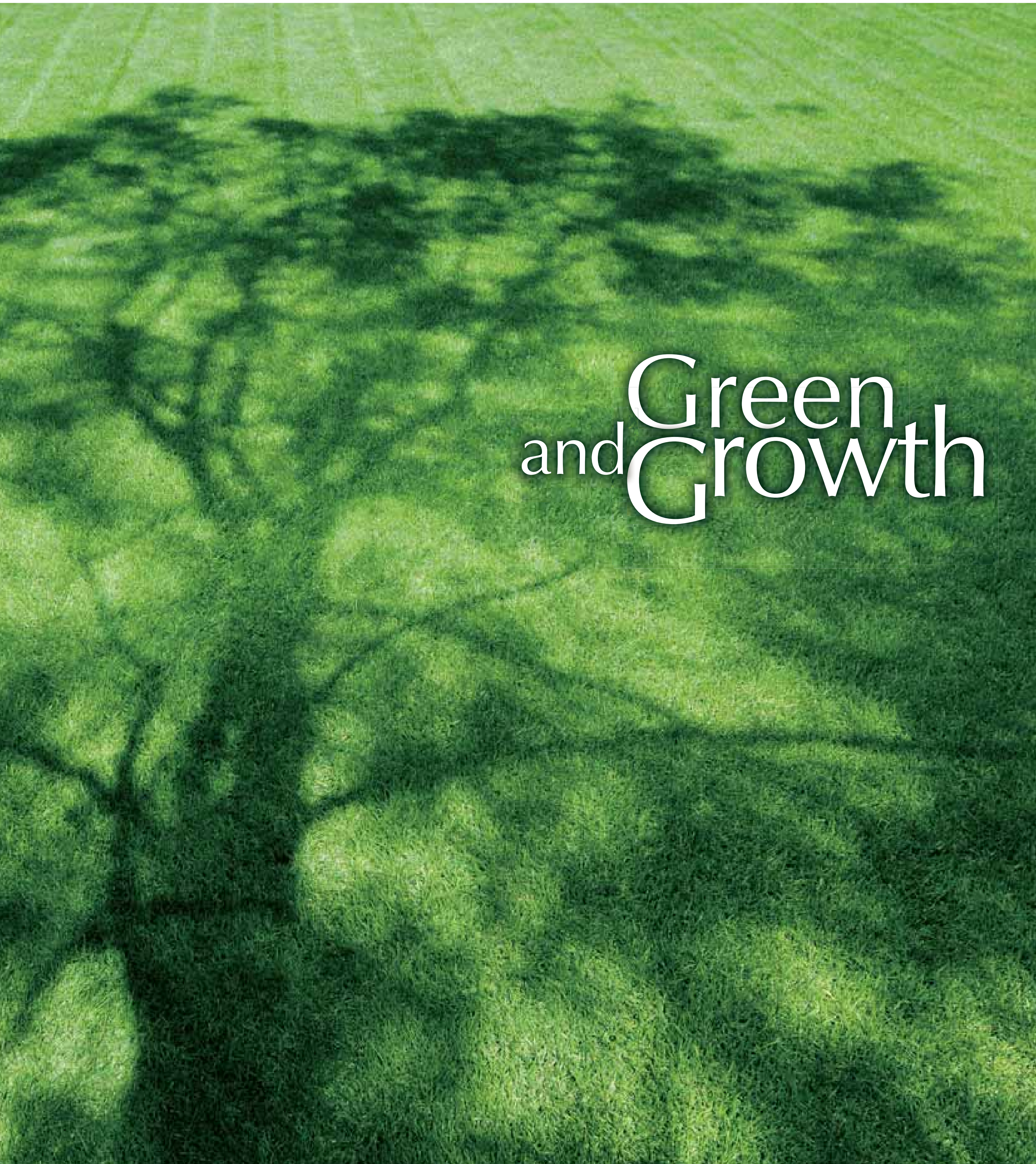
CIAM Group Limited
事安集團有限公司

HKSE 0378

Subsidiary of CITIC International Assets Management Limited

Annual Report 2008



Contents

Corporate Information

Board of Directors

Mr. Dou Jianzhong (Chairman)
Mr. Lo Wing Yat Kelvin (Executive Vice-chairman and Chief Executive Officer)
Mr. Fung Ka Pun (Vice-chairman)
Mr. Yip Chi Chiu
Mr. Mohamed Abdulrahman Husain Abdulla Bucheeri*
Mr. Graham Roderick Walker*
Mr. Hung Chi Yuen Andrew**
Professor Sit Fung Shuen Victor**
Ambassador Toh Hock Ghim**

