Far East Holdings International Limited

Stock Code : 0036

Annual Report

2008

CONTENTS

The English text of this Annual Report shall prevail over the Chinese text.

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors:

Deacon Te Ken Chiu, J.P. (Chairman)
Mr. Duncan Chiu, B.Sc. (Managing Director and Chief Executive Officer)
Mr. Dennis Chiu, B.A.

Non-executive Directors:

Tan Sri Dato' David Chiu, B.Sc.
Mr. Daniel Tat Jung Chiu
Mr. Derek Chiu, B.A.
Mr. Desmond Chiu, B.A.
Ms. Margaret Chiu, LL.B.

Independent Non-executive Directors:

Dr. Lee G. Lam
Mr. Eugene Yun Hang Wang, MBA
Mr. Hing Wah Yim, CPA (Practising), FCCA, CPA

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Hung Kwong Lui, FCPA, FCCA, CGA, ACA

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Duncan Chiu, B.Sc.
Mr. Hung Kwong Lui, FCPA, FCCA, CGA, ACA

AUDIT COMMITTEE

Dr. Lee G. Lam (Chairman)
Mr. Eugene Yun Hang Wang, MBA
Mr. Derek Chiu, B.A.
Mr. Hing Wah Yim, CPA (Practising), FCCA, CPA

REMUNERATION COMMITTEE

Mr. Duncan Chiu, B.Sc. (Chairman)
Dr. Lee G. Lam
Mr. Eugene Yun Hang Wang, MBA

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE

16th Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

PRINCIPAL OFFICE

Room 1802-1804, 18th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong
Telephone: 3521 3800
Facsimile: 3521 3821
Email: info@feholdings.com.hk

SHARE REGISTRAR AND TRANSFER OFFICE

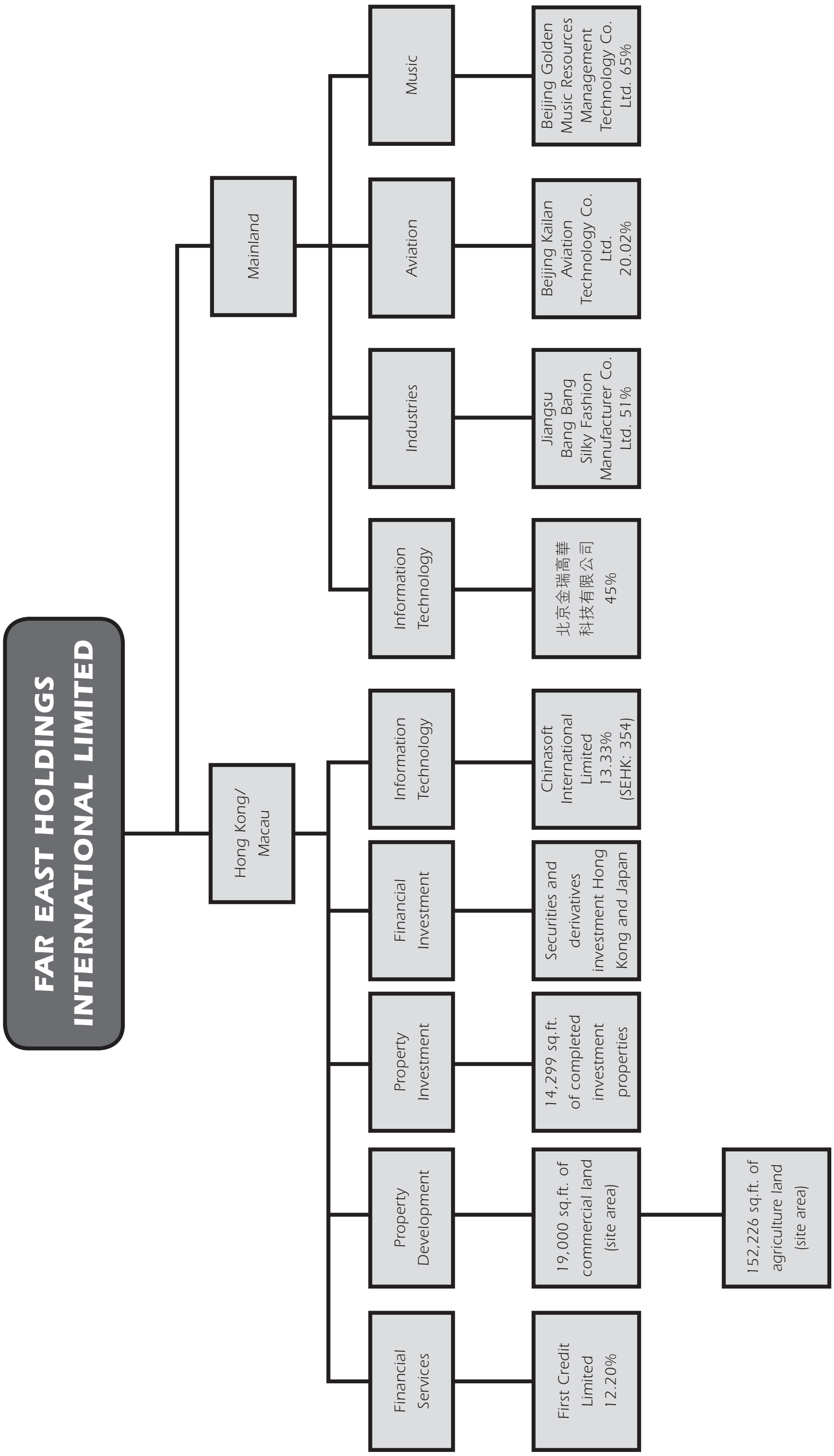
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION

Stock Exchange of Hong Kong ("SEHK"): 36
Board Lot Size: 3000

WEBSITE

http://www.feholdings.com.hk


FAR EAST HOLDINGS INTERNATIONAL LIMITED
Hong Kong/ Macau
Mainland
Financial Services
Property Development
Property Investment
Financial Investment
Information Technology
Information Technology
Industries
Aviation
Music
First Credit Limited 12.20%
19,000 sq.ft. of commercial land (site area)
152,226 sq.ft. of agriculture land (site area)
14,299 sq.ft. of completed investment properties
Securities and derivatives investment Hong Kong and Japan
Chinasoft International Limited 13.33% (SEHK: 354)
北京金瑞高華科技有限公司 45%
Jiangsu Bang Bang Silky Fashion Manufacturer Co. Ltd. 51%
Beijing Kailan Aviation Technology Co. Ltd. 20.02%
Beijing Golden Music Resources Management Technology Co. Ltd. 65%

CORPORATE RESULTS

For the year ended 31st December, 2008, the Company and its subsidiaries (the "Group") recorded gross proceeds from operations of approximately HK$83.39 million (2007: HK$77.13 million), representing a rise of 8.12% compared with last year, which mainly arose from the securities investment and trading.

The Group's loss attributable to equity holders of the Company approximately HK$66.24 million (2007: profit of HK$97.39 million), a sharp decrease of 1.68 times from last year. The loss per share for the year ended 31st December, 2008 was 30.9 HK cents (2007: earnings per share of 43.8 HK cents), a decrease of 1.71 times over last year.

DIVIDEND

No interim dividend was paid during the year and the Board did not recommend a final dividend.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2008, the Group had cash and bank balances and deposits held at financial institutions amounting to HK$29.74 million (2007: HK$93.58 million). Fundamentally, the Group's funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 31st December, 2008, the Group had total borrowings of HK$22.71 million (2007: HK$26.65 million) of which HK$5.92 million (2007: HK$9.01 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group's borrowings were denominated in Hong Kong dollar, Japanese Yen and United States dollar.

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

GEARING RATIO AND CURRENT RATIO

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 31st December, 2008 decreased to 7.52% (2007: 8.12%). The Group's current ratio (current assets to current liabilities) as at 31st December, 2008 declined to 3.54 (2007: 7.55). On the whole, the financial position and liquidity of the Group were healthy.

CAPITAL STRUCTURE

In January 2008, 968,348 share options out of a total 2,118,348 granted in 2005 and 2006 were exercised.

On 2nd February, 2008, ordinary resolutions were duly passed at the extraordinary general meeting of the Company in relation to the acquisition of the advertising and development of background music equipment businesses from Allied Wealth Holdings Limited (the "Allied Wealth") by the Company through a wholly-owned subsidiary, Golden Star Investment Limited (the "Golden Star") and the issue and allotment of the 20,000,000 new shares of the Company to the Allied Wealth as part of the consideration payable under the sale and purchase agreement dated 2nd January, 2008.

In the annual general meeting held on 30th May, 2008, shareholders of the Company approved the issue of bonus shares by way of capitalization of the sum of HK$1,514,189.43 from the share premium account that based on 151,418,943 ordinary shares of HK$0.01 each issued by the Company, one bonus share to be issued for every one ordinary share each held by such shareholders on 30th May, 2008.

During the year, due to the exercise of share option, issue of consideration shares and bonus shares, the total issued share capital of the Company was increased from 130,450,595 shares to 302,837,886 shares. Movements of the Company's issued share capital during the year were shown as follows:–

	Number of shares
At 1st January, 2008	130,450,595
Exercise of share option	968,348
Issue of consideration shares	20,000,000
Issue of bonus shares	151,418,943
At 31st December, 2008	302,837,886

PLEDGE OF ASSETS

At 31st December, 2008, the Group had pledged certain listed investments, bank deposits and certain properties with an aggregate carrying value of approximately HK$80.4 million (2007: HK$92.7 million) to banks and financial institutions for margin trading facilities, and other loan facilities to the Group to the extent of approximately HK$278.4 million (2007: HK$280.4 million).

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

The Group had no significant exposure to foreign fluctuation during the year.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31st December, 2008, the Company is contingently liable for guarantee issued to a bank in respect of a property mortgage loan granted to a subsidiary. The mortgage loan utilised by the subsidiary amounted to HK$17,599,510 (2007: HK$18,364,788).

In the opinion of the directors, the fair value of the financial guarantee contract is insignificant. Accordingly, no value has been recognised in the consolidated financial statements.

Capital Commitments

At 31st December, 2008, the Group had no significant capital commitments (2007: RMB38 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 2nd January, 2008, Golden Star, Allied Wealth, Mr. Sin Kwok Lam and the Company entered into a conditional sale and purchase agreement. Pursuant to which Golden Star has conditionally agreed to acquire and Allied Wealth has conditionally agreed to sell the entire issued share capital of Wealth Trend Investment Limited ("Wealth Trend") at an aggregate consideration of HK$32,691,772. After that, the Company entitled to the entire issued capital of Wealth Trend, which in turn holds 65% equity interest of Beijing Golden Music Resources Management Technology Co., Ltd. ("GMR"), a sino-foregin equity joint venture established in PRC.

On 6th October, 2008, the Company disposed 10.83% equity interest in Golife Concepts Holdings Limited ("Golife") to Best China Limited, Dore Holdings Limited and In Achieve Investments Limited for a total consideration of approximately HK$5.97 million. On 9th October, 2008, the Company sold the convertible bonds in the principle amount of HK$7,000,000 issued by Golife to Ms. Chan Mei Sau Teresina at a consideration of HK$7,000,000. After that, the Company no longer held any interests in Golife.

On 14th October, 2008 Wealth Trend acquired 10% and 20% equity interest of GMR from Mr. Wang Hong Quan and Beijing Jie Yang at an aggregate consideration of RMB7,500,000 by entering into the Equity Transfer Agreements. On 14th October, 2008, Subscription and Shareholders' Agreement entered into among (i) Golden Star, (ii) Maxi Wealth Investments Limited; (iii) Mr. Wang Hong Quan; (iv) Ms. Dong Shumei and (v) Mr. Yang Xiang Dong and Wealth Trend pursuant to which, inter alia, the subscribers agreed to subscribe for a total of 8,567,265 shares of HK$1.00 each in the capital of Wealth Trend. After that, Golden Star held 68.43% equity interest of Wealth Trend and Wealth Trend held 95% equity interest of GMR.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2008, the Group had approximately 330 employees in Hong Kong and PRC (2007: 400 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group was adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 2,300,000 (2007: 2,118,348) share options outstanding under the share option scheme as at 31st December, 2008.

BUSINESS REVIEW AND PROSPECTS

Information Technology Holdings

Chinasoft International Limited ("Chinasoft") (stock code: 354) is an associate of the Group and its listing has been migrated from the Main Board to the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited effective on 17th December, 2008. Chinasoft has reported a profit attributable of equity holders of Chinasoft of RMB63.34 million for the year ended 31st December, 2008 (2007: RMB115.45 million) representing a decline of 45% from that of last year whereas turnover grew from RMB811.55 million in 2007 to RMB983.37 million in 2008 representing a rise of 21% compared with last year.

During the year, Chinasoft had advanced its practice of unique business mode by adhering to its fundamental principle of "Consolidation of resource in leading verticals, innovation through interaction" so as to further integrate the competitive advantages of Chinasoft existing industry solution business and IT outsourcing services business.

The strategic development goal of the Company is to become a leading integrated IT service provider principally engaged in solution and software outsourcing. In light of the huge growth potential in the IT service industry of the PRC, Chinasoft will capitalise its edges to capture new business opportunities in 2009 by rationalising management, strengthening cost control and proactively expanding the domestic and international markets.

Entertainment Holdings

Beijing Golden Music Resources Management Technology Co., Ltd. ("GMR")

After share restructure during the year, the Company holds 68.43% equity interest of Wealth Trend, which in turn holds 95% equity interest of GMR. The principal business activities of GMR are provision of background music and music licensing service related business. For the year ended 31 December 2008, GMR achieves a turnover of HK$1.42 million and incurs a net loss of HK$27.55 million.

GMR is a background music service provider for all public and commercial area in the PRC. It has an exclusive partnership with MCSC (the Music Copyright Society of China) to provide value added services to all public area in China which broadcasts background music. This is a new and unique industry with great potential. GMR is still at its early stage and the Group has great confidence in its future development.

Aviation Holdings

Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan")

During the year, Beijing Kailan has recorded a turnover of approximately RMB84.07 million (2007: RMB75.23 million) representing a rise of 11.75% over that of 2007 and net loss of RMB98,000 (2007: net loss RMB4.62 million) representing an improvement over that of 2007. The price of aviation fuel reached new highs in July 2008 though prices fell significantly towards the end of 2008, the impact on the aviation industry is still lingering.

Demand for the Beijing Kailan's services are expected to remain promising notwithstanding the impact of financial turmoil on the aviation industry. Aircraft maintenance and repairings are required even during down cycle of the industry. Therefore, it is expected that Beijing Kailan's business will continue to have steady growth in the year of 2009.

Industries

The Group's manufacturing operations, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited ("Jiangsu Bang Bang"), 51% subsidiary of the Company. Jiangsu Bang Bang recorded a turnover approximately of HK$20.41 million (2007: HK$27.71 million) representing 26% decrease comparing with 2007 and a net profit of HK$83,000 (2007: loss of HK$376,000) representing slight improvement comparing with 2007. The continuous inflation in Renminbi exerted pressures on general expenses, the new PRC labour law launched in January 2008 gave additional pressure to labour costs and the uprising oil and coal prices largely increased the fuel costs. On top of these, the outbreak of the US subprime crisis has grown into a global financial tsunami which had high negative impact to the global economy and the consumer markets, affecting the purchase orders from the export customers.

It is anticipated that the global trading environment will remain tough and difficult. The macro uncertainty triggered by the global financial tsunami continues to haunt the textile and garment industry. In view of all these challenges, the Jiangsu Bang Bang will maintain its vigilance to further tighten its cost control measures as well as to enhance its production efficiency and effectiveness.

Financial services

First Credit Limited ("First Credit") is a wholly-owned subsidiary of First Holdings Consortium Limited, which the Group holds approximately 12.2% equity interest. The principal business activities include mortgage loan, SME business loan, securities mortgage and project financing as well as personal loan. In additions, First Credit has developed a strong branch network throughout Hong Kong. First Credit has reported a turnover of approximately HK$49 million and net profit of HK$17 million for the year ended 31st December, 2008. Furthermore First Credit has planned to go public in the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in the year of 2009.

