately HK$50,000 (2007: surplus of HK$520,000) has been charged to the building revaluation reserve.

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$647,000 (2007: HK$1,360,000).

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land in Hong Kong held under medium term leases.

The leasehold land is amortised on a straight-line basis over the remaining term of the leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

20. INTERESTS IN ASSOCIATES

	2008 HK$'000	2007 HK$'000
Cost of investment in associates		
Listed in Hong Kong	**184,640**	184,640
Unlisted	**67,175**	181,807
Share of post-acquisition profits and reserves, net of dividends received	**9,010**	1,850
Less: Impairment loss	**(122,324)**	–
	138,501	368,297
Fair value of listed investments	**57,379**	534,218

As at 31 December 2008 and 2007, the Group had interests in the following associates:

Name of entities	Form of business structure	Place/ Country of incorporation/ registration	Principal place of operation	Class of shares held	Number of share held by the Group	Proportion of nominal value of issued capital held by the Group 2008 %	2007 %	Proportion of voting power held 2008 %	2007 %	Principal activity
Shanghai Allied Cement Limited ("SAC")	Incorporated	Bermuda	The PRC	Ordinary	197,858,680	**27.1**	27.1	**27.1**	27.1	Investment holding
Printronics Electronics Limited ("Printronics")	Incorporated	Hong Kong	The PRC	Ordinary	2	**40**	40	**40**	40	Inactive

During the year ended 31 December 2007, the Group acquired an additional 17% equity interest in SAC ("Acquisition") at a consideration of approximately HK$87,763,000 and acquired 40% equity interest in Printronics at a consideration of approximately HK$181,807,000.

Before the Acquisition, the Group had 9.99% equity interest in SAC and the investment was accounted for as investments held for trading. Following the completion of the Acquisition on 29 June 2007, the Group has a 26.99% beneficially interest in SAC and is able to exercise significant influence on SAC. Accordingly, SAC has become an associate of the Group. On 29 June 2007, the cumulative fair value changes of the Group's 9.99% equity interest in SAC was accounted for as explained in note 3.

On 20 September 2007, the Group further acquired 0.14% equity interest in SAC in open market at a consideration of approximately HK$3,914,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

20. INTERESTS IN ASSOCIATES *(continued)*

During the year, the Directors of the Company reviewed the recoverable amounts of the interests in associates based on the value in use calculation with the expected discounted future cash flows of the associates at discount rate of 12.94% is estimated to be less than the carrying amount and accordingly, an impairment loss of approximately HK$122,324,000 was recognised in the consolidated income statement.

At 31 December 2008 and 2007, the total number of SAC shares held by the Group was 197,858,680. On 6 March 2009, the Group disposed the entire shares and the details of the transaction is disclosed in note 38(4).

The summarised financial information in respect of the Group's associates is set out below:

	2008	2007
	HK$'000	HK$'000
Total assets	**1,237,313**	1,284,974
Total liabilities	**(921,836)**	(838,021)
Net assets	**315,477**	446,953
Group's share of net assets of associates	**85,890**	140,538
Revenue	**557,249**	434,300
Losses for the year/since acquisition dates of relevant associates	**(4,564)**	(16,569)
Group's share of profits (losses) of associates for the year	**3,701**	(4,094)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2008 HK$'000	2007 HK$'000
Listed investments:		
– Equity securities listed in Hong Kong	**206,966**	557,853
– Equity securities listed elsewhere (Note)	**222,312**	263,909
	429,278	821,762
Unlisted investments:		
– Unit trusts	**50,934**	37,284
– Club debentures	**678**	678
	51,612	37,962
Total	**480,890**	859,724
Analysed for reporting purposes as:		
Current assets	**124,055**	9,801
Non-current assets	**356,835**	849,923
	480,890	859,724

Note: The currency of the equity securities listed elsewhere is mainly denominated in New Taiwan Dollars and RMB.