* Non-executive Director
** Independent Non-executive Director

Audit Committee

Mr. Hung Chi Yuen Andrew (Chairman)
Professor Sit Fung Shuen Victor
Ambassador Toh Hock Ghim
Mr. Graham Roderick Walker

Nomination and Remuneration Committee

Ambassador Toh Hock Ghim (Chairman)
Mr. Dou Jianzhong
Mr. Hung Chi Yuen Andrew
Professor Sit Fung Shuen Victor

Conflict Committee

Professor Sit Fung Shuen Victor (Chairman)
Mr. Hung Chi Yuen Andrew
Ambassador Toh Hock Ghim

Company Secretary

Ms. Wong Yuen Ching Kyna

Auditors

Deloitte Touche Tohmatsu

Registered Office

Canon's Court,
22 Victoria Street,
Hamilton HM12,
Bermuda

Principal Place of Business in Hong Kong

Suites 1401–3, Bank of America Tower,
12 Harcourt Road, Central,
Hong Kong
Tel: (852) 2843 0290
Fax: (852) 2525 3688
Website: www.ciamgroup.com

Share Registrar in Bermuda

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke HM08,
Bermuda

Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990

Stock Code

378

Board of Directors

Mr. Dou Jianzhong
Chairman

- Has extensive experience in the finance industry, and was granted the prestigious title of "Senior Economist" by CITIC Group
- Aged 54. Appointed as a Director on 31 May 2008, and elected as the Chairman and a member of the Nomination and Remuneration Committee of the Company
- Director of CITIC International Assets Management Limited
- Executive Director and Vice President of CITIC Group
- Executive Director and Chief Executive Officer of CITIC International Financial Holdings Limited
- Chairman of CITIC Ka Wah Bank Limited
- Non-executive Director and former President of China CITIC Bank Corporation Limited
- Graduated from the University of International Business and Economics, Beijing in 1979 and obtained a Master Degree in Economics from Liao Ning University

Mr. Lo Wing Yat Kelvin
Executive Vice-chairman and Chief Executive Officer

- Has a well-seasoned legal background which specialized in banking and project financing primarily in the PRC
- Aged 50. Appointed as an Executive Director on 23 April 2008, and also designated as the Executive Vice-chairman and Chief Executive Officer of the Company on 31 May 2008
- Director and Chief Executive Officer of CITIC International Assets Management Limited
- Director and Managing Director of CITIC International Financial Holdings Limited
- Joined CITIC International Financial Holdings Limited (formerly known as CITIC Ka Wah Bank Limited) as Chief Group Counsel in October 1997 and was appointed as the Director in December of the same year
- Worked in the Bank of China Hongkong-Macau Regional Office and was a partner of Messrs Linklaters
- Graduated from The University of Hong Kong and obtained his legal qualification in 1984 as a Solicitor of the Supreme Court of Hong Kong and subsequently, as a Solicitor of the Supreme Court of England and Wales in 1989

Mr. Fung Ka Pun
Vice-chairman

- Has over 32 years of experience in finance, securities and commodities trading and corporate finance
- Aged 63. Re-designated as a Vice-chairman of the Company on 31 May 2008
- Appointed as the Chairman of E2-Capital (Holdings) Limited (now known as CIAM Group Limited) since 28 June 1995. On 3 April 2001, Mr. Fung was re-designated as the Executive Co-chairman of E2-Capital (Holdings) Limited
- Founder and Chairman of Goodwill International (Holdings) Limited
- Member of Chinese People's Political Consultative Conference of Hubei Province (since 2006)
- Part-time member of Hong Kong Special Administrative Region Government Central Policy Unit (2005-2007)
- Independent Non-executive Director of GZI Transport Limited, Lei Shing Hong Limited, Lee Hing Development Limited, Denway Motors Limited and Samling Global Limited
- A member of the Association of International Accountants and the Institute of Chartered Secretaries and Administrators