It is expected that the economic outlook in Hong Kong is anticipated to be challenging in view of the uncertainties in the global economic situation and increasing inflation pressure. With the downtrend in the property and capital markets, demand for consumer finance is expected to increase. Under this operating environment, First Credit will take a conservative approach to capture new market segment and grow its portfolio. At the same time, First Credit will closely monitor its portfolio for possible deterioration of credit quality.

Property Division

The Group has recorded a loss of HK$0.54 million from decrease a fair value of its investment properties. The financial tsunami stemming from sub-prime mortgage defaults in the United States started to take its toll on the global economy and Hong Kong, as a highly externally oriented economy, was not spared. In the latter half of 2008, the volume of property transactions in Hong Kong reduced substantially, with end-users and investors (including those from the mainland and overseas) becoming much more cautious amid concern for rising unemployment and a slumping economy in the territory.

OUTLOOK

The U.S. financial tsunami has driven the world into recession and under such circumstances, the directors have taken a cautious approach in managing the Group's operations and investments in the future. However, risks always are accompanied by opportunities as well. The directors will focus on identifying opportunities to make positive changes in the year ahead and continue finding its ways to enhance long-term growth and future success.

Duncan Chiu
Managing Director and Chief Executive Officer

Hong Kong, 29th April, 2009

EXECUTIVE DIRECTORS

Mr. Deacon Te Ken Chiu, J.P. (Chairman)

Mr. Chiu, aged 84, is the founder of the Far East Group and has been the Chairman of the Company since 1981. He is also the Chairman of Far East Consortium International Limited (stock code: 35) and FAR EAST HOTELS AND ENTERTAINMENT LIMITED (stock code: 37). Mr. Chiu has more than 50 years of business experience in property investment and development; operation of entertainment and tourism related business; hotel ownership and management; financing and banking. He was a member of the Chinese People's Political and Consultative Conference from the 6th to 9th; the founder of the Yan Chai Hospital and the Vice Patron of the Community Chest since 1968; the founder and permanent Honorary Chairman of The New Territories General Chamber of Commerce; the founder and Chairman of the Ju Ching Chu Secondary School since 1966. Mr. Chiu is the father of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Ms. Margaret Chiu.

Mr. Duncan Chiu, B.Sc. (Managing Director and Chief Executive Officer)

Mr. Chiu, aged 34, is the Managing Director and Chief Executive Officer of the Group. Mr. Chiu graduated with a bachelor's degree in business administration from Pepperdine University of California, USA in 1996. He serves as a Non-executive Director of FAR EAST HOTELS AND ENTERTAINMENT LIMITED (stock code: 37) and Chinasoft International Limited (stock code: 354). He also serves as Vice Chairman of The Chamber of Hong Kong Listed Companies, Chairman of Hong Kong & Mainland Software Industry Cooperation Association Limited, Vice President of Innovation & Technology Association, Committee Member of All-China Youth Federation, Vice Chairman of Henan Provincial Youth Federation and Member of The Chinese People's Political Consultative Conference, Shanghai Committee. He is the son of Deacon Te Ken Chiu, J.P. and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu and Ms. Margaret Chiu.

Mr. Dennis Chiu, B.A.

Mr. Chiu, aged 50, was appointed as an Executive Director of the Company in 1981. Mr. Chiu has been actively involved in the business development in the People's Republic of China ("PRC"), Singapore and Malaysia. He is an Executive Director of Far East Consortium International Limited and a Non-executive Director of FAR EAST HOTELS AND ENTERTAINMENT LIMITED. He is also a Non-executive Director of London-listing Fortune Oil Plc. He is the son of Deacon Te Ken Chiu, J.P. and the brother of Messrs. David Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Ms. Margaret Chiu.

NON-EXECUTIVE DIRECTORS

Tan Sri Dato' David Chiu, B.Sc.

Tan Sri Dato' David Chiu, aged 54, holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He has over 30 years' experience in the property development and related business. Since 1978, he had been the Managing Director of Far East Consortium Limited (the predecessor of Far East Consortium International Limited). He was appointed as Deputy Chairman and Chief Executive Officer of Far East Consortium International Limited ("FECIL") on 8th December, 1994 and 8th October, 1997 respectively. FECIL is listed on The Stock Exchange of Hong Kong Limited.

In 1987, Tan Sri Dato' David Chiu founded Malaysia Land Holdings Berhad (Mayland Group) in Malaysia. Over the years, Mayland Group has extensive development and become one of the largest real estate developers in Malaysia. Tan Sri Dato' David Chiu is also the Chairman and substantial shareholder of Tokai Kanko Company Limited, which is listed on the Tokyo Stock Exchange. In regards of his devotion to the community services, Tan Sri Dato' David Chiu is a trustee member of The Better Hong Kong Foundation and a committee member of Festival Celebration for the Chinese People's Liberation Army Force in Hong Kong. In Malaysia, he was first conferred an honorary award which carries the title "Dato" by His Majesty, the King of Malaysia, in July 1997. At the end of 2005, he was awarded a more senior honorary title of "Tan Sri" by His Majesty of Malaysia. He is the second son of Deacon Te Ken Chiu J.P. and the brother of Messrs. Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Ms. Margaret Chiu.

Mr. Daniel Tat Jung Chiu

Mr. Chiu, aged 48, has been appointed as a Director of the Company since 1983. He is also a Non-executive Director of Far East Consortium International Limited. He is the major shareholder and Vice Chairman of London-listing Fortune Oil Plc. He is the Chairman of Harrow International School. Mr. Chiu has extensive experience in China trade, petroleum trading and infrastructure investments. He also takes an active part in several kinds of projects in Hong Kong and the P.R.C.. He is the son of Deacon Te Ken Chiu, J.P. and the brother of Messrs. David Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Ms. Margaret Chiu.

Mr. Derek Chiu, B.A.

Mr. Chiu, aged 43, was appointed as a Director of the Company in 1989. He is also the Managing Director and Chief Executive of FAR EAST HOTELS AND ENTERTAINMENT LIMITED (Stock Code: 37). Mr. Chiu has extensive experience in the operation of amusement parks and entertainment business. He is the son of Deacon Te Ken Chiu, J.P. and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Desmond Chiu, Duncan Chiu and Ms. Margaret Chiu.

Mr. Desmond Chiu, B.A.

Mr. Chiu, aged 42, was first appointed as a Director of the Company in 1991. Graduated from the University of Cambridge, the United Kingdom, Mr. Chiu was appointed as Deputy Managing Director of FAR EAST HOTELS AND ENTERTAINMENT LIMITED from 1999 to February 2009. He is the son of Mr. Deacon Te Ken Chiu, J.P..

Ms. Margaret Chiu, LL.B.

Ms. Chiu, aged 49, was appointed as a Director of the Company in 1995. She is also an Executive Director of FAR EAST HOTELS AND ENTERTAINMENT LIMITED. She graduated with law degree from the University of Buckingham, the United Kingdom and has extensive experience in entertainment, television and motion picture business in Hong Kong, the PRC and overseas. She is the daughter of Deacon Te Ken Chiu, J.P. and sister of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lee G. Lam

Dr. Lam, aged 49, has been an Independent Non-executive Director of the Company since 30th September, 2004. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the UK, a PCLL (and has completed the Bar Course) from the City University of Hong Kong, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 26 years of multinational operation and general management, strategy consulting, corporate governance, investment banking, and direct investment experience in the telecommunications, media and technology (TMT), retail, property and financial services sectors. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves as an independent or non-executive director of several publicly-listed companies in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a Member of the Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organization, a Fellow of the Hong Kong Institute of Directors and a Member of its Corporate Governance Committee, a Member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and a Visiting Professor at the School of Economics & Management of Tsinghua University in Beijing.

Mr. Eugene Yun Hang Wang, MBA

Mr. Wang, aged 35, has been appointed as an Independent Non-executive Director of the Company on 1st December 2007. He holds a Bachelor of Science in Business Administration from the University of Southern California in the United States and a Master of Business Administration from The Hong Kong University of Science and Technology in Hong Kong. He has over 10 years of experience in audit work, accounting and financial management and is currently the executive director of Sterling Products Limited, a garment and textile manufacturing company.

Mr. Hing Wah, Yim, CPA (Practising), FCCA, CPA

Mr. Yim, aged 45, was appointed as an Independent Non-executive Director of the Company on 1st April, 2006. He is an associate member of Hong Kong Institute of Certified Public Accountants, fellow member of the Chartered Association of Certified Accountants and a member of the Hong Kong Securities Institute. He graduated from Hong Kong Polytechnic University with an honorary bachelor's degree in Accountancy. Mr. Yim has over 17 years of experience in audit work, accounting, taxation and financial management. He had worked with Deloitte Touche Tohmatsu for over 8 years. Currently, he is an audit partner of Chan Yim Cheng & Co. He is an Independent Non-executive Director of other listed companies in The Stock Exchange of Hong Kong Limited namely Jiangsu NandaSoft Technology Company Limited, Powerleader Science & Technology Group Limited, China Haisheng Juice Holdings Co., Ltd., Even Fortune International Holdings Limited and Launch Tech Company Limited.

SENIOR MANAGEMENT

Mr. Hung Kwong Lui, FCPA, FCCA, CGA, ACA

Mr. Lui, aged 49, is the Qualified Accountant and Company Secretary of the Company and the Financial Controller of the Group. He has over 20 years experience in audit and finance function in various sizeable and multinational companies. He is a Fellow Member of the Hong Kong Institute of Certified Public Accountants as well as Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. He is also an Associate Member of the Certified General Accountants Association of Canada and the Institute of Chartered Accountants in England and Wales.

The directors of Far East Holdings International Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 22 to 23 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 27 of the consolidated financial statements.

No interim dividend was paid during the year and the directors did not recommend the payment of a final dividend.

FIXED ASSETS

Details of movements during the year in fixed assets of the Group and the Company are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 41 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 106 of the consolidated financial statements.

PROPERTIES

Details of the properties held by the Group at 31st December, 2008 are set out on pages 107 to 108 of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserve as at 31st December, 2008 amounted to approximately HK$12.5 million (2007: HK$78 million).

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the year under review, the Company and its subsidiaries have not purchased, sold or redeemed any of the listed securities in the Company.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Deacon Te Ken Chiu J.P. (Chairman)
Mr. Duncan Chiu (Managing Director and Chief Executive Officer)
Mr. Dennis Chiu

Non-executive Directors

Tan Sri Dato' David Chiu
Mr. Daniel Tat Jung Chiu
Mr. Derek Chiu
Mr. Desmond Chiu
Ms. Margaret Chiu
Ms. Min Tang (resigned on 1st June, 2008)

Independent Non-executive Directors

Dr. Lee G. Lam
Mr. Hing Wah Yim
Mr. Eugene Yun Hang Wang

In accordance with Articles 79 and 80 of the Company's Articles of Association, Deacon Te Ken Chiu J.P., Mr. Dennis Chiu, Tan Sri Dato' David Chiu and Mr. Desmond Chiu will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

The term of office for each non-executive director is the period up to his or her annual retirement by rotation in accordance with the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, (other than statutory compensation).

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Group are set out on pages 10 to 12 of the consolidated financial statements.

DIRECTORS' AND SENIOR EXECUTIVES' INTERESTS IN SHARES AND SHARE OPTIONS

At 31st December, 2008, the interests of the Directors and senior executives of the Company and their associates in the shares and above options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(1) Long positions

Ordinary shares of HK$0.01 each of the Company

Name of Director	Number of issued ordinary Shares held				Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total interests	
Deacon Te Ken Chiu, J.P.	20,848,664	4,175,160 [1]	1.869,366	26,893,190	8.88%
Tan Sri Dato' David Chiu	3,740,000	–	12,337,600 [2]	16,077,600	5.31%
Ms. Margaret Chiu	2,200,000	–	–	2,200,000	0.73%
Mr. Dennis Chiu	7,040,088	–	4,400,000 [3]	11,440,088	3.78%
Mr. Daniel Tat Jung Chiu	4,840,000	–	22,880,088 [4]	27,720,088	9.15%
Mr. Derek Chiu	88,440	–	–	88,440	0.03%
Mr. Desmond Chiu	4,000	–	–	4,000	0.001%
Mr. Duncan Chiu	58,485,092	–	–	58,485,092	19.31%

Notes:

(1) These Shares are held by Madam Ching Lan Ju Chiu, wife of Deacon Te Ken Chiu, J.P..

(2) These Shares are held by Rocket High Investments Limited, a company wholly-owned by Tan Sri Dato' David Chiu.

(3) These Shares are held by Cape York Investments Limited ("Cape York"), a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.

(4) Of the 22,880,088 Shares, 4,400,000 Shares are held by Cape York, and the remaining 18,480,088 Shares are held by Gorich Holdings Limited, a company wholly-owned by Mr. Daniel Tat Jung Chiu.

Save as disclosed above, none of directors had registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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 Companies at 31st December, 2008.

(2) Share options

The Company's share option scheme was adopted pursuant to a resolution passed on 23rd May, 2005 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Particulars of the Company's share option scheme are set out in note 42 to the consolidated financial statements. The following table discloses movements in the Company's share options during the year:

	Number of Shares Options						
Category of Grantee	Outstanding as at 1/1/2008	Exercised during the year	Adjusted for bonus issue	Outstanding as at 31/12/2008	Exercise price HK$	Date of grant	Exercisable period (Both days inclusive)
Aggregate for employees	468,348	468,348	–	–	1.1530	21/7/2005	21/7/2005–20/7/2015
	825,000	495,000	330,000	660,000	0.6091	21/4/2006	23/5/2006–22/5/2016
	825,000	5,000	820,000	1,640,000	0.6091	21/4/2006	23/5/2007–22/5/2017
	2,118,348	968,348	1,150,000	2,300,000			

No share options of the Company were granted and lapsed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and senior executives' interests in shares and share options", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2008 the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' and senior executives' interests in shares and share options", the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of Substantial Shareholder	Number of issued ordinary shares of the Company held	Percentage of issued share capital of the Company
Madam Ju Ching Lan(1)	26,893,190	8.88%
Gorich Holdings Limited ("Gorich")(2)	18,480,088	6.10%
Max Point Holdings Limited ("Max Point")(3)	15,528,480	5.13%
Mr. Chan Wai Ki (3)	15,528,480	5.13%
Mr. Sin Kwok Lam(4)	40,528,000	13.38%
Allied Wealth Holdings Limited ("Allied Wealth") (4)	40,000,000	13.21%

Notes:

(1) *Of the 26,893,190 Shares, 22,718,030 Shares are held by Deacon Te Ken Chiu, J.P., Madam Ju Ching Lan is the spouse of Deacon Te Ken Chiu, J.P. The interests of Deacon Te Ken Chiu, J.P. in the Company is stated under the section headed "Directors' Interests" above.*

(2) *Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu. The interests of Mr. Daniel Tat Jung Chiu in the Company is stated under the section headed "Directors' Interests" in shares above.*

(3) *The entire share capital of Max Point is beneficially owned by Mr. Chan Wai Ki.*

(4) *Of the 40,528,000 shares, 40,000,000 shares are held by Allied Wealth, a company is wholly-owned by Mr. Sin Kwok Lam.*

(5) *All interests disclosed above represent long positions in the Shares.*

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions representing 5% or more of the Company's issued share capital at 31st December, 2008.

CONFIRMATION OF INDEPENDENCE

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 ("Listing Rules") and considers the independent non-executive Directors to be independent.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$48,000.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales of the Group's five largest and the Group's largest customer accounted for approximately 95% and 69% of total turnover, respectively.

Aggregate purchases of the Group's five largest and the Group's largest supplier accounted for approximately 55% and 20% of total purchases, respectively.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Director owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate governance report" on pages 20 to 24.

AUDIT COMMITTEE

The Company's audit committee comprising Independent Non-executive Directors and Non-executive Director.

The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The audit committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

SUFFICIENCY OF PUBLIC FLOAT

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

EMOLUMENT POLICY

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 10 and 11 to the consolidated financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

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

The Company has adopted a share option scheme as an incentive to directors and eligible participants, details of the scheme is set out in note 42 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board

Duncan Chiu
Managing Director and Chief Executive Officer

Hong Kong, 29th April, 2009

COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness. The Board and the Senior Management of the Company ensure that effective self-regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has applied the principles of the Code Provisions under the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December, 2008.

THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board. The Board is directly accountable to the shareholders and is responsible for preparing the accounts.