22. LOAN NOTES

The loan notes were issued by Sun Hung Kai & Co. Limited ("SHK"). The loan notes bear interest at 4% per annum (effective interest rate: 7.9%) with maturity date on 7 March 2008 and are redeemable by SHK if specifically agreed by both parties. During the year ended 31 December 2008, the loan notes were redeemed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

23. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	2008	2007
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**669,130**	3,294,145
– Equity securities listed elsewhere (Note)	**149,841**	323,071
	818,971	3,617,216

Note: The currency of the equity securities listed elsewhere is mainly denominated in Australian Dollars, USD and Malaysian Ringgit.

As at 31 December 2008, particulars of the Group's investments in the equity securities included in investments held for trading and available-for-sale investments which exceed 10% of the assets of the Group disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of incorporation	Class of shares	Number of shares held by the Group	Percentage of issued share capital held by the Group
Allied Properties (H.K.) Limited	Hong Kong	Ordinary	356,174,000	6.3%
SHK	Hong Kong	Ordinary	53,328,265	3.1%
APAC Resources Limited	Hong Kong	Ordinary	614,260,000	13.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

24. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 30-90 days to its trade debtors.

An aged analysis of trade debtors is as follows:

	2008	2007
	HK$'000	HK$'000
Trade debtors within 90 days	**1,096**	1,992
Other debtors, deposits and prepayments	**35,552**	39,292
	36,648	41,284

There is no allowance for doubtful debts in both years.

25. LOAN RECEIVABLES

	2008	2007
	HK$'000	HK$'000
Fixed-rate loan	**162,875**	172,015
Variable-rate loan	**2,000**	2,000
	164,875	174,015

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivable from the date credit was initially granted up to the reporting date. Accordingly, the Directors believe that there is no further credit provision required.

The average interest rate for the fixed-rate loan receivables was approximately 10% (2007: 10%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

25. LOAN RECEIVABLES *(continued)*

The contracted interest rates of the variable-rate loan receivables denominated in Hong Kong dollars is The Hongkong and Shanghai Banking Corporation Limited ("HSBC") prime rate (2007: from HSBC prime rate to HSBC prime rate plus 2%) with effective interest rate of 6% (2007: 8%). Interest is normally repriced every six months.

The loan receivables with a carrying amount of HK$164,875,000 (2007: HK$143,415,000) are secured by certain deposits and unlisted securities which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable as the creditworthiness and the past collection history of each client are satisfactory.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES

The pledged bank deposits represent deposit pledged to banks to secure banking facilities granted to the Group and carry fixed interest rate with a range from 0.5% to 3.8% (2007: 1% to 3.4%).

Bank balances carry interest at market rates with a range from 0.1% to 2.8% (2007: 2% to 5.25%).

27. CREDITORS AND ACCRUED CHARGES

Creditors and accrued charges principally comprise amounts outstanding for trade purpose and ongoing costs.

An aged analysis of trade creditors is as follows:

	2008	2007
	HK$'000	HK$'000
Trade creditors due within 90 days	**2,263**	29,778
Other creditors and accrued charges	**67,748**	68,217
	70,011	97,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

28. OTHER BORROWINGS

The following table provides an analyses of the other borrowings:

	2008 **HK$'000**	2007 HK$'000
Securities margin loans	**489,682**	918,838
Unsecured term loan	**300,000**	–
Secured term loan	**65,000**	–
	854,682	918,838

(a) Securities margin loans

This represents securities margin financing received from stock broking, futures and options broking house and were secured by certain collateral of the Group as disclosed in note 32. Additional funds or collateral are required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the broking house. The collateral can be sold at the broking house's discretion to settle any outstanding borrowings owed by the Group. The entire loans are secured by the Group's marketable securities as disclosed in note 32, repayable on demand and bear variable interest with a range from 0.95% to 7% (2007: 3.4% to 8.0%).

(b) Unsecured term loan

At the balance sheet date, the Group's unsecured loan is denominated in Hong Kong dollars bearing variable interest rate (which is also equal to contracted interest rates) with a range from 5% to 5.25% per annum. The unsecured term loan is payable in July 2009.

(c) Secured term loan

At the balance sheet date, the term loan is denominated in Hong Kong dollars with fixed interest rate at 8% per annum and payable in April 2009. Pursuant to the loan agreement, the lender has incorporated first floating charge over the undertaking, property and assets of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

29. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments comprise option contracts linked with the equity securities listed in Hong Kong with certain brokers for a period of one year.