The Board comprises eleven Directors, whose biographical details are set out in the "Profile of the Directors and Senior Management" on pages 10 to 12 of this annual report. Three of the Directors are executive, five are non-executive and three are independent non-executive. The eight non-executive Directors bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contributes to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required, with the exception of the Chairman, to devote all of their active business time to the business and affairs of the Group.

Please refer to the Report of Directors on page 13 for the composition of the Board.

The posts of Chairman and Group Chief Executive Officer are held separately by Deacon Te Ken Chiu, J.P. and Mr. Duncan Chiu respectively and their roles and responsibilities are separate and are set out in writing.

The Chairman is responsible for formulating and setting Group strategies and policies in conjunction with the Board.

The Group Chief Executive Officer is responsible for managing Group strategic initiatives, investor relations, corporate and investor communications, mergers/acquisitions and financing.

Pursuant to the requirement of the Listing Rules, the Company has received written confirmation from all three independent non-executive Directors of their independence from the Company and considers them to be independent.

REGULAR BOARD MEETING

The Board met on two times during the year. The attendance of individual Directors at the Board meetings were set out in the table below.

	Number of meetings attended	Attendance rate
Executive Directors		
Deacon Te Ken Chiu J.P. (Chairman)	0/2	0%
Mr. Duncan Chiu (Managing Director and Chief Executive Officer)	2/2	100%
Mr. Dennis Chiu	0/2	0%
Non-executive Directors		
Tan Sri Dato' David Chiu	0/2	0%
Mr. Daniel Tat Jung Chiu	0/2	0%
Mr. Derek Chiu	2/2	100%
Mr. Desmond Chiu	0/2	0%
Ms Margaret Chiu	0/2	0%
Ms Min Tang (resigned on 1st June 2008)	N/A	N/A
Independent Non-executive Directors		
Dr. Lee G Lam	2/2	100%
Mr. Hing Wah Yim	2/2	100%
Mr. Eugene Yun Hang Wang	2/2	100%

CORPORATE GOVERNANCE

The Board confines itself to making broad policy decisions, such as the Group's overall strategies and policies and business plans, while delegating responsibility for more detailed consideration to the various Board Committees and management. Management is responsible for overseeing the Group's business operations, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Board has established Audit and Remuneration Committees in accordance with the Code and a majority of the members of Committees are independent non-executive directors.

The Company has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2008, with deviations from code provision A.1.1 and A.4.1 of the Code in respect of the service term and rotation of Directors.

Under code provision A.1.1 of the Code, the Board should meet regularly and Board meeting should be held at least four times a year at approximately quarterly intervals. However, only two Board meetings had been held during the year since each Director is travelling too heavily to uphold this requirement. In view of good corporate governance practices, the Board will meet regularly and hold at least four Board meetings in the forthcoming year.

None of the existing Non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors of the Company are subject to the retirement by rotation at each annual general meeting under Articles 79 and 80 of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's Corporate Governance Practices are no less exacting than those in the Code.

INTERNAL CONTROL

On 15th December, 2008, the Company entered into an engagement letter received from JP Union & Co., Certified Public Accountant ("JP Union & Co.") as Internal Auditor for the internal audit of the Company.

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

COMMUNICATION WITH SHAREHOLDERS

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide our shareholders and the public with the necessary information for them to form their own judgement on the Company.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2008, the Auditors of the Company received approximately HK$1,580,000 for audit service (2007: HK$1,200,000).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Directors confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st December, 2008.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the consolidated financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the consolidated financial statements of the Group is in a timely manner.

The Statement of the Auditors of the Company regarding their reporting responsibilities on the consolidated financial statements is set out in the Report of the Auditors on pages 25 to 26.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee"). The terms of the Committee are consistent with the provisions set out in the relevant section of the Code and are available on the Company's website at www.feholdings.com.hk.

The Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements. The Committee comprises three independent non-executive directors, namely, Dr. Lee G. Lam, Mr. Hing Wah Yim and Mr. Eugene Yun Hang Wang and one non-executive director, Mr. Derek Chiu. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. Two meetings were held during the financial year ended 31st December, 2008.

The Group's interim report for the six months ended 30th June, 2008 and the annual report for the year ended 31st December, 2008 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

During the financial year ended 31st December, 2008, two meetings, were held by the Audit Committee. The individual attendance record of each member of the Audit Committee was as follows:

	Number of meetings rate	**Attendance attended**
Dr. Lee G. Lam (Chairman)	2/2	100%
Mr. Derek Chiu	2/2	100%
Mr. Hing Wah Yim	2/2	100%
Mr. Eugene Yun Hang Wang	2/2	100%

REMUNERATION COMMITTEE

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprised two independent non-executive directors, namely Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and the Managing Director, Mr. Duncan Chiu of the Company. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management. No meeting was held during the financial year ended 31st December, 2008.

The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the Code, and the terms of reference of the Remuneration Committee are available from the Company's website www.feholdings.com.hk. No Director is involved in deciding his own remuneration.

During the financial year ended 31st December, 2008, No meeting was held by the Remuneration Committee. The individual attendance record of each member of the Remuneration Committee is as follows:

	Number of meetings attended	***Attendance rate***
Mr. Duncan Chiu (Chairman)	*0/0*	*N/A*
Dr. Lee G. Lam	*0/0*	*N/A*
Mr. Eugene Yun Hang Wang	*0/0*	*N/A*

Deloitte.
德勤

TO THE MEMBERS OF FAR EAST HOLDINGS INTERNATIONAL LIMITED
遠東控股國際有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Far East Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 105, which comprise the consolidated and the Company balance sheets as at 31st 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 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 141 of the Hong Kong Companies Ordinance, 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 marking 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 Company and of the Group as at 31st 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 Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 23 to the consolidated financial statements relating to contingent purchase consideration which may be payable by an associate of the Group. The consolidated financial statements of the associate for the years ended 31st December, 2007 and 31st December, 2008 do not include any adjustments in respect of the contingent purchase consideration. However, the ultimate outcome of the matters set out in note 23 as well as the potential financial impact on the Group, if any, cannot presently be determined with certainty.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29th April, 2009

	NOTES	2008 HK$	2007 HK$
Gross proceeds	8	**83,391,455**	77,128,645
Revenue	7	**22,719,773**	28,867,707
Cost of sales		**(24,076,515)**	(25,948,543)
Gross (loss) profit		**(1,356,742)**	2,919,164
Dividend income from available-for-sale investments		**336,461**	237,419
Dividend income from held-for-trading investments		**877,127**	1,360,914
(Decrease) increase in fair value of held-for-trading investments		**(14,898,046)**	3,903,265
Other income	9	**1,669,607**	3,342,597
Selling and distribution costs		**(4,815,178)**	(134,019)
Administrative expenses		**(19,343,073)**	(15,590,561)
Finance costs	12	**(572,230)**	(1,206,786)
Impairment loss on goodwill arising from acquisition of subsidiaries	20	**(13,200,000)**	–
Impairment loss on goodwill arising from acquisition of jointly controlled entities	24	**(7,508,651)**	–
Impairment loss on available-for-sale investments – listed		**(4,328,372)**	–
Impairment loss on available-for-sale investments – unlisted	25	**(1,486,390)**	–
Impairment loss on other non-current assets	26	**(977,000)**	–
(Loss) gain on disposal of available-for-sale investments		**(10,773,306)**	608,909
Imputed interest on debt component of convertible note		**–**	195,886
Gain on conversion of convertible notes		**–**	3,660,123
Increase in fair value of derivatives financial instruments		**(108,940)**	–
(Decrease) increase in fair value of investment properties	17	**(535,000)**	10,488,900
Gain on disposal of interest in an associate	23	**–**	28,322,820
Loss on dilution of interests in subsidiaries		**(2,104,562)**	–
Net gain on deemed disposal of an associate	23	**126,658**	40,687,735
Share of results of associates		**8,951,462**	17,455,559
Share of results of jointly controlled entities		**(452,913)**	–
(Loss) profit before taxation	13	**(70,499,088)**	96,251,925
Taxation credit	14	**68,668**	592,093
(Loss) profit for the year		**(70,430,420)**	96,844,018
Attributable to:			
Equity holders of the Company		**(66,244,064)**	97,388,003
Minority interests		**(4,186,356)**	(543,985)
		(70,430,420)	96,844,018
Dividend – paid	15	**3,028,379**	–
		HK cents	(restated) HK cents
(Loss) earnings per share	16		
– Basic		**(30.9)**	43.8
– Diluted		**(30.8)**	37.2

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	NOTES	2008 HK$	2007 HK$
NON-CURRENT ASSETS			
Investment properties	17	**23,695,000**	24,230,000
Property, plant and equipment	18	**20,954,975**	15,916,020
Prepaid lease payments	19	**23,674,795**	24,203,079
Goodwill	20	**27,126,740**	–
Interests in associates	23	**125,160,583**	103,343,924
Interests in jointly controlled entities	24	**36,643,014**	–
Available-for-sale investments	25	**21,867,832**	38,852,163
Other non-current assets	26	**10,644,111**	5,270,343
		289,767,050	211,815,529
CURRENT ASSETS			
Prepaid lease payments	19	**598,255**	653,137
Held-for-trading investments	27	**32,290,812**	43,037,774
Inventories	28	**4,256,579**	6,515,532
Trade and other receivables	29	**2,523,968**	1,123,398
Amount due from a director	30	**–**	22,102,762
Amount due from an associate	31	**–**	639,629
Amount due from a minority shareholder	32	**3,056,594**	2,319,650
Amount due from a related company	33	**8,700**	4,486,932
Tax prepaid		**106,079**	121,173
Deposits held at financial institutions	34	**3,177,458**	10,889,735
Bank balances and cash	34	**26,564,028**	82,686,579
		72,582,473	174,576,301
CURRENT LIABILITIES			
Trade and other payables	35	**10,430,003**	10,598,332
Amounts due to directors	36	**1,630,331**	1,476,187
Amount due to a minority shareholder	32	**297,038**	297,038
Amounts due to related companies	33	**1,557,088**	1,593,635
Derivatives financial instruments	38	**108,940**	–
Bank and other loans			
– due within one year	39	**5,918,096**	9,014,618
Dividend payable to a minority shareholder		**175,036**	–
Obligations under finance leases			
– due within one year	40	**410,457**	136,044
		20,526,989	23,115,854
NET CURRENT ASSETS		**52,055,484**	151,460,447
TOTAL ASSETS LESS CURRENT LIABILITIES		**341,822,534**	363,275,976

	NOTES	2008 HK$	2007 HK$
CAPITAL AND RESERVES			
Share capital	41	**3,028,379**	1,304,506
Reserves		**298,923,427**	326,793,873
Equity attributable to equity holders of the Company		**301,951,806**	328,098,379
Minority interests		**22,292,656**	17,107,688
		324,244,462	345,206,067
NON-CURRENT LIABILITIES			
Bank and other loans – due after one year	39	**16,794,481**	17,633,489
Obligations under finance leases – due after one year	40	**551,746**	113,905
Deferred taxation	44	**231,845**	322,515
		17,578,072	18,069,909
		341,822,534	363,275,976

The financial statements on pages 27 to 105 were approved and authorised for issue by the Board of Directors on 29th April, 2009 and are signed on its behalf by:

Duncan Chiu
DIRECTOR

Derek Chiu
DIRECTOR

	NOTES	2008 HK$	2007 HK$
NON-CURRENT ASSETS			
Investment properties	17	**5,645,000**	5,180,000
Property, plant and equipment	18	**66,235**	229,098
Investments in subsidiaries	22	**4,987,394**	13,193,769
Interests in associates	23	**16,604,479**	12,822,635
Amounts due from subsidiaries	37	**144,165,824**	55,634,871
Available-for-sale investments	25	**427,414**	12,485,106
Other non-current assets	26	**6,125,843**	5,270,343
		178,022,189	104,815,822
CURRENT ASSETS			
Held-for-trading investments	27	**32,120,773**	42,707,650
Other receivables		**232,336**	152,168
Amount due from a director	30	**–**	22,102,762
Amount due from an associate	31	**–**	639,629
Amount due from a related company	33	**8,700**	4,486,932
Deposits held at financial institutions	34	**3,177,458**	10,889,735
Bank balances and cash	34	**702,506**	62,276,138
		36,241,773	143,255,014
CURRENT LIABILITIES			
Other payables		**2,103,067**	3,276,142
Amounts due to directors	36	**1,630,331**	1,476,187
Amounts due to related companies	33	**1,557,088**	1,593,635
Amounts due to subsidiaries	37	**18,997,599**	19,047,309
Derivatives financial instruments	38	**108,940**	–
Bank and other loans	39	**5,113,067**	8,283,319
Obligations under finance leases			
– due within one year	40	**113,905**	136,044
		29,623,997	33,812,636
NET CURRENT ASSETS		**6,617,776**	109,442,378
TOTAL ASSETS LESS CURRENT LIABILITIES		**184,639,965**	214,258,200
CAPITAL AND RESERVES			
Share capital	41	**3,028,379**	1,304,506
Reserves	43	**181,611,586**	212,839,789
		184,639,965	214,144,295
NON-CURRENT LIABILITY			
Obligations under finance leases			
– due after one year	40	**–**	113,905
		184,639,965	214,258,200

Duncan Chiu
DIRECTOR

Derek Chiu
DIRECTOR

	Attributable to equity holders of the Company								
	Share capital HK$	Share premium HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Share option reserve HK$	Retained profits HK$	Total HK$	Minority interests HK$	Total HK$
At 1st January, 2007	1,094,506	109,643,123	3,074,906	125,214	6,432,609	68,705,562	189,075,920	16,476,689	205,552,609
Decrease in fair value of available-for-sale investments	–	–	–	(90,822)	–	–	(90,822)	–	(90,822)
Exchange differences arising on translation of foreign operations	–	–	7,733,008	–	–	–	7,733,008	1,174,984	8,907,992
Share of post-acquisition reserve movement of an associate	–	–	4,536,645	–	–	–	4,536,645	–	4,536,645
Net income (loss) recognised directly in equity	–	–	12,269,653	(90,822)	–	–	12,178,831	1,174,984	13,353,815
Transfer to profit or loss on conversion of convertible notes	–	–	–	341,942	–	–	341,942	–	341,942
Transfer to profit or loss on sales of available-for-sale investments	–	–	–	137,773	–	–	137,773	–	137,773
Profit for the year	–	–	–	–	–	97,388,003	97,388,003	(543,985)	96,844,018
Total recognised income and expense for the year	–	–	12,269,653	388,893	–	97,388,003	110,046,549	630,999	110,677,548
Recognition of equity-settled share based payments	–	–	–	–	514,266	–	514,266	–	514,266
Transfer to retained profit upon cancellation of share options	–	–	–	–	(5,896,040)	5,896,040	–	–	–
Issue of new shares upon placement	210,000	28,980,000	–	–	–	–	29,190,000	–	29,190,000
Transaction costs attributable to issue of new shares	–	(728,356)	–	–	–	–	(728,356)	–	(728,356)
At 31st December, 2007	1,304,506	137,894,767	15,344,559	514,107	1,050,835	171,989,605	328,098,379	17,107,688	345,206,067
Decrease in fair value of available-for-sale investments	–	–	–	(15,615,785)	–	–	(15,615,785)	–	(15,615,785)
Exchange differences arising on translation of foreign operations	–	–	2,129,382	–	–	–	2,129,382	1,250,001	3,379,383
Share of post-acquisition reserve movement of an associate	–	–	9,611,046	–	–	–	9,611,046	–	9,611,046
Net income (loss) recognised directly in equity	–	–	11,740,428	(15,615,785)	–	–	(3,875,357)	1,250,001	(2,625,356)
Transfer to profit or loss on impairment of available-for-sale investments	–	–	–	4,328,372	–	–	4,328,372	–	4,328,372
Transfer to profit or loss on sales of available-for-sale investments	–	–	–	10,773,306	–	–	10,773,306	–	10,773,306
Loss for the year	–	–	–	–	–	(66,244,064)	(66,244,064)	(4,186,356)	(70,430,420)
Total recognised income and expense for the year	–	–	11,740,428	(514,107)	–	(66,244,064)	(55,017,743)	(2,936,355)	(57,954,098)
Acquisition of subsidiaries	–	–	–	–	–	–	–	6,231,181	6,231,181
Dilution of interests in subsidiaries	–	–	–	–	–	–	–	2,104,562	2,104,562
Dividend paid to minority interests	–	–	–	–	–	–	–	(214,420)	(214,420)
Dividends recognised as distribution	–	–	–	–	–	(3,028,379)	(3,028,379)	–	(3,028,379)
Transaction costs attributable to issue of new shares	–	(59,202)	–	–	–	–	(59,202)	–	(59,202)
Issue of bonus shares	1,514,189	(1,514,189)	–	–	–	–	–	–	–
Exercise of share options	9,684	1,622,913	–	–	(483,491)	–	1,149,106	–	1,149,106
Shares issued in consideration for the acquisition of subsidiaries	200,000	30,609,645	–	–	–	–	30,809,645	–	30,809,645
At 31st December, 2008	3,028,379	168,553,934	27,084,987	–	567,344	102,717,162	301,951,806	22,292,656	324,244,462

	NOTES	2008 HK$	2007 HK$
OPERATING ACTIVITIES			
(Loss) profit before taxation		**(70,499,088)**	96,251,925
Adjustments for:			
Amortisation of prepaid lease payments		**655,954**	653,137
Impairment loss on goodwill arising from acquisition of subsidiaries		**13,200,000**	–
Impairment loss on other non-current assets		**977,000**	–
Impairment loss on goodwill arising from acquisition of jointly controlled entities		**7,508,651**	–
Impairment loss on available-for-sale investments – listed		**4,328,372**	–
Impairment loss on available-for-sale investments – unlisted		**1,486,390**	–
Finance costs		**572,230**	1,206,786
Imputed interest income on debt component of convertible notes		**–**	(195,886)
Interest income		**(1,222,670)**	(2,831,053)
Scrip dividend received from available-for-sale investments	46	**(83,223)**	(237,419)
Scrip dividend received from held-for-trading investments	46	**(33,239)**	(699,303)
Depreciation		**2,293,552**	2,783,411
Gain on conversion of convertible notes		**–**	(3,660,123)
Gain on disposal of interest in an associate		**–**	(28,322,820)
Loss on dilution of interests in subsidiaries		**2,104,562**	–
Net gain on deemed disposal of an associate		**(126,658)**	(40,687,735)
Loss (gain) on disposal of available-for-sale investments		**10,773,306**	(608,909)
Loss on disposal of property, plant and equipment		**28,129**	–
Share of results of associates		**(8,951,462)**	(17,455,559)
Share of results of jointly controlled entities		**452,913**	–
Amount due from an associate written off		**639,629**	–
Share-based payment expense		**–**	514,266
Decrease (increase) in fair value of held-for-trading investments		**14,898,046**	(3,903,265)
Decrease (increase) in fair value of investment properties		**535,000**	(10,488,900)
Increase in fair value of derivatives financial instruments		**108,940**	–
Operating cash flows before movements in working capital		**(20,353,666)**	(7,681,447)
Decrease in inventories		**2,666,326**	395,512
Increase in held-for-trading investments		**(4,117,845)**	(412,032)
(Increase) decrease in trade and other receivables		**(1,347,849)**	2,636,998
(Increase) decrease in amount due from a minority shareholder		**(591,912)**	2,738,156
Increase (decrease) in trade and other payables		**1,728,910**	(110,294)
Cash used in operations		**(22,016,036)**	(2,433,107)
People's Republic of China Enterprise Income tax paid		**–**	(112,209)
NET CASH USED IN OPERATING ACTIVITIES		**(22,016,036)**	(2,545,316)

	NOTES	2008 HK$	2007 HK$
INVESTING ACTIVITIES			
Interest received		**1,222,670**	1,728,291
Decrease in amount due from related companies		**4,478,232**	11,656,516
Acquisition of property, plant and equipment		**(5,240,101)**	(3,915,712)
Acquisition of available-for-sale investments		**(5,814,389)**	(17,969,577)
Addition in other non-current assets		**(6,350,768)**	(4,856,537)
Acquisition of subsidiaries	45	**2,799,763**	–
Acquisition of additional interest in associates		**(3,781,844)**	(888,380)
Acquisition of additional interest in a subsidiary		**(8,506,820)**	–
Acquisition of jointly controlled entities		**(44,604,578)**	–
Proceeds from disposal of investment property		**–**	27,298,900
Proceeds from disposal of property, plant and equipment		**20,510**	–
Proceeds from disposal of interest in an associate		**–**	34,520,865
Proceeds on disposal of available-for-sale investments		**5,779,769**	1,683,257
Dividend received from an associate		**654,351**	130,058
Increase in prepaid lease payment		**–**	(24,210,000)
Decrease in pledged bank deposits		**–**	4,209,560
Decrease (increase) in deposits held at financial institutions		**7,712,277**	(7,718,523)
Decrease (increase) in amount due from a director		**22,102,762**	(21,000,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(29,528,166)**	668,718
FINANCING ACTIVITIES			
Proceeds from exercise of share options		**1,149,106**	29,190,000
Proceeds from the issuance of shares to minority shareholders		**8,567,265**	–
Transaction costs attributable to issue of new shares		**(59,202)**	(728,356)
Decrease in amounts due to related companies		**(36,547)**	(25,803)
Increase in amounts due to directors		**154,144**	84,500
New bank and other loans raised		**1,188,060**	38,569,077
Repayment of bank and other loans		**(6,490,550)**	(22,807,830)
Repayment of obligations under finance leases		**(159,136)**	(119,925)
Interest paid on bank and other loans		**(539,205)**	(1,166,703)
Interest paid on finance leases		**(33,025)**	(40,083)
Dividend paid		**(3,028,379)**	–
Dividend paid to a minority shareholder		**(39,384)**	–
Repayment of amount due to former shareholder		**(6,517,873)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(5,844,726)**	42,954,877
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(57,388,928)**	41,078,279
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		**82,686,579**	40,526,459
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,266,377**	1,081,841
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash		**26,564,028**	82,686,579

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" in the annual report.

The Company is engaged in investment holding and securities trading. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 22, 23 and 24, respectively.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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 Assets, Minimum Funding Requirements and their Interaction

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (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 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.

[2] Effective for annual periods beginning on or after 1st January, 2009.

[3] Effective for annual periods beginning on or after 1st July, 2009.

[4] Effective for annual period ending on or after 30th June, 2009.

[5] Effective for annual periods beginning on or after 1st July, 2008.

[6] Effective for annual periods beginning on or after 1st October, 2008.

[7] Effective for transfers on or after 1st July, 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 23 (Revised) eliminates the option to expense all borrowing costs when incurred. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent'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.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain 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 the Hong Kong Financial Reporting Standards ("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. The principal accounting policies adopted are below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entitles controlled by the Company (its subsidiaries). Control is achieved when 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group 's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition, Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first,, and then to the other assets of the unit pro rat on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Interests in associates

An associate is an entity over which the Group has significant influence, but not control or jointly control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or jointly control over those policies.

The results and assets and liabilities of associates are incorporated in the 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 profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (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.

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 associate, except to the extent that losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Interests in associates are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), 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 jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in jointly controlled entities (continued)

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 jointly controlled entities 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.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Investment properties

Investment 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 values 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 and no future economic benefits are expected from its disposals. 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.

Leasehold land held for undetermined future use

Leasehold land held for undetermined future use is regarded as held for capital appreciation purpose and classified as an investment property, and carried at fair value. Changes in fair value of the leasehold land are recognised directly in profit or loss for the period in which changes take place.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including building held for use for administrative purpose are stated at cost less subsequent accumulated depreciation and any identified impairment loss.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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.

Paintings and other display items

Paintings and other display items are stated at cost less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees after 7th November, 2002 and vested on or after 1st January, 2005

The fair value of services received determined by reference to the fair value of the share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

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 merchandises sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of merchandise is recognised when goods are delivered and title has passed.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Service income are recognised when services are provided.

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.

Leasing

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

The Group as 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

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 contract 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 as investment properties under fair value model.

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.

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.

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 exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 interests in associates/jointly controlled entities, 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.

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.

Retirement benefit costs

Payments to defined contribution retirement benefits plans or the Mandatory Provident Fund schemes are charged as an expense when employees have rendered services entitling them to the contributions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the 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 financial assets 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 settlement 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.

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.

Financial assets held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling 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.

At each balance sheet date subsequent to initial recognition, financial assets 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 on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a director, amount due from an associate, amount due from a minority shareholder, amounts due from related companies, deposits held at financial institutions, and bank balances and cash) 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 any of the financial assets held for trading or loans and receivables. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

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

Impairment of financial assets

Financial assets, other than those 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; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, 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, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, 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.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 a trade receivable is considered uncollectible, it is 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 losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities (including trade and other payables, amounts due to directors, amounts due to related companies, amount due to a minority shareholder, dividend payable to a minority shareholder and bank and other loans) are measured at amortised cost, using the effective interest method.

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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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 goodwill within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The recoverable amount of the CGU is the higher of its fair value less costs to sell and its value in use. When the recoverable amount of the CGU is less than the carrying amount of the goodwill, an impairment loss is recognised. As at 31st December, 2008, the carrying amount of goodwill is HK$27,126,740 (net of accumulated impairment loss of HK$13,200,000).

The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill (continued)

Fair value less costs to sell is determined based on a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the assets.

Details of the recoverable amount calculation are disclosed in note 21.

5. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the bank and other loans and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

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

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Financial assets				
Held-for-trading investments	**32,290,812**	43,037,774	**32,120,773**	42,707,650
Loans and receivables (including cash and cash equivalents)	**34,154,616**	124,248,685	**148,269,825**	156,182,235
Available-for-sale investments	**21,867,832**	38,852,163	**427,414**	12,485,106
Financial liabilities				
Amortised cost	**31,292,511**	40,863,248	**27,848,934**	33,926,541
Derivatives financial instruments held for trading	**108,940**	–	**108,940**	–

6b. Financial risk management objectives and policies

Details of the Group's and the Company's financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

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 and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Assets				
Renminbi	**8,700**	–	**8,700**	–
US dollars	**4,772,213**	8,153,732	**701**	6,056,655
Japanese Yen	**6,879**	5,515	**6,879**	5,515
	4,787,792	8,159,247	**16,280**	6,062,170
Liabilities				
US dollars	**259,036**	–	**–**	–
Japanese Yen	**5,113,067**	8,283,319	**5,113,067**	8,283,319
	5,372,103	8,283,319	**5,113,067**	8,283,319

Sensitivity analysis

Since the fluctuation of Hong Kong dollars and US dollars are minimal under the Linked Exchange Rate System, no sensitivity analysis is presented.

The Group and the Company are mainly exposed to Japanese Yen fluctuation.

The following table details the Group's and the Company's sensitivity to a 10% (2007: 5%) increase and decrease in functional currency of respective group entities against the relevant foreign currency. As a result of the volatile financial market in 2008, the management adjusted the sensitivity rate from 5% to 10% for the purpose of assessing foreign currency risk. 10% (2007: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2007: 5%) change in foreign currency rates. The negative number below indicates a decrease in post-tax loss (2007: an increase in post-tax profit) where Hong Kong dollars strengthen 10% (2007: 5%) against the relevant currency. For a 10% (2007: 5%) weakening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the post-tax results.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk *(continued)*

Sensitivity analysis (continued)

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Japanese Yen	**(426,367)**	(341,459)	**(426,367)**	(341,459)

Certain held-for-trading investments are denominated in foreign currency of the Group entity and the Company. An increase/decrease in 10% (2007: 5%) of Japanese Yen against the functional currency of the Group entity and the Company would result in a decrease/increase of the Group's and Company's post-tax loss for the year ended 31st December, 2008 of HK$1,193,764 (2007: increase/decrease in post-tax profit of HK$860,729).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group's and the Company's cash flow interest rate risk relates primarily to the bank deposits, deposits held at financial institutions and variable-rate bank and other borrowings. The fair value interest rate risk relates primarily to obligations under finance leases.

The Group and the Company currently do not have an interest rate hedging policy to hedge against its exposures. However, the management closely monitors interest rate exposures and will consider entering into interest rate swap transactions to hedge significant interest rate risk should the risk arise.

The cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Lending Rate arising from the Group's Hong Kong dollar borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank deposits, deposits held at financial institutions and variable-rate bank and other borrowings at the balance sheet date. The analysis is prepared assuming the amount of assets and liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis points (2007: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk *(continued)*

Sensitivity analysis (continued)

The management adjusted the sensitivity rate from 50 basis points to 100 basis points for assessing interest rate risk after considering the impact of the volatile financial conditions after the third quarter of 2008.

In respect of bank deposits, deposits held at financial institutions, and variable-rate bank and other borrowings, if interest rates had been 100 basis points (2007: 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2008 would decrease/increase by HK$58,691 and the Company's post-tax loss for the year ended 31st December, 2008 would increase/decrease by HK$10,296 (2007: the Group's and the Company's post-tax profit for the year ended 31st December, 2007 would increase/decrease by HK$276,079 and HK$267,641, respectively).

(iii) Other price risk

The Group and the Company are exposed to equity security price risk on the held-for-trading investments and available-for-sale investments. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange of Hong Kong Limited and Tokyo Stock Exchange Group, Inc. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk (continued)

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 volalite financial market.

If the prices of the respective held-for-trading investments had been 10% (2007: 5%) higher/lower, post-tax loss of the Group and the Company for the year ended 31st December, 2008 would decrease/increase by HK$2,696,283 and HK$2,682,085 (2007: post-tax profit of the Group and the Company for the year ended 31st December, 2007 would increase/decrease by HK$1,775,308 and HK$1,761,691), respectively, as a result of the changes in fair value of held-for-trading investments.

If the price of the respective available-for-sale listed equity investments had been 10% (2007: 5%) higher/lower, the Group's and the Company's post-tax loss would decrease/increase by HK$297,914 and HK$35,689 (2007: the Group's and the Company's investment revaluation reserve for the year ended 31st December, 2007 would increase/decrease by HK$1,192,608 and HK$624,255), respectively as a result of the changes in fair value of available-for-sale investments.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st 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.

The Group's and the Company's credit risk is primarily attributable to its trade and other receivables and amount due from a minority shareholder and amounts due from related companies.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group and the Company manages its credit risk and concentration of risk by closely monitoring the granting of credit. The Group and the Company also reviews the recoverable amount of each individual financial assets at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on bank balances and deposits is limited because the counterparties are banks with high credit-standings.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain 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 bank borrowings and ensures compliance with loan covenants.

The Group and the Company rely on bank borrowings as a source of liquidity. As at 31st December, 2008, the Group and the Company has available unutilised short-term bank loan facilities of approximately HK$22,381,000 (2007: HK$20,738,000).