30. SHARE CAPITAL

	Number of shares		Carrying value	
	2008	2007	**2008**	2007
			HK$'000	HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning and end of the year	**30,000,000,000**	30,000,000,000	**300,000**	300,000
Issued and fully paid:				
At beginning of the year	**276,183,547**	282,883,547	**2,762**	2,829
Repurchase of shares	**(578,000)**	(6,700,000)	**(6)**	(67)
Issue of shares due to exercise of warrants	**16,947**	–	**–**	–
At end of the year	**275,622,494**	276,183,547	**2,756**	2,762

During the year ended 31 December 2008 and 2007, the Company repurchased its own shares through the Stock Exchange as follows:

2008

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
June 2008	235,000	4.20	4.18	984
September 2008	223,000	1.62	1.16	299
October 2008	120,000	1.20	0.70	94
	578,000			1,377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

30. SHARE CAPITAL *(continued)*

2007

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
February 2007	348,000	3.38	3.30	1,169
March 2007	548,000	3.36	3.15	1,820
April 2007	1,816,000	4.13	4.08	7,493
May 2007	2,760,000	5.64	4.37	13,795
June 2007	768,000	6.55	5.90	4,813
July 2007	316,000	7.70	6.60	2,181
August 2007	144,000	8.13	6.60	1,106
	6,700,000			32,377

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase of the shares of HK$1,371,000 (2007: HK$32,310,000) has been charged to the share premium account. An amount equivalent to the nominal value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchases of the Company's shares during the year were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Warrants

During the year, 55,236,709 units of warrants in the value of HK$193,328,481.50 were issued on the basis of one warrant for every five ordinary shares held on 26 June 2008. Registered holders of warrants can exercise their rights to subscribe for the ordinary shares of the Company at HK$3.5 per share during the period from 28 July 2008 to 27 July 2009.

During the year, warrants in the value of HK$59,314.50 were exercised their rights to subscribe for 16,947 ordinary shares in the Company at HK$3.5 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

30. SHARE CAPITAL *(continued)*

Warrants *(continued)*

At 31 December 2008, the Company had outstanding 55,219,762 warrants to be exercised at any time on or before 27 July 2009. Exercise in full of such warrants would result in the issue of 55,219,762 additional ordinary shares of HK$0.01 each.

The exercise price in respect of warrants has been adjusted from HK$3.5 to HK$2.63 after the approval of the proposed rights issue exercise (announced by the Company on 1 December 2008) by the shareholders of the Company at the special general meeting held on 16 January 2009.

31. DEFERRED TAXATION

	Revaluation of properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2007	417	(417)	–
Charge (credit) to consolidated income statement for the year	2,672	(2,672)	–
At 31 December 2007	3,089	(3,089)	–
Effect of change in tax rate	(177)	177	–
(Credit) charge to consolidated income statement for the year	(1,076)	1,076	–
At 31 December 2008	**1,836**	**(1,836)**	**–**

At 31 December 2008, the Group has estimated unused tax losses of approximately HK$2,617 million (2007: HK$744 million), for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$11.1 million (2007: HK$17.6 million) of such losses. No deferred tax asset has been recognised in respect of remaining estimated tax losses of approximately HK$2,606 million (2007: HK$726 million) due to the unpredictability of future profit streams. These estimated tax losses may be carried forward indefinitely.

The Group has deductible temporary differences in respect of accounting depreciation of approximately HK$7.8 million (2007: HK$9.4 million). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

32. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to banks and securities brokers house to secure short term credit facilities:

	2008 HK$'000	2007 HK$'000
Investment properties	–	33,300
Investments held for trading	773,077	3,121,898
Available-for-sale investments	108,323	460,628
Pledged bank deposits	1,167	10,718
	882,567	3,626,544

33. MAJOR NON-CASH TRANSACTION

During the year, dividends of HK$114,632,000 received from Printronics, an associate of the Group, were settled by receipt of 20,659,852 ordinary shares of Tianjin Printronics Circuit Corp. listed in Shenzhen Stock Exchange.