The following table details the Group's and the Company's remaining contractual maturity for its 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 and the Company can be required to pay. The table includes both interest and principal cash flows.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

THE GROUP

	Weighted average interest rate %	Repayable on demand and less than 1 month HK$	1-3 months HK$	3 months to 1 year HK$	1-5 years HK$	5+ years HK$	Total undiscounted cash flows HK$	Carrying amount at 31.12.2008 HK$
2008								
Non-derivative								
Trade and other payables		3,958,238	–	–	–	–	3,958,238	3,958,238
Amounts due to directors		1,630,331	–	–	–	–	1,630,331	1,630,331
Amount due to a minority shareholder		297,038	–	–	–	–	297,038	297,038
Amounts due to related companies		1,557,088	–	–	–	–	1,557,088	1,557,088
Bank and other loans	1.9%	5,215,733	195,916	881,622	4,701,984	15,379,406	26,374,661	22,712,577
Obligations under finance leases	5.5%	45,487	90,974	369,382	610,907	–	1,116,750	962,203
Dividend payable to a minority shareholder		175,036	–	–	–	–	175,036	175,036
Derivative								
Derivatives financial instruments (Note)		1,171,768	–	–	–	–	1,171,768	108,940
		14,050,719	286,890	1,251,004	5,312,891	15,379,406	36,280,910	31,401,451

	Weighted average interest rate %	Repayable on demand and less than 1 month HK$	1-3 months HK$	3 months to 1 year HK$	1-5 years HK$	5+ years HK$	Total undiscounted cash flows HK$	Carrying amount at 31.12.2007 HK$
2007								
Non-derivate								
Trade and other payables		10,598,332	–	–	–	–	10,598,332	10,598,332
Amounts due to directors		1,476,187	–	–	–	–	1,476,187	1,476,187
Amount due to a minority shareholder		297,038	–	–	–	–	297,038	297,038
Amounts due to related companies		1,593,635	–	–	–	–	1,593,635	1,593,635
Bank and other loans	3.0%	106,379	212,759	9,240,733	4,701,984	16,554,902	30,816,757	26,648,107
Obligations under finance lease	7%	13,334	26,668	120,006	120,006	–	280,014	249,949
		14,084,905	239,427	9,360,739	4,821,990	16,554,902	45,061,963	40,863,248

Note: The undiscounted cash outflows of derivatives financial instruments represent the consideration to purchase listed equity securities as explained in note 38.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

THE COMPANY

	Weighted average interest rate %	Repayable on demand and less than 1 month HK$	1-3 months HK$	3 months to 1 year HK$	1-5 years HK$	5+ years HK$	Total undiscounted cash flows HK$	Carrying amount at 31.12.2008 HK$
2008								
Non-derivative								
Other payables		436,944	–	–	–	–	436,944	436,944
Amounts due to directors		1,630,331	–	–	–	–	1,630,331	1,630,331
Amounts due to related companies		1,557,088	–	–	–	–	1,557,088	1,557,088
Amounts due to subsidiaries		18,997,599	–	–	–	–	18,997,599	18,997,599
Bank and other loans	1.1%	5,117,775	–	–	–	–	5,117,775	5,113,067
Obligations under finance lease	7%	13,334	26,668	80,004	–	–	120,006	113,905
Derivative								
Derivatives financial instruments (Note)		1,171,768	–	–	–	–	1,171,768	108,940
		28,924,839	26,668	80,004	–	–	29,031,511	27,957,874

	Weighted average interest rate %	Repayable on demand and less than 1 month HK$	1-3 months HK$	3 months to 1 year HK$	1-5 years HK$	5+ years HK$	Total undiscounted cash flows HK$	Carrying amount at 31.12.2007 HK$
2007								
Non-derivative								
Other payables		3,276,142	–	–	–	–	3,276,142	3,276,142
Amounts due to directors		1,476,187	–	–	–	–	1,476,187	1,476,187
Amounts due to related companies		1,593,635	–	–	–	–	1,593,635	1,593,635
Amounts due to subsidiaries		19,047,309	–	–	–	–	19,047,309	19,047,309
Bank and other loans	0.9%	8,421	16,843	8,359,111	–	–	8,384,375	8,283,319
Obligations under finance lease	7%	13,334	26,668	120,006	120,006	–	280,014	249,949
		25,415,028	43,511	8,479,117	120,006	–	34,057,662	33,926,541

Note: The undiscounted cash outflows of derivatives financial instruments represent the consideration to purchase listed equity securities as explained in note 38.

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value of financial instruments

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

(i) The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

(ii) The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

(iii) The fair value of derivatives financial instruments is based on the valuation provided by the counterparty financial institution.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

An analysis of the Group's revenue is as follows:

	2008 HK$	2007 HK$
Sales of goods	**20,405,563**	27,706,741
Property rental income	**897,072**	1,160,966
Provision of background music and music licensing services	**1,417,138**	–
	22,719,773	28,867,707

During the year, the Group acquired new subsidiaries which are principally engaged in the provision of background music and music licensing services. Details of which have been disclosed in note 45.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four (2007: three) operating divisions – securities investment and trading, property development and investment, industrial and provision of services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities of the remaining segments are as follows:

Securities investment and trading	–	investment and trading in securities.
Property development and investment	–	properties development and investment.
Industrial	–	manufacturing and sale of garments
Provision of services	–	provision of background music and music licensing services

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Segment information about these businesses is presented below.

2008

	Securities investment and trading HK$	Property development and investment HK$	Industrial – manufacturing and sale of garment HK$	Provision of background music and music licensing services HK$	Consolidated HK$
Gross proceeds	60,671,682	897,072	20,405,563	1,417,138	83,391,455
Revenue	–	897,072	20,405,563	1,417,138	22,719,773
RESULTS					
Segment results	(41,058,721)	(1,348,661)	(1,076,270)	(27,514,519)	(70,998,171)
Other income					1,669,607
Finance costs					(572,230)
Unallocated expenses					(9,223,501)
Net gain on deemed disposal of an associate					126,658
Share of results of associates					8,951,462
Share of results of jointly controlled entities					(452,913)
Loss before taxation					(70,499,088)
Taxation credit					68,668
Loss for the year					(70,430,420)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

2008

	Securities investment and trading HK$	Property development and investment HK$	Industrial – manufacturing and sale of garment HK$	Provision of background music and music licensing services HK$	Consolidated HK$
ASSETS					
Segment assets	54,478,934	30,892,779	18,208,319	37,819,025	141,399,057
Tax prepaid					106,079
Interests in associates					125,160,583
Interests in jointly controlled entities					36,643,014
Unallocated corporate assets					59,040,790
Consolidated total assets					362,349,523
LIABILITIES					
Segment liabilities	2,242,009	596,539	4,960,929	2,850,506	10,649,983
Deferred taxation					231,845
Bank and other loans					22,712,577
Unallocated corporate liabilities					4,510,656
Consolidated total liabilities					38,105,061

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2008

	Securities investment and trading HK$	Property development and investment HK$	Industrial – manufacturing and sales of garment HK$	Provision of background music and music licensing services HK$	Unallocated HK$	Consolidated HK$
OTHER INFORMATION						
Capital additions	67,060	1,531,100	21,863	9,009,736	1,832,500	12,462,259
Depreciation	229,923	674,251	1,247,813	103,167	38,398	2,293,552
Amortisation of prepaid lease payments	–	140,756	92,931	–	422,267	655,954
Scrip dividend income from available-for-sale investments	83,223	–	–	–	–	83,223
Scrip dividend income from held-for-trading investments	33,239	–	–	–	–	33,239
Decrease in fair value of held-for-trading investments	(14,898,046)	–	–	–	–	(14,898,046)
Loss on disposal of available-for-sale investments	(10,773,306)	–	–	–	–	(10,773,306)
Decrease in fair value of investment properties	–	(535,000)	–	–	–	(535,000)
Decrease in fair value of derivatives financial instruments	(108,940)	–	–	–	–	(108,940)
Impairment loss on goodwill arising from acquisition of subsidiaries	–	–	–	(13,200,000)	–	(13,200,000)
Impairment loss on goodwill arising from acquisition of jointly controlled entities	–	–	–	–	(7,508,651)	(7,508,651)
Impairment loss on available-for-sale investments – listed	(4,328,372)	–	–	–	–	(4,328,372)
Impairment loss on available-for-sale investments – unlisted	(1,486,390)	–	–	–	–	(1,486,390)
Impairment loss on other non-current assets	–	–	–	–	(977,000)	(977,000)
Loss on dilution of interests in subsidiaries	–	–	–	(2,104,562)	–	(2,104,562)
Loss on disposal of property, plant and equipment	–	–	(28,129)	–	–	(28,129)

During the year, the Group acquired new subsidiaries which are principally engaged in the provision of background music and music licensing services. Details of which have been disclosed in note 45.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2007

	Securities investment and trading HK$	Property development and investment HK$	Industrial – manufacturing and sales of garment HK$	Consolidated HK$
Gross proceeds	48,260,938	1,160,966	27,706,741	77,128,645
Revenue	–	1,160,966	27,706,741	28,867,707
RESULTS				
Segment results	1,450,709	8,958,457	(1,475,085)	8,934,081
Other income				3,342,597
Finance costs				(1,206,786)
Unallocated expenses				(1,284,081)
Gain on disposal of interest in an associate				28,322,820
Net gain on deemed disposal of an associate				40,687,735
Share of results of associates				17,455,559
Profit before taxation				96,251,925
Taxation credit				592,093
Profit for the year				96,844,018
ASSETS				
Segment assets	82,273,586	26,603,322	20,276,466	129,153,374
Tax prepaid				121,173
Interests in associates				103,343,924
Unallocated corporate assets				153,773,359
Consolidated total assets				386,391,830
LIABILITIES				
Segment liabilities	3,306,139	541,245	6,641,927	10,489,311
Deferred taxation				322,515
Bank and other loans				26,648,107
Unallocated corporate liabilities				3,725,830
Consolidated total liabilities				41,185,763

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

2007

	Securities investment and trading HK$	Property development and investment HK$	Industrial – manufacturing and sales of garment HK$	Unallocated HK$	Consolidated HK$
OTHER INFORMATION					
Capital additions	12,249	2,423,093	141,240	33,105,927	35,682,509
Depreciation	254,496	121,155	2,313,821	93,939	2,783,411
Amortisation of prepaid lease payments	–	–	90,114	563,023	653,137
Scrip dividend income from available-for-sale investments	237,419	–	–	–	237,419
Scrip dividend income from held-for-trading investments	699,303	–	–	–	699,303
Increase in fair value of held-for-trading investments	3,903,265	–	–	–	3,903,265
Gain on disposal of available-for-sale investments	608,909	–	–	–	608,909
Imputed interest on debt component of convertible notes	195,886	–	–	–	195,886
Gain on conversion of convertible notes	3,660,123	–	–	–	3,660,123
Increase in fair value of investment properties	–	10,488,900	–	–	10,488,900
Allowance for inventories	–	–	987,078	–	987,078
Share-based payment expense	–	–	–	514,266	514,266

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are located in Hong Kong, PRC, and Japan.

The following table provides an analysis of the Group's sales by geographical market based on location of customers, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2008	2007
	HK$	HK$
Hong Kong	**6,243,673**	7,982,310
PRC	**2,397,140**	934,681
Japan	**14,078,960**	19,950,716
	22,719,773	28,867,707

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, investment properties and other non-current assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets	
	2008	2007
	HK$	HK$
Hong Kong	**80,371,713**	103,376,908
PRC	**61,027,344**	25,776,466
	141,399,057	129,153,374

	Additions to property, plant and equipment, investment properties and other non-current assets	
	2008	2007
	HK$	HK$
Hong Kong	**3,430,660**	35,541,269
PRC	**9,031,599**	141,240
	12,462,259	35,682,509

9. OTHER INCOME

Included in other income are:

	2008 HK$	2007 HK$
Interest income from banks and financial institution	**1,124,424**	1,728,291
Interest income from a director	**98,246**	1,102,762

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the twelve (2007: thirteen) directors is as follows:

2008

		Other emoluments			
	Fees HK$	Salaries and other benefits HK$	Performance related incentive payments HK$	Retirement benefits schemes contributions HK$	Total emoluments HK$
Deacon Te Ken Chiu, J.P.	15,000	–	–	–	15,000
Mr. Duncan Chiu	15,000	578,000	–	12,000	605,000
Mr. Dennis Chiu	15,000	–	–	–	15,000
Tan Sri Dato' David Chiu	15,000	–	–	–	15,000
Mr. Daniel Tat Jung Chiu	15,000	–	–	–	15,000
Mr. Derek Chiu	15,000	–	–	–	15,000
Mr. Desmond Chiu	15,000	454,100	–	12,000	481,100
Ms. Margaret Chiu	15,000	–	–	–	15,000
Ms. Min Tang	50,000	–	–	–	50,000
Dr. Lee G Lam	120,000	–	–	–	120,000
Mr. Hing Wah Yim	80,000	–	–	–	80,000
Mr. Eugene Yun Hang Wang	120,000	–	–	–	120,000
	490,000	1,032,100	–	24,000	1,546,100

In addition to above, the rateable value of the property provided to Mr. Duncan Chiu as director's quarters during the year is HK$1,080,000 (2007: HK$768,000).

10. DIRECTORS' EMOLUMENTS *(continued)*

2007

		Other emoluments				
	Fees	Salaries and other benefits	Performance related incentive payments	Retirement benefits schemes contributions	Share-based payment expense	Total emoluments
	HK$	HK$	HK$	HK$	HK$	HK$
Deacon Te Ken Chiu, J.P.	15,000	–	–	–	–	15,000
Mr. Duncan Chiu	15,000	472,000	600,000	12,000	363,011	1,462,011
Mr. Dennis Chiu	15,000	–	–	–	–	15,000
Tan Sri Dato' David Chiu	15,000	–	–	–	–	15,000
Mr. Daniel Tat Jung Chiu	15,000	–	–	–	–	15,000
Mr. Derek Chiu	15,000	–	–	–	–	15,000
Mr. Desmond Chiu	15,000	389,000	–	12,000	–	416,000
Ms. Margaret Chiu	15,000	–	–	–	–	15,000
Ms. Min Tang	120,000	–	–	–	–	120,000
Dr. Lee G Lam	120,000	–	–	–	–	120,000
Mr. Ryan Yen Hwung Fong	90,000	–	–	–	–	90,000
Mr. Hing Wah Yim	80,000	–	–	–	–	80,000
Mr. Eugene Yun Hang Wang	10,000	–	–	–	–	10,000
	540,000	861,000	600,000	24,000	363,011	2,388,011

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2007: one) is executive director and one (2007: one) is non-executive director whose emoluments are included in note 10 above. The emoluments of the remaining three (2007: three) individuals are within the band of HK$nil to HK$1,000,000 and as follows:

	2008	2007
	HK$	HK$
Salaries and other benefits	**962,160**	936,214
Retirement benefits schemes contributions	**36,000**	35,262
Share-based payment expense	**–**	30,251
	998,160	1,001,727

12. FINANCE COSTS

	2008	2007
	HK$	HK$
Interests on:		
Bank loans		
– wholly repayable within five years	**112,283**	413,043
– not wholly repayable within five years	**348,956**	420,152
Other loans wholly repayable within five years	**77,966**	333,508
Obligations under a finance lease	**33,025**	40,083
	572,230	1,206,786

13. (LOSS) PROFIT BEFORE TAXATION

	2008	2007
	HK$	HK$
(Loss) profit before taxation has been arrived at after charging (crediting):		
Allowance on inventories (included in cost of sales)	**–**	987,078
Amortisation of prepaid lease payments	**655,954**	653,137
Auditor's remuneration	**1,552,000**	902,632
Cost of inventories recognised as expense	**18,717,465**	24,931,880
Royalty payment for background music and music licensing (included in cost of sales)	**5,343,116**	–
Depreciation	**2,293,552**	2,783,411
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK$1,264,134 (2007: HK$969,000)	**12,429,722**	11,847,981
Exchange loss, net	**2,427,577**	507,890
Loss on disposal of property, plant and equipment	**28,129**	–
Operating lease in respect of rented premise	**257,692**	337,760
Share of tax of associates (included in share of results of associates)	**1,340,896**	1,390,762
Amount due from an associate written off	**639,629**	–
and after crediting:		
Dividend income from available-for-sale investments	**336,461**	237,419
Rental income from investment properties, less outgoings of HK$16,038 (2007: HK$29,585)	**881,034**	1,131,381

14. TAXATION CREDIT

	2008	2007
	HK$	HK$
The taxation credit comprises:		
PRC Enterprise Income Tax:		
Current year	**22,002**	62,080
Underprovision in prior years	**–**	40,455
	22,002	102,535
Deferred taxation (Note 44)	**(90,670)**	(694,628)
	(68,668)	(592,093)

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was increased from 24% to 25% from 1st January, 2008 onwards.

PRC Enterprise Income Tax is calculated at tax rate of 25% (2007: 24%). One of the Group's subsidiaries in the PRC was entitled to enjoy a concessionary tax rate of 12% in 2007 as its export sales exceeded a certain percentage.

14. TAXATION CREDIT (continued)

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

	2008 HK$	2007 HK$
(Loss) profit before taxation	**(70,499,088)**	96,251,925
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	**(11,632,350)**	16,844,087
Tax effect of expenses not deductible for tax purpose	**5,210,082**	1,652,753
Tax effect of income not taxable for tax purpose	**(383,402)**	(16,512,277)
Tax effect of utilisation of tax losses previously not recognised	**–**	(928,765)
Tax effect of tax losses not recognised	**8,112,717**	1,140,479
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**7,481**	16,811
Tax effect of share of results of jointly controlled entities	**74,731**	–
Tax effect of share of results of associates	**(1,476,991)**	(3,054,723)
Underprovision in prior years	**–**	40,455
Others	**19,064**	209,087
Taxation credit for the year	**(68,668)**	(592,093)

15. DIVIDEND

	2008 HK$	2007 HK$
Dividend recognised as distribution during the year:		
2007 final dividend – HK2 cents per share	**3,028,379**	–

16. (LOSS) EARNINGS PER SHARE

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

	2008 HK$	2007 HK$
Earnings:		
(Loss) profit for the year attributable to equity holders of the Company for the purpose of basic (loss) earnings per share	**(66,244,064)**	97,388,003
Effect of dilutive potential ordinary shares of associate based on dilution of earnings per share	**–**	(11,611,893)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(66,244,064)**	85,776,110

	2008	2007 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**214,369,788**	222,583,382
Effect of dilutive potential ordinary shares of share options	**935,402**	8,067,698
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**215,305,190**	230,651,080

The weighted average numbers of ordinary shares for the purpose of basic and diluted (loss) earnings per share have been adjusted for the bonus issue on 10th June, 2008 for both years.

No adjustment has been made for the potential ordinary shares of the associate as the effect in 2008 is anti-dilutive.

17. INVESTMENT PROPERTIES

	THE GROUP HK$	THE COMPANY HK$
AT VALUATION		
At 1st January, 2007	41,040,000	4,640,000
Disposals during the year	(27,298,900)	–
Increase in fair value recognised in consolidated income statement	10,488,900	540,000
At 31st December, 2007	24,230,000	5,180,000
(Decrease) increase in fair value recognised in consolidated income statement	(535,000)	465,000
At 31st December, 2008	23,695,000	5,645,000

The carrying value of investment properties shown above comprises:

	THE GROUP		THE COMPANY	
	2008 HK$	2007 HK$	**2008 HK$**	2007 HK$
Land in Hong Kong				
Medium-term lease	**18,695,000**	18,730,000	**5,645,000**	5,180,000
Land outside Hong Kong				
Medium-term lease	**5,000,000**	5,500,000	**–**	–
	23,695,000	24,230,000	**5,645,000**	5,180,000

All of the Group's and the Company's investment properties including both land and building elements are situated in Hong Kong and Macau held under medium-term leases.

The investment properties were fair valued at 31st December, 2008 and 2007 by DTZ Debenham Tie Leung Limited, an independent firm of valuers not connected with the Group. DTZ Debenham Tie Leung Limited is member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation of HK$10,500,000 (2007: HK$11,000,000) and HK$13,195,000 (2007: HK$13,230,000) were arrived at by considering the capitalised income to be derived from properties and by reference to market evidence of recent transaction prices for similar properties respectively.

The investment properties of the Group and the Company includes an amount of HK$5,645,000 and HK$5,645,000 (2007: HK$5,180,000 and HK$5,180,000), respectively, the title of which has not been transferred to the Group and the Company and are still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

18. PROPERTY, PLANT AND EQUIPMENT

	Building in Hong Kong held under medium term lease HK$	Building in PRC held under medium term lease HK$	Leasehold improvements HK$	Exhibits and display items HK$	Lifts, electrical and office equipment HK$	Trams, coaches and motor vehicles HK$	Service equipment HK$	Total HK$
THE GROUP								
COST								
At 1st January, 2007	–	10,444,772	272,328	427,690	26,240,050	1,487,615	–	38,872,455
Currency realignment	–	823,181	–	–	1,874,488	44,574	–	2,742,243
Additions	4,039,390	–	1,720,607	–	855,975	–	–	6,615,972
Transfer to other non-current assets	–	–	–	(427,690)	–	–	–	(427,690)
At 31st December, 2007	4,039,390	11,267,953	1,992,935	–	28,970,513	1,532,189	–	47,802,980
Acquired on acquisition of subsidiaries (note 45)	–	–	–	–	453,828	–	250,564	704,392
Currency realignment	–	704,510	–	–	1,761,458	41,245	10,016	2,517,229
Additions	–	–	–	–	167,925	1,531,100	4,412,466	6,111,491
Disposal	–	–	–	–	(46,488)	(227,380)	–	(273,868)
At 31st December, 2008	4,039,390	11,972,463	1,992,935	–	31,307,236	2,877,154	4,673,046	56,862,224
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2007	–	3,494,139	135,923	13,884	22,688,378	805,264	–	27,137,588
Currency realignment	–	294,302	–	–	1,641,793	43,750	–	1,979,845
Provided for the year	93,939	505,865	140,027	–	1,766,692	276,888	–	2,783,411
Transfer to other non-current assets	–	–	–	(13,884)	–	–	–	(13,884)
At 31st December, 2007	93,939	4,294,306	275,950	–	26,096,863	1,125,902	–	31,886,960
Currency realignment	–	284,309	–	–	1,631,221	35,567	869	1,951,966
Provided for the year	93,939	521,679	397,647	–	905,219	346,424	28,644	2,293,552
Eliminated on disposal	–	–	–	–	(20,587)	(204,642)	–	(225,229)
At 31st December, 2008	187,878	5,100,294	673,597	–	28,612,716	1,303,251	29,513	35,907,249
CARRYING VALUES								
At 31st December, 2008	3,851,512	6,872,169	1,319,338	–	2,694,520	1,573,903	4,643,533	20,954,975
At 31st December, 2007	3,945,451	6,973,647	1,716,985	–	2,873,650	406,287	–	15,916,020

18. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements	Exhibits and display items	Office equipment	Motor vehicle	Total
	HK$	HK$	HK$	HK$	HK$
THE COMPANY					
COST					
At 1st January, 2007	272,329	427,690	165,662	576,800	1,442,481
Additions	–	–	12,249	–	12,249
Transfer to other non-current assets	–	(427,690)	–	–	(427,690)
At 31st December, 2007	272,329	–	177,911	576,800	1,027,040
Additions	–	–	67,060	–	67,060
At 31st December, 2008	272,329	–	244,971	576,800	1,094,100
DEPRECIATION					
At 1st January, 2007	135,930	13,884	147,956	259,560	557,330
Provided for the year	53,996	–	27,460	173,040	254,496
Transfer to other non-current assets	–	(13,884)	–	–	(13,884)
At 31st December, 2007	189,926	–	175,416	432,600	797,942
Provided for the year	53,526	–	32,197	144,200	229,923
At 31st December, 2008	243,452	–	207,613	576,800	1,027,865
CARRYING VALUES					
At 31st December, 2008	28,877	–	37,358	–	66,235
At 31st December, 2007	82,403	–	2,495	144,200	229,098

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:

Building in Hong Kong	over the shorter of the lease term and estimated useful life of 50 years
Buildings in the PRC	over the shorter of the lease term and estimated useful life of 50 years
Leasehold improvements	10%
Lifts, electrical and office equipment	10% – 20%
Trams, coaches and motor vehicles	20% – 30%
Services equipment	20%

The carrying value of motor vehicle of the Group and the Company includes an amount of HK$1,435,406 (2007: HK$144,200) in respect of assets held under a finance lease.

19. PREPAID LEASE PAYMENTS

	THE GROUP	
	2008	2007
	HK$	HK$
The prepaid lease payments comprise the following leasehold land held under medium term leases:		
Land in Hong Kong	**23,083,954**	23,646,977
Land in the PRC	**1,189,096**	1,209,239
	24,273,050	24,856,216
Analysed for reporting purposes as		
Current	**598,255**	653,137
Non-current	**23,674,795**	24,203,079
	24,273,050	24,856,216

20. GOODWILL

	THE GROUP HK$
COST	
Arising on acquisition of subsidiaries and at 31st December, 2008 (Note 45)	**40,326,740**
IMPAIRMENT	
Impairment loss recognised and at 31st December, 2008	**(13,200,000)**
CARRYING AMOUNT	
At 31st December, 2008	**27,126,740**

Particulars regarding impairment testing on goodwill are disclosed in note 21.

21. IMPAIRMENT TESTING ON GOODWILL

As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill set out in note 20 has been allocated to an individual CGU, which comprises the business segment of provision of background music and music licensing services.

The recoverable amount of the CGU has been determined on the basis of fair value less cost to sell, which is determined based on the price of the CGU's shares agreed in a recent arm's length transaction involving the shares of this CGU. The recent transaction relates to a transaction completed in December 2008, whereby an independent third party signed a subscription and shareholders' agreement with the Group to subscribe for 9.9% equity interest in the CGU. In the opinion of the directors, the amount obtained from the sale at an arm's length transaction between knowledgeable, willing parties is representative of the fair value of the CGU. In this regard, the directors consider the fair value of the CGU to be the recoverable amount.

During the year ended 31st December, 2008, the Group recognised an impairment loss of HK$13,200,000 in relation to the above goodwill.

22. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY 2008 HK$	2007 HK$
Unlisted shares, at cost	**18,515,502**	15,055,522
Less: Impairment loss recognised	**(13,528,108)**	(1,861,753)
	4,987,394	13,193,769

The impairment loss is estimated by the directors based on the expected future cash flows from the Company's investment in these subsidiaries.

Particulars of the subsidiaries of the Company at 31st December, 2008 and 2007 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Direct	Indirect	Principal activities
Beijing Golden Music Resources Management Technology Co. Ltd, ("Golden Music")**	PRC/PRC*	RMB$25,000,000 Paid up registered capital	–	65%	Provision of background music and music licensing services
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	US$200 Ordinary shares	100%	–	Securities investment
Cathay Motion Picture Studios Limited	Hong Kong/ Hong Kong	HK$3,000,000 Ordinary shares	100%	–	Property investment
China Entertainment (Jiangsu) Development Ltd.	Hong Kong/ Hong Kong	HK$2 Ordinary shares	100%	–	Investment holding
Epoch Sino Investments Limited	British Virgin Islands/ Hong Kong	US$10 Ordinary shares	100%	–	Investment holding
Far East Art and Cultural Corporation Limited	Hong Kong/ Hong Kong	HK$2 Ordinary shares	100%	–	Property investment

22. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Direct	Indirect	Principal activities
Far East Capital Management Company Limited	Hong Kong/ Hong Kong	HK$1 Ordinary share	100%	–	Investment holding
Far East Holdings China Limited	Hong Kong/ Hong Kong	HK$2 Ordinary shares	100%	–	Investment holding
Far East Technology International Limited	Hong Kong/ Hong Kong	HK$10,000 Ordinary shares	–	100%	Inactive
Far East Holdings (Jiangsu) Limited	Hong Kong/ Hong Kong	HK$10,000 Ordinary shares	–	100%	Investment holding
Golden Star Investment Limited	Hong Kong/ Hong Kong	HK$1 Ordinary share	100%	–	Investment holding
Jiangsu Bang Bang Silky Fashion Manufacturer Co., Ltd.	PRC/PRC*	US$3,940,000 Paid up registered capital	–	51%	Manufacturing and sales of garment products
Jubilee Star Limited	Hong Kong/ Hong Kong	HK$1 Ordinary share	–	100%	Investment holding
Kwong Ming Amusement Company, Limited	Hong Kong/ Hong Kong	HK$1,000 Ordinary shares HK$448,000 Deferred shares	100%	–	Inactive
Marvel Star Group Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	100%	–	Investment holding

22. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Direct	Indirect	Principal activities
Panlong Investments (Holdings) Company Limited	Hong Kong/ Hong Kong	HK$1 Ordinary share	–	51%	Investment holding
Panlong Asset Management Company Limited	Hong Kong/ Hong Kong	HK$1 Ordinary share	–	51%	Inactive
Panlong Far East Auction Company Limited	Hong Kong/ Hong Kong	HK$1 Ordinary share	–	51%	Inactive
Peterfame Company Limited	Hong Kong/ Hong Kong	HK$10,000 Ordinary shares	100%	–	Property investment
Power Profit Far East Limited	Hong Kong/ Hong Kong	HK$1 Ordinary share	100%	–	Investment holding
River Joy Limited	Hong Kong/ Hong Kong	HK$1 Ordinary share	100%	–	Property investment
Skydynamic Holding Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	100%	–	Property investment
Wealth Trend Investment Limited ("Wealth Trend")**	Hong Kong/ Hong Kong	HK$27,137,337 Ordinary share	68%	–	Investment holding

* Sino-foreign equity joint venture

** Wealth Trend and Golden Music were acquired during the year. Except for Wealth Trend and Golden music, there were no acquisition nor disposal during the year.

None of the subsidiaries had any debt securities outstanding at the end of the year.

23. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Cost of investment in associates				
Listed in Hong Kong	**16,357,479**	12,670,635	**16,357,479**	12,670,635
Unlisted in Hong Kong	**247,000**	152,000	**247,000**	152,000
Share of post-acquisition reserves, net of dividends received	**108,556,104**	90,521,289	**–**	–
	125,160,583	103,343,924	**16,604,479**	12,822,635
Market value of listed associate	**77,876,532**	182,587,751	**77,876,532**	182,587,751

Particulars of associates of the Group at 31st December, 2008 and 2007 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued ordinary share capital held by the Group 2008	2007	Principal activity
Chinasoft International Limited ("Chinasoft")*	Cayman Islands/ PRC	**13.33%**	13.18%	Provision of information technology services
Vigor Capital Limited ("Vigor")	Hong Kong/ Hong Kong	**19.84%**	19%	Provision of assets management services

* Listed in the Main Board of The Stock Exchange of Hong Kong Limited.

Chinasoft

In January 2007, the Group disposed of 20,000,000 shares of Chinasoft for a consideration of HK$34,520,865, resulting in a gain on disposal of HK$28,322,820. In addition, the Group further acquired 330,000 shares of Chinasoft.

In April 2007, 32,300,000 new shares of Chinasoft were issued to ABN AMRO Bank N.V., London Branch at the price of HK$1.70 per share on 30th April, 2007.

23. INTERESTS IN ASSOCIATES (continued)

Chinasoft (continued)

In August 2007, Chinasoft allotted and issued 170,868,617 new shares to the shareholders ("Selling Shareholders") of Hinge Global Resource Inc ("HGR") at a price of HK$1.85 per share for the acquisition of approximately 97.35% equity interest of HGR.

Pursuant to a resolution passed by the directors of Chinasoft on 4th July, 2006 and after the achievement of the revenue and the entering into a master contract with Microsoft as described in the announcement of Chinasoft dated 4th July, 2006, 7,918,782 new shares of Chinasoft were allotted and issued on 6th November, 2007 as fully paid shares to Opportune Technology Development Company Limited ("Opportune Technology") as the second portion of consideration shares of HK$1.97 each for the acquisition of the Mobile and Embedded Division of Opportune Technology.

During the year ended 31st December, 2007, Chinasoft had issued a total of 19,933,500 new shares to share option holders on exercise of their rights under share options.

As a result of issurance of new shares to parties stated above, the Group's shareholding in Chinasoft as at 31st December, 2007 had decreased from 19.78% to 13.18%, resulting in a cumulative gain on deemed disposal of HK$40,687,735.

In April 2008, Chinasoft allotted and issued 8,790,313 new shares to the shareholders of Japan Powerise Co., Ltd. ("Japan Powerise") at a price of HK$1.26 per share for the acquisition of 100% equity interest of Japan Powerise. The issuance of shares resulted in a gain on deemed disposal of HK$446,018.

During the period from April to September 2008, Chinasoft has issued a total of 8,650,000 new shares to share option holders on exercise of their rights under the share options. Accordingly, the Group's shareholding in Chinasoft was diluted and resulted in a loss of HK$319,360.

During the year ended 31st December, 2008, the Group further acquired 3,850,000 shares of Chinasoft at a consideration of HK$3,686,844.

As a result of further acquisition and issuance of new shares by Chinasoft to parties other than the Group, the Group's shareholding in Chinasoft as at 31st December, 2008 is increased to 13.33%.

23. INTERESTS IN ASSOCIATES (continued)

The directors of the Group believe that the Group is able to exert significant influence over Chinasoft as the Group has nominated Mr. Duncan Chiu as a director of Chinasoft who also participates in the financial and operating decisions of Chinasoft.