34. LEASE COMMITMENTS

The Group as lessee

	2008 HK$'000	2007 HK$'000
Minimum lease payments paid under operating leases in respect of premises	1,966	1,920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

34. LEASE COMMITMENTS *(continued)*

The Group as lessee *(continued)*

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

	2008	2007
	HK$'000	HK$'000
Within one year	**1,898**	1,966
In the second to fifth year inclusive	**2,689**	4,587
	4,587	6,553

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for a lease term of four years.

The Group as lessor

Property rental income earned during the year was approximately HK$4,006,000 (2007: HK$4,780,000). The properties held have committed tenants for a lease term of two years.

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

	2008	2007
	HK$'000	HK$'000
Within one year	**3,076**	3,293
In the second to fifth year inclusive	**2,228**	472
	5,304	3,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

35. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme for its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustee.

The retirement benefits scheme contributions charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group or will be refunded to the Company upon request.

There is no forfeited contribution for the year ended 31 December 2008. Forfeited contributions of HK$419,000 for the year ended 31 December 2007, which arose upon employees leaving the schemes, were available to reduce the contributions payable by the Group in future years.

In addition to the defined contribution retirement benefits scheme, the Group is required to contribute to Mandatory Provident Fund for certain employees in Hong Kong based on applicable rates of monthly salary in accordance with the relevant regulations.

During the year, the retirement benefits scheme contributions charged to consolidated income statement were HK$147,000 (2007: HK$157,000).

36. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group during the year was as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**5,047**	60,315
Retirement benefits costs	**58**	60
	5,105	60,375

The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

37. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2007, the Group disposed of a non-wholly owned subsidiary:

	HK$'000
NET ASSETS DISPOSED OF	
Investment property	94,706
Property, plant and equipment	48,046
Debtors, deposits and prepayments	615
Amount due from a minority shareholder	4,805
Creditors and accrued charges	(24,616)
Deferred tax liability	(5,391)
Taxation liability	(10)
	118,155
Minority interests	(16,798)
Net assets disposed of	101,357
Total consideration satisfied by:	
Deposits received in advance	30,027
Bank balances and cash	71,330
	101,357
Net cash inflow arising on disposal:	
Cash consideration	71,330

The major asset held by the subsidiary is investment property. The fair value gain of HK$13,753,000 on the investment property upon the disposal was recognised in the consolidated income statement during the year ended 31 December 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

38. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2008, the Group entered the following transactions:

(1) On 1 December 2008, the Company announced that it is proposed to raise not less than approximately HK$110 million before expenses by way of a rights issue ("Rights Issue") of not less than 275,622,494 shares and not more than 330,842,256 shares at a price of HK$0.40 per share on the basis of one rights share for every existing share. On 11 February 2009, the Company announced 275,649,760 rights shares were issued in relation to the Rights Issue.

(2) On 1 December 2008, the Company announced that it and a placing agent entered into a placing agreement on 23 November 2008, whereby the Company has conditionally agreed to place, through the placing agent on a fully underwritten basis, a maximum of HK$300,000,000 value of convertible bonds. On 11 February 2009, the Company has issued HK$300,000,000 principal amount of the convertible bonds with maturity of three years at a conversion price of HK$0.75 and at an interest rate of 9% per annum convertible into shares of the Company. The Directors has commenced considering and quantifying the potential financial impact of the issuance of the convertible bonds.

(3) On 13 February 2009, the Group disposed of 38,000,000 shares of SHK, which were classified as available-for-sale investments as at 31 December 2008, at a consideration of approximately HK$178.6 million. The disposal will result in a gain of approximately HK$113.7 million.

(4) On 6 March 2009, the Group disposed of 197,858,680 shares in SAC, an associate of the Group at a price of HK$0.70 per share to an independent third party by crossing on market. The disposal will not result in material financial impact on the result of the Group by comparing the proceeds from the disposal with the carrying amount of SAC in the Group's consolidated financial statements as at 31 December 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2008 and 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2008 & 2007	Principal activities
Directly held				
Besford International Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Classic Fortune Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Mission Time Holdings Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Star Paging (BVI) Limited	The British Virgin Islands	Ordinary US$400	100%	Investment holding
Yuenwell Holdings Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Indirectly held				
China Capital Holdings Limited	Hong Kong	Ordinary HK$2	100%	Treasury service
China Online (Bermuda) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
China Online Nominees Limited	Hong Kong	Ordinary HK$200	100%	Investment holding and provision of nominee services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2008 & 2007	Principal activities
Indirectly held *(continued)*				
China Online Secretaries Limited	Hong Kong	Ordinary HK$2	100%	Provision of secretarial services
Focus Clear Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading in Hong Kong
Forepower Limited	The British Virgin Islands	Ordinary US$1	100%	Property investment in Hong Kong
Future Rise Investments Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading in overseas
Genwo Limited	Hong Kong	Ordinary HK$200,000	100%	Property investment
Gold Chopsticks Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Honest Opportunity Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK$2	100%	Money lending
Keentime Investments Limited*	The British Virgin Islands	Ordinary US$2	50%	Securities trading in Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2008 & 2007	Principal activities
Indirectly held *(continued)*				
Kintic Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Konnic Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Rich Investments Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Sparkling Summer Limited	The British Virgin Islands	Ordinary US$6,500,000	100%	Securities trading in Hong Kong and overseas
Star Charter Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Star Telecom (China Investment) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Star Telecom Holding Limited	Hong Kong	Ordinary HK$200 Deferred# HK$4,000,000	100%	Investment holding
Star Telecom Properties Limited	Hong Kong	Ordinary HK$200	100%	Investment and property holding
Taskwell Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding

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For the year ended 31 December 2008

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2008 & 2007	Principal activities
Indirectly held *(continued)*				
Tricom Tianchi Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Vinka Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Widerich Limited	Hong Kong	Ordinary HK$2	100%	Property investment
星電電子技術發展(深圳)有限公司**	The PRC	Registered HK$1,000,000	100%	Research and development for computer software and relevant technical consultancy services

\# The deferred shares, which are not held by the Group, practically carry no rights to any dividend or to receive notice of or to attend or vote at any general meeting of the company or to any distribution in winding up.

* The Group is able to control the voting power at all general meetings of Keentime Investments Limited, accordingly, Keentime Investments Limited is accounted for as a subsidiary of the Company.

** Wholly foreign-owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

None of the subsidiaries had any debts securities subsisting at 31 December 2008 and 31 December 2007 or at any time during the respective years.

FINANCIAL SUMMARY

The results and the assets and liabilities of the Group for the past five financial years, as extracted from the Group's published audited consolidated financial statements and reclassified as appropriate, are set out below:

RESULTS

	For the year ended 31 December				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008 HK$'000**
Revenue					
Continuing operations	610,286	156,777	1,162,742	2,289,440	**660,308**
Discontinued operation	237,205	66,309	67,098	7,681	**–**
	847,491	223,086	1,229,840	2,297,121	**660,308**
Profit (loss) before taxation					
Continuing operations	181,818	106,490	788,754	1,560,048	**(2,806,060)**
Discontinued operation	21,583	(1,883)	(4,710)	(1,501)	**–**
	203,401	104,607	784,044	1,558,547	**(2,806,060)**
Taxation (charge) credit	(127)	(99)	(11,527)	(175,900)	**2,377**
Profit (loss) for the year	203,274	104,508	772,517	1,382,647	**(2,803,683)**
Attributable to:					
Equity holders of the Company	203,274	104,511	772,468	1,378,824	**(2,799,811)**
Minority interests	–	(3)	49	3,823	**(3,872)**
	203,274	104,508	772,517	1,382,647	**(2,803,683)**

ASSETS AND LIABILITIES

	At 31 December				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008 HK$'000**
Total assets	1,263,863	1,456,311	2,748,458	5,311,251	**1,817,576**
Total liabilities	(40,211)	(154,581)	(332,564)	(1,206,932)	**(1,037,235)**
	1,223,652	1,301,730	2,415,894	4,104,319	**780,341**
Equity attributable to equity holders of the Company	1,223,652	1,284,932	2,399,047	4,100,447	**780,341**
Minority interests	–	16,798	16,847	3,872	**–**
	1,223,652	1,301,730	2,415,894	4,104,319	**780,341**