During the year ended 31st December, 2008, Chinasoft received letters from lawyers acting for certain Selling Shareholders who sold their shares in HGR to Chinasoft in 2007. The legal letters relate to contingent purchase consideration as set out in the share sale and purchase agreement ("SPA") in connection with the acquisition of HGR in 2007. Under the SPA, the Selling Shareholders would be entitled to a payment of the contingent purchase consideration if the audited net profit of HGR for the year ended 31st December, 2007 was above a certain amount as set out in the SPA. The total final consideration for the acquisition of HGR may not be more than US$55 million of which US$45.04 million was paid in 2007. Subsequent to the balance sheet date, Chinasoft agreed with the Selling Shareholders for a special audit of the financial statements of HGR for the year ended 31st December, 2007 to be carried out. In the opinion of the directors of Chinasoft, the net profit of HGR for the year ended 31st December, 2007 was lower than the amount set out in the SPA and accordingly, no additional consideration would be payable by Chinasoft. Accordingly, the consolidated financial statements of Chinasoft for the years ended 31st December, 2007 and 31st December, 2008 do not include any adjustments in respect of the contingent purchase consideration. However, the ultimate outcome of the special audit and the amount of additional consideration, as well as the potential financial impact on the Group, if any, cannot presently be determined with certainty.

Vigor

During the year, the Group subscribed for 95,000 shares in Vigor at a consideration of HK$95,000, resulting in an increase of the Group's shareholding in Vigor from 19% to 19.84%.

The directors of the Group believe that the Group is able to exert significant influence over Vigor as the Group has nominated Mr. Duncan Chiu as a director of Vigor who also participates in the financial and operating decisions of Vigor.

23. INTERESTS IN ASSOCIATES (continued)

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

	2008 HK$	2007 HK$
Total assets	**1,597,811,859**	1,457,783,040
Total liabilities	**(608,170,671)**	(628,714,880)
Net assets	**989,641,188**	829,068,160
Group's share of net assets of associates	**125,160,583**	103,343,924

	2008 HK$	2007 HK$
Revenue	**1,085,195,453**	839,023,035
Profit for the year	**78,310,806**	126,687,979
Group's share of profit of associates for the year	**8,951,462**	17,455,559

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2008	2007
	HK$	HK$
Unlisted investments in jointly controlled entities	**37,095,927**	–
Share of post-acquisition loss	**(452,913)**	–
	36,643,014	–

At 31st December, 2008, the Group had interests in the following jointly controlled entities:

Name of entity	Forms of business structure	Place of establishment/ operation	Proportion of nominal value of registered capital held by the Group 2008	2007	Principal activity
Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan") (Note 1)	Incorporated	PRC/PRC	**20.02%**	–	Provision of aviation maintenance services
北京金瑞高華科技有限公司 (Note 2)	Incorporated	PRC/PRC	**45.00%**	–	Provision of internet technology services

Note 1: On November, 2008, the Group acquired 20.02% interest in Beijing Kailan. Under a joint venture agreement, all operating and financial decisions have to be jointly approved by the Group and the joint venture partner.

Note 2: On May 2008, the Group established 北京金瑞高華科技有限公司 in which the Group held 45% equity interest. Under the Memorandum and Articles of Association, all operating and financial decisions have to be jointly approved by the Group and the joint venture partners.

Included in the cost of unlisted investments in jointly controlled entities is goodwill of HK$7,508,651 arising on acquisition of Beijing Kailan. The movements of goodwill is set out below:

	HK$
Arising on acquisition	7,508,651
Less: Impairment loss recognised	(7,508,651)
At 31st December, 2008	–

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Due to the general slowdown in the global economy brought by the financial tsunami, the unstable economic environment imposes a negative impact on the airlines industry which in turn affects the business of Beijing Kailan, which is principally involved in the provision of aviation maintenance services. As at year end, the Group assessed the recoverable amount of the entire carrying amount of the interests in jointly controlled entities.

The recoverable amount has been determined on the basis of value in use calculation. That calculation uses cash flow forecasts derived from the most recent financial budgets and forecast over the five-year period, approved by the management of the jointly controlled entities using a discount rate of 6%. The directors reviewed the anticipated profitability and the anticipated future operating cash flows of Beijing Kailan. The directors of the Company identified an impairment loss of HK$7,508,651 for the year ended 31st December, 2008 and such amount has been charged to the consolidated income statement.

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	2008 **HK$**	2007 HK$
Current assets	**25,348,530**	–
Non-current assets	**39,266,533**	–
Current liabilities	**(19,345,764)**	–
Non-current liabilities	**(8,626,285)**	–
Income	**(2,327,105)**	–
Expenses	**2,780,018**	–

25. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Equity securities listed in Hong Kong, at fair value	**3,567,832**	23,852,163	**427,414**	12,485,106
Unlisted equity securities in Hong Kong	**19,786,390**	15,000,000	**–**	–
Less: Impairment loss recognised	**(1,486,390)**	–	**–**	–
	18,300,000	15,000,000	**–**	–
	21,867,832	38,852,163	**427,414**	12,485,106

The above unlisted investment represents investment in unlisted equity securities issued by unlisted entities incorporated in the Hong Kong which operate in the money lending industry and the provision of internet technology services. These investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

The impairment loss of the unlisted equity securities is estimated by the directors based on the expected future cash flows to be derived from the investments in unlisted equity securities.

During the year, a significant decline in fair value of certain listed equity investments below cost of HK$4,328,372 was charged to consolidated income statement.

26. OTHER NON-CURRENT ASSETS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Paintings and other display items, at cost	**7,102,843**	5,270,343	**7,102,843**	5,270,343
Less: Impairment loss recognised	**(977,000)**	–	**(977,000)**	–
	6,125,843	5,270,343	**6,125,843**	5,270,343
Advance payment for purchase of property, plant and equipment	**4,518,268**	–	**–**	–
	10,644,111	5,270,343	**6,125,843**	5,270,343

The impairment loss is estimated by the directors based on market evidence of recent transaction prices for similar paintings.

27. HELD-FOR-TRADING INVESTMENTS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Listed equity securities:				
Hong Kong	**17,994,240**	22,171,627	**17,824,201**	21,841,503
Overseas	**14,296,572**	20,866,147	**14,296,572**	20,866,147
	32,290,812	43,037,774	**32,120,773**	42,707,650

The fair values of held-for-trading investments have been determined by reference to the quoted market bid prices available on the relevant exchanges.

28. INVENTORIES

	THE GROUP	
	2008	2007
	HK$	HK$
Raw materials	**1,541,520**	1,700,254
Work in progress	**1,507,454**	2,914,070
Finished goods	**1,207,605**	1,901,208
	4,256,579	6,515,532

At the balance sheet dates, inventories of Nil (2007: HK$644,888) are carried at net realisable value.

29. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group has a policy of allowing a credit period of 30 days to its trade customers. Rentals receivable from tenants and service income from customers are payable on receipt of invoices. The aged analysis of trade receivable is as follows:

	THE GROUP	
	2008	2007
	HK$	HK$
Current:		
0 – 30 days	**245,952**	–
Past due:		
31 – 60 days	**429,664**	600,967
61 – 90 days	**113,186**	–
Over 90 days	**125,989**	26,222
Total trade receivables	**914,791**	627,189
Other receivables	**1,609,177**	496,209
	2,523,968	1,123,398

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$668,839 (2007: HK$627,189) which are past due at the reporting date for which the Group has not provided for impairment loss as the Group considered that the default risk is low after assessing the past payment history of the debtors and settlement after the balance sheet date. The Group does not hold any collateral over these balances. Trade receivables which are neither overdue nor impaired are in good quality with reference to past payment history.

30. AMOUNT DUE FROM A DIRECTOR

Details of amount due from a director are as follows:

Director	Balance at 31.12.2008 HK$	Balance at 1.1.2008 HK$	Maximum amount outstanding during the year HK$
Deacon Te Ken Chiu, J.P.	–	22,102,762	22,102,762

The amount is unsecured, interest bearing at 0.95% to 1.80% (2007: 3.67% to 6.00%) per annum and repayable on demand. The amount has been fully settled during the year.

31. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, interest-free and repayable on demand. The amount was fully written off in 2008 as the directors consider that the amount is irrecoverable.

32. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

The amounts are unsecured, interest-free and repayable on demand.

The amount due from a minority shareholder is trade in nature and the Group has a policy of allowing a credit period of 30 days to the minority shareholder. The aged analysis of the receivable is as follows:

	THE GROUP	
	2008	2007
	HK$	HK$
Current:		
0 – 30 days	**1,142,497**	649,588
Past due:		
31 – 60 days	**575,705**	589,145
61 – 90 days	**586,680**	378,982
Over 90 days	**751,712**	701,935
	3,056,594	2,319,650

Included in the amount due from the minority shareholder is a trade balance of HK$1,914,097 (2007: HK$1,670,062) which is past due at the reporting date for which the Group has not provided for impairment loss as the Group considered that the default risk is low after assessing the past payment history of the minority shareholder and settlement after the balance sheet date. The Group does not hold any collateral over this balance. No allowance for doubtful debts are provided and any uncollectible debts are written off directly. The amount due from the minority shareholder which is neither overdue nor impaired is in good quality with reference to past payment history.

33. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amount due from a related company is unsecured, interest-free and has no fixed repayment terms. The management expects to realise the amount in the next twelve months from the balance sheet date.

The amounts due to related companies are unsecured, interest-free and repayable on demand.

The related companies are companies in which certain directors of the Company have beneficial interest.

34. DEPOSITS HELD AT FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH

Bank balances and deposits held at financial institutions carry interest at market rates which range from 0.15% to 4.85% (2007: 0.70% to 6.82%) per annum.

35. TRADE AND OTHER PAYABLES

The aged analysis of trade payables is as follows:

	THE GROUP	
	2008	2007
	HK$	HK$
0 – 30 days	**5,291**	180,121
31 – 60 days	**11,856**	–
61 – 90 days	**2,110**	–
Over 90 days	**39,066**	51,823
Total trade payables	**58,323**	231,944
Other payables	**10,371,680**	10,366,388
	10,430,003	10,598,332

36. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand.

37. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from subsidiaries are unsecured and interest bearing at 2.4% per annum. The Company has agreed that the amounts will not be demanded for repayment within the next twelve months. Accordingly, the amounts are shown as non-current.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

38. DERIVATIVE FINANCIAL INSTRUMENTS

The amount represents the fair value at 31st December, 2008 of forward accumulator contract with notional amount of HK$15,232,984. The derivative financial instruments is classified as held for trading. Based on the agreement, the Group has an obligation to purchase a listed equity security monthly at a predetermined price. The counterparty financial institution can terminate the contract when the market prices of the underlying equity security is higher than a knock-out price set by both parties. The fair value is based on the valuation provided by the counterparty financial institution. The contract matured and was settled on 14th January, 2009 at HK$1,171,768, being consideration to purchase the listed equity security at a predetermined price. The settlement resulted in a fair value loss of HK$261,668 which will be charged to the consolidated income statement for the year ending 31st December, 2009.

39. BANK AND OTHER LOANS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Secured				
Bank loans	**17,599,510**	18,364,788	**–**	–
Other loans	**5,113,067**	8,283,319	**5,113,067**	8,283,319
	22,712,577	26,648,107	**5,113,067**	8,283,319
Carrying amount repayable:				
On demand or within one year	**5,918,096**	9,014,618	**5,113,067**	8,283,319
More than one year but not exceeding two years	**822,509**	752,840	**–**	–
More than two years but not exceeding five years	**2,575,318**	2,392,650	**–**	–
More than five years	**13,396,654**	14,487,999	**–**	–
	22,712,577	26,648,107	**5,113,067**	8,283,319
Less: amounts due within one year shown under current liabilities	**(5,918,096)**	(9,014,618)	**(5,113,067)**	(8,283,319)
	16,794,481	17,633,489	**–**	–

Bank loans, which is denominated in Hong Kong dollars, bear effective interest rate at 3.1% (2007: 3.1%) below Hong Kong Prime Lending Rate per annum. The bank loans are secured by a leasehold land and building in Hong Kong.

The other loans, which is denominated in Yen, currencies other than the functional currencies of the relevant group entities, bear floating interest rates at 1.105% (2007: 0.94%) per annum.

40. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
THE GROUP				
Amounts payable under finance lease:				
Within one year	**505,843**	160,008	**410,457**	136,044
In the second to fifth year inclusive	**610,907**	120,006	**551,746**	113,905
	1,116,750	280,014	**962,203**	249,949
Less: Future finance charges	**(154,547)**	(30,065)	**–**	–
Present value of lease obligations	**962,203**	249,949	**962,203**	249,949
Less: Amount due within one year shown under current liabilities			**(410,457)**	(136,044)
Amount due after one year			**551,746**	113,905

Obligations under finance leases are secured by motor vehicles. The terms of the leases range from three years to four years (2007: four years). Interest rates are fixed at either 5.25% or 7% per annum (2007: 7% per annum). No arrangements have been entered into for contingent rental payment.

40. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
THE COMPANY				
Amounts payable under finance lease:				
Within one year	**120,006**	160,008	**113,905**	136,044
In the second to fifth year inclusive	**–**	120,006	**–**	113,905
	120,006	280,014	**113,905**	249,949
Less: Future finance charges	**(6,101)**	(30,065)	**–**	–
Present value of lease obligations	**113,905**	249,949	**113,905**	249,949
Less: Amount due within one year shown under current liabilities			**(113,905)**	(136,044)
Amount due after one year			**–**	113,905

The obligations under a finance lease are secured by the motor vehicle. The term of the lease is four years (2007: four years). Interest rates are fixed at 7% (2007: 7%) per annum. No arrangements have been entered into for contingent rental payments.

41. SHARE CAPITAL

	Number of shares		Share capital	
	2008	2007	**2008**	2007
			HK$	HK$
Ordinary shares of HK$0.01 each:				
Authorised:				
At beginning and end of year	**70,000,000,000**	70,000,000,000	**700,000,000**	700,000,000
Issued and fully paid:				
At beginning of year	**130,450,595**	109,450,595	**1,304,506**	1,094,506
Issue of shares pursuant to placing agreement	**–**	21,000,000	**–**	210,000
Exercise of share options	**968,348**	–	**9,684**	–
Shares issued in consideration for the acquisition of subsidiaries	**20,000,000**	–	**200,000**	–
Issue of bonus shares	**151,418,943**	–	**1,514,189**	–
At end of year	**302,837,886**	130,450,595	**3,028,379**	1,304,506

Notes:

(a) During the year, 968,348 ordinary shares of HK$0.01 each were issued to the Company's employees pursuant to the exercise of share options granted to the employees.

(b) Pursuant to an ordinary resolution dated 30th May, 2008, the Company issued 151,418,943 ordinary shares of HK$0.01 each by way of a bonus issue through capitalisation from the share premium account on the basis of one bonus share for every issued ordinary share.

(c) Pursuant to an ordinary resolution dated 12th February, 2008, the Company issued 20,000,000 ordinary shares of HK$0.01 each as part of the consideration to acquire an equity interest in Wealth Trend Investment Limited. Details of the acquisition is disclosed in note 45.

41. SHARE CAPITAL (continued)

Notes: (continued)

(d) On 30th November, 2007 and 4th December, 2007, the Company entered into the subscription and supplemental subscription agreements with subscribers, whereas the subscribers entered into placing agreement and the supplemental placing agreement with Orient Securities Limited ("Orient"), an independent third party at the same time. Pursuant to which, Orient would procure the placing to subscribe a maximum of 21,000,000 shares at the placing price of HK$1.39 per share, representing in aggregate 19.19% of the existing issued share capital of the Company as at 4th December 2007. Upon completion of the placement which took place on 5th December, 2007, the Company issued 21,000,000 shares of HK$1.39 per share for a total consideration of HK$29,190,000.

The new ordinary shares rank pari passu with the existing shares in all respect.

42. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 23rd May, 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 20th July, 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31st December, 2008, the number of shares to be issued in respect of which options had been granted and remained outstanding under the Scheme is 2,300,000 (2007: 2,118,348) shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1.00 per option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

42. SHARE OPTION SCHEME (continued)

On 21st April, 2006, 5,100,000 share options were granted at an initial exercise price of HK$1.34, 50% of 5,100,000 share options were immediately vested upon grant with exercisable period from 23rd May, 2006 to 22nd May, 2016 and the remaining 50% of 5,100,000 share options were vested one year from date of grant with exercisable period from 23rd May, 2007 to 22nd May, 2017 respectively. Pursuant to the bonus issue in 2006, the exercise price and number of share options granted were adjusted accordingly from HK$1.34 to HK$1.2182 and from 5,100,000 to 5,610,000 respectively. Pursuant to the bonus issue during the year, the exercise price and the remaining number of the share options granted were further adjusted from HK$1.2182 to HK$0.6091 and from 1,150,000 to 2,300,000, respectively.

No share option was granted during the year.

Details of the share options outstanding at 31st December, 2008 as follows:

				Number of Share Options					
Capacity of grantee	Grant date	Adjusted exercise price HK$	Exercisable period (both days inclusive)	Balance at 1.1.2008	Granted during the year	Exercise during the year	Balance before bonus issue	Adjustment for bonus Issue	Balance at 31.12.2008
Employees	21/7/2005	1.1530	21st July, 2005 to 20th July, 2015	468,348	–	(468,348)	–	–	–
	21/4/2006	0.6091	23rd May, 2006 to 22nd May, 2016	825,000	–	(495,000)	330,000	330,000	660,000
	21/4/2006	0.6091	23rd May, 2007 to 22nd May, 2017	825,000	–	(5,000)	820,000	820,000	1,640,000
				2,118,348	–	(968,348)	1,150,000	1,150,000	2,300,000

The weighted average exercise price and share price at the date of exercise of the share options during the year is HK$1.19 and HK$3.5 respectively.

42. SHARE OPTION SCHEME *(continued)*

Details of the share options outstanding at 31st December, 2007 as follows:

				Number of Share Options				
Capacity of grantee	Grant date	Adjusted exercise price HK$	Exercisable period (both days inclusive)	Balance at 1.1.2007	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2007
Directors	21/7/2005	1.1530	21st July, 2005 to 20th July, 2015	7,259,372	–	–	(7,259,372)	–
	21/4/2006	1.2182	23rd May, 2006 to 22nd May, 2016	1,980,000	–	–	(1,980,000)	–
	21/4/2006	1.2182	23rd May, 2007 to 22nd May, 2017	1,980,000	–	–	(1,980,000)	–
Employees	21/7/2005	1.1530	21st July, 2005 to 20th July, 2015	468,348	–	–	–	468,348
	21/4/2006	1.2182	23rd May, 2006 to 22nd May, 2016	825,000	–	–	–	825,000
	21/4/2006	1.2182	23rd May, 2007 to 22nd May, 2017	825,000	–	–	–	825,000
				13,337,720	–	–	(11,219,372)	2,118,348

The estimated fair values of the options granted on 21st April, 2006 are HK$0.4964 and HK$0.5613 respectively. The market price of the shares at the date of grant was HK$1.34. These fair values were calculated using the Black-Scholes pricing model.

The Group recognised the total expense of HK$Nil during the year (2007: HK$514,266) in relation to equity-settled share-based payment transactions.

43. RESERVES

	Share premium HK$	Share option reserve HK$	Investment revaluation reserve HK$	Retained profits HK$	Total HK$
THE COMPANY					
At 1st January, 2007	109,643,123	6,432,609	(2,857,480)	33,929,184	147,147,436
Decrease in fair value of available-for-sale investments	–	–	(1,690,204)	–	(1,690,204)
Transfer to profit or loss on derecognition of convertible notes	–	–	341,942	–	341,942
Transfer to profit or loss on sale of available-for-sale investments	–	–	137,773	–	137,773
Recognition of equity-settled share based payments	–	514,266	–	–	514,266
Transfer to retained profit upon cancellation of share options	–	(5,896,040)	–	5,896,040	–
Issue of new shares upon placement	28,980,000	–	–	–	28,980,000
Transaction cost attributable to issue of new shares	(728,356)	–	–	–	(728,356)
Profit for the year	–	–	–	38,136,932	38,136,932
At 31st December, 2007	137,894,767	1,050,835	(4,067,969)	77,962,156	212,839,789
Decrease in fair value of available-for-sale investments	–	–	(7,306,937)	–	(7,306,937)
Transfer to profit or loss on impairment of available-for-sale investments	–	–	601,600	–	601,600
Transfer to profit or loss on sale of available-to-sale investments	–	–	10,773,306	–	10,773,306
Shares issued in consideration for the acquisition of subsidiaries	30,609,645	–	–	–	30,609,645
Issue of bonus shares	(1,514,189)	–	–	–	(1,514,189)
Exercise of share options	1,622,913	(483,491)	–	–	1,139,422
Transaction cost attributable to issue of new shares	(59,202)	–	–	–	(59,202)
Dividends recognised as distribution	–	–	–	(3,028,379)	(3,028,379)
Loss for the year	–	–	–	(62,443,469)	(62,443,469)
At 31st December, 2008	168,553,934	567,344	–	12,490,308	181,611,586

44. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and prior years:

	Temporary difference on tax depreciation	Revaluation of properties	Tax losses	Other temporary difference	Total
	HK$	HK$	HK$	HK$	HK$
At 31st December, 2006	65,776	1,880,725	(1,052,006)	122,648	1,017,143
Charge (credit) to income for the year	43,327	(1,104,998)	489,691	(122,648)	(694,628)
At 31st December, 2007	109,103	775,727	(562,315)	–	322,515
Charge (credit) to income for the year	(141,028)	(36,033)	86,391	–	(90,670)
At 31st December, 2008	(31,925)	739,694	(475,924)	–	231,845

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

At 31st December, 2008, the Group has unused tax losses of approximately HK$157.7 million (2007: HK$108.5 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$2.9 million (2007:HK$3.2 million) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$154.8 million (2007: HK$105.3 million) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At 31st December, 2008, the Company has unused tax losses of approximately HK$125.4 million (2007: HK$88.9 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

45. ACQUISITION OF SUBSIDIARIES

In February 2008, the Group acquired 100% equity interest in Wealth Trend and its non-wholly owned subsidiary, Golden Music, which principally engaged in the provision of background music and music licensing services, for a consideration of HK$32,691,772 comprising cash and the issuance of shares to Allied Wealth Holdings Limited, a company in which Mr. Sin Kwok Lam ("Mr. Sin") is the ultimate beneficial owner. Mr. Sin held 933,000 issued shares of the Company, representing approximately 0.71% of the issued share capital of the Company as at the completion date.

The acquisition has been accounted for using the purchase method. Goodwill arising as a result of the acquisition was HK$40,326,740.

The net liabilities acquired in the transaction and the goodwill arising are as follows:

	Carrying values and fair values HK$
Net liabilities acquired:	
Property, plant and equipment	704,392
Bank balances and cash	4,681,890
Trade and other payables	(272,196)
Amount due to a former shareholder	(6,517,873)
Net liabilities	(1,403,787)
Minority interest	(6,231,181)
Goodwill	40,326,740
Total consideration	32,691,772
Satisfied by:	
Cash	1,882,127
Shares issued (Note)	30,809,645
	32,691,772
Net cash inflow arising on acquisition:	
Cash consideration	(1,882,127)
Bank balances and cash acquired	4,681,890
	2,799,763

Note: As part of the consideration for the acquisition, 20,000,000 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of the shares issued, determined using the published price available at the date of the acquisition, amounted to HK$30,809,645.

45. ACQUISITION OF SUBSIDIARIES (continued)

Subsequent to the acquisition, the Group's interest in Wealth Trend was diluted from 100% to 68% through the issuance of shares by Wealth Trend as consideration of HK$8,567,265 to acquire additional 30% interest in a subsidiary, Golden Music. However, the Group's effective interest in Golden Music remained the same.

Goodwill arising on the acquisition of Wealth Trend and its subsidiary is attributable to the anticipated profitability from the provision of services in background music and music licensing market in the PRC.

Wealth Trend and its subsidiary contributed HK$12,149,735 to the Group's loss for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1st January, 2008, total Group revenue for the year would have been HK$22,719,773, and Group's loss for the year would have been HK$71,915,117. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2008, nor is it intended to be a projection of future results.

46. MAJOR NON-CASH TRANSACTIONS

During the year, the Group issued 20,000,000 ordinary shares of HK$0.01 each as part of the consideration for the acquisition of Wealth Trend as set out in note 45.

During the year, the Group received scrip dividends from certain available-for-sale investments and held-for-trading investments of HK$83,223 (2007: HK$237,419) and HK$33,239 (2007: HK$699,303), respectively.

In 2007, the Group acquired certain available-for-sale investments of HK$9,160,000 through exercising its right under the term of the convertible notes.

47. PLEDGE OF ASSETS

At 31st December, 2008:

(a) margin trading facilities in respect of securities transactions to the extent of approximately HK$9.9 million (2007: HK$11.9 million), of which HK$5.1 million (2007: HK$8.3 million) had been utilised after considering deposits held by financial institutions, is secured by the listed investments of the Group and the Company of approximately HK$17.9 million (2007: HK$23.7 million) and HK$17.9 million (2007: HK$23.7 million), respectively. The listed investments comprise held-for-trading securities and equity shares in an associate held by the Group;

(b) overdraft and revolving loan facilities to the extent of approximately HK$17.1 million (2007: HK$17.1 million), of which Nil had been utilised in both years, are secured by a floating charge over certain investment properties and property, plant and equipment, and other non-current assets of the Group;

47. PLEDGE OF ASSETS (continued)

(c) short term loan and margin facilities in respect of securities transactions to the extent of approximately HK$232.5 million (2007: HK$232.5 million) of which Nil (2007: Nil) had been utilised after considering deposits held by financial institutions, is secured by the listed investments of the Group and the Company of approximately HK$23.2 million (2007: HK$13.8 million) and HK$23.2 million (2007: HK$13.8 million) respectively. The listed investments comprise held-for-trading securities and equity shares in an associate held by the Group; and

(d) bank loan facilities to the extent of approximately HK$18.9 million, of which HK$17.6 million were drawndown and fully utilised in 2008 and 2007, is secured by the Group's leasehold land and building in Hong Kong with an aggregate carrying value of approximately HK$27.4 million (2007: HK$27.6 million).

48. CONTINGENT LIABILITIES

As at 31st December, 2008, the Company is contingently liable for guarantee issued to a bank in respect of a mortgage loan granted to a subsidiary. The mortgage loan utilised by the subsidiary amounted to HK$17,599,510 (2007: HK$18,364,788).

In the opinion of the directors, the fair value of the financial guarantee contract is insignificant. Accordingly, no value has been recognised in the consolidated financial statements.

49. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year is HK$897,072 (2007: HK$1,160,966). The properties held have committed tenants for the next two years.

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

	2008 **HK$**	2007 HK$
Within one year	**2,166,000**	726,000
In the second to fifth year inclusive	**569,733**	935,733
	2,735,733	1,661,733

49. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group and the Company as lessee

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under a non-cancellable operating lease which falls due as follows:

	2008	2007
	HK$	HK$
Within one year	**229,238**	253,452
In the second to fifth year inclusive	**112,401**	52,758
	341,639	306,210

Operating lease payments represent rentals payable by the Group to a company controlled by certain directors of the Company for the use of its office premise. Leases are negotiated for a term of two years.

50. RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes the higher of 5% (2007: 5%) of relevant payroll costs or HK$1,000 to the scheme monthly, which contribution is matched by employees.

	2008	2007
	HK$	HK$
Amount contributed and charged to the consolidated income statement	**100,795**	123,913

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

	2008	2007
	HK$	HK$
Amount contributed and charged to the consolidated income statement	**1,163,339**	845,207

51. COMMITMENT

In 2007, Jubilee Star Limited ("Jubilee Star"), a subsidiary of the Group and China Aviation Supplies Import and Export Group Corporation ("China Aviation") entered into conditional agreements to acquire an interest in Beijing Kailan. Based on the revised agreement, Jubilee Star agreed to contribute RMB38 million into Beijing Kailan. Upon the fulfillment of conditions set out in the revised agreement, Jubilee Star and China Aviation will own 20.02% and 79.98% equity interest in Beijing Kailan respectively.

During the year 2008, the conditions were fulfilled and Beijing Kailan is accounted for as a jointly controlled entity of the Group.

52. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

Related party	Nature of transaction	2008 HK$	2007 HK$
Minority shareholder of a subsidiary	Sales of goods	**14,078,960**	19,950,716
Minority shareholder of a subsidiary	Purchases of materials	**559,289**	1,007,167
Minority shareholder of a subsidiary	Development cost	**551,725**	–
Related companies	Rental expenses	**404,190**	154,800
An associate	Amount due from an associate written off	**639,629**	–
A director	Interest income	**98,246**	1,102,762

The Company performed certain administrative services for its subsidiaries for which a management fee of HK$1,224,000 (2007: HK$1,224,000) was charged to the subsidiaries.

Certain directors of the Company have beneficial interest in the related company.

Terms and balances with related parties are set out in the balance sheets and notes 30, 31, 32, 33, 36 and 37.

52. RELATED PARTY TRANSACTIONS (continued)

The key management of the Group comprises all directors and three (2007: three) highest paid employees, details of their remuneration are disclosed in notes 10 and 11. The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

	For the year ended 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000 (restated)	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	73,395	68,898	53,485	28,868	**22,720**
Profit (loss) before taxation	56,378	15,652	16,563	96,252	**(70,499)**
Taxation	(526)	(659)	(372)	592	**69**
Profit (loss) for the year	55,852	14,993	16,191	96,844	**(70,430)**
Attributable to:					
Equity holders of the Company	54,809	14,907	15,962	97,388	**(66,244)**
Minority interests	1,043	86	229	(544)	**(4,186)**
	55,852	14,993	16,191	96,844	**(70,430)**

	As at 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000 (restated)	HK$'000	HK$'000	HK$'000	**HK$'000**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Total assets	177,954	236,571	231,294	386,392	**362,350**
Total liabilities	(41,176)	(49,584)	(25,741)	(41,186)	**(38,105)**
	136,778	186,987	205,553	345,206	**324,245**
Minority interests	(16,329)	(15,773)	(16,477)	(17,108)	**(22,293)**
Equity attributable to equity holders of the Company	120,449	171,214	189,076	328,098	**301,952**

The above financial summary prior to 2005 has not been adjusted to take into account the effect of change in the presentation of turnover to exclude proceeds from sales of securities and dividends from listed securities.

A. INVESTMENT PROPERTIES

	Location	Group's interests	Approximate site area (sq.ft.)	Existing use	Term of lease
1.	G/F to 3/F, Tung Fai Court, 2 Shui Che Kwun Street, Yuen Long, New Territories (165/750th shares of and in YLTL 287 and 349) Hong Kong	100%	8,487	Commercial	Medium
2.	Unit A, B, C, D, E, F, G and H 3rd Floor, Sun Star Castle, Beco da Roma No. 6, Rua de S. Domingos No. 13 – 19A and Patio de S Domingos, No. 17 – 19 Macau	100%	3,783	Commercial	Medium

B. LEASEHOLD LAND AND BUILDINGS

	Location	Approximate Group's interests	Site area (sq.ft.)	Existing use	Term of lease
1.	Flat C on 22nd and Car Parking Space No.26 on Level 5 of Tower 3, Tregunter, Tregunter Path, The Peak, Hong Kong (44/12659th shares of and in the Remaining Portion of Inland Lot No.1626, Inland Lot No. 1627 and the Extension thereto, Inland Lot No. 1929 and the Remaining Portion of Inland Lot No. 8306) Hong Kong	100%	3,001	Residential	Medium

C. LANDS HELD FOR UNDETERMINED FUTURE USE

	Location	Group's interests	Approximate site area (sq.ft.)	Existing use	Term of lease
1.	Half share in Lots 5, 9, 10, 12,14, 15, 17, 18, 19, 20, 33 and 72 in DD 447, Tsuen Wan, New Territories Hong Kong	100%	40,075	Agriculture	Medium
2.	Lots 46, 47, 48, 49, 107, 108, 109 and 110 in DD279, Tuen Mun New Territories Hong Kong	100%	36,155	Agriculture	Medium
3.	Lots 421 and 718 in DD 395, Tin Fu Tsai, Tuen Mun, New Territories Hong Kong	100%	22,216	Agriculture	Medium
4.	Lots 968, 969, 970, 971, 972, 973, 975, 976, 977, 978 R.P., 980 R.P. and 981 R.P. in DD 82, Ta Kwu Ling, Fanling, New Territories Hong Kong	100%	53,070	Agriculture	Medium
5.	The Remaining Portion of Lot No. 445 in DD 360 Chuen Lung, Tsuen Wan, New Territories Hong Kong	100%	710	Agriculture	Medium
6.	13.075% Interest in Lot No. 389 Chuen Lung, Tsuen Wan, New Territories Hong Kong	100%	19,000	Commercial	Medium