Mr. Yip Chi Chiu
Executive Director

- Has engaged in merchant banking industry in the Greater China for over 21 years
- Aged 50. Appointed as an Executive Director of the Company on 23 April 2008
- Director and Deputy Chief Executive Officer of CITIC International Assets Management Limited
- Founder, Director and Chief Executive Officer of Asset Managers (Asia) Company Limited and is responsible for the formation of overall policy, corporate planning and business development and overall strategic direction
- Held a number of senior positions in various financial institutions, including the position of Managing Director of VC CEF Capital Limited (now known as VC Capital Limited) and the Deputy General Manager of The Long-Term Credit Bank of Japan, Limited (now known as Shinsei Bank, Limited) – Hong Kong Branch
- Graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Economics
- Deputy Chairman, Executive Director and Chief Executive Officer of Jia Sheng Holdings Limited

Mr. Mohamed Abdulrahman Husain Abdulla Bucheeri
Non-executive Director

- Over 32 years experience in the banking industry
- Aged 53. Appointed as a Non-executive Director of the Company on 19 February 2009
- Director of CITIC International Assets Management Limited
- Co-Chief Executive Officer and a member of the Board of Ithmaar Bank B.S.C.
- Currently also serves on the Board of Directors of BBK BSC, Faysal Bank Limited, First Leasing Bank BSC(c), Solidarity Company BSC(c), Faisal Private Bank SA and Ithraa Capital
- Previously the Chief Executive and a member of the Board of Shamil Bank
- Holds a Bachelor of Arts degree in Economics and Finance from the University of Aleppo, Syria

Mr. Graham Roderick Walker
Non-executive Director

- Worked in Europe, North America and Asia, has a wide range of experience in banking and financial services
- Aged 62. Appointed as a Non-executive Director and a member of the Audit Committee of the Company on 1 July 2008
- Director of CITIC International Assets Management Limited
- Executive Vice-President and Group Head of Finance and Risk Management of Dar Al-Maal Al-Islami Trust and a Director of Faysal Bank Limited
- Previously the Finance Director of Ithmaar Bank B.S.C. Held various senior management positions with a number of major international financial institutions, including The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Foreign & Colonial Management Limited
- Member of the Institute of Chartered Accountants of Scotland

Mr. Hung Chi Yuen Andrew

Independent Non-executive Director

- Aged 40. Appointed as the Company's Independent Non-executive Director, the Chairman of the Audit Committee, a member of the Conflict Committee and a member of the Nomination and Remuneration Committee on 1 July 2008
- Practising Certified Public Accountant, an associate member of Hong Kong Institute of Certified Public Accountants, a fellow member of The Chartered Association of Certified Accountants
- Currently the Principal of K & K Accounting Services Limited
- Previously worked in UBS Investment Bank for 7 years as business unit controller
- Received his professional training in Deloitte Touche Tohmatsu during the period from 1991 to 1993
- Holds a Bachelor's Degree of Arts (Hons) in Accountancy from The Hong Kong Polytechnic University and a Master's Degree of Applied Finance from University of Western Sydney

Professor Sit Fung Shuen Victor

Independent Non-executive Director

- Aged 62. Appointed as the Company's Independent Non-executive Director, the Chairman of the Conflict Committee, a member of the Audit Committee and a member of the Nomination and Remuneration Committee on 1 July 2008
- Founding Director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University
- Professor of the Department of Geography from 1977 to 2007 and the Head of Department of Geography and Geology from 1993 to 1998 of The University of Hong Kong
- Has been invited to be the Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in mainland China
- Professional and community services:
  - City Planning Commission of Shenzhen Municipal Government of the PRC (since 1988)
  - Sanmin Municipal Government of Fujian Province of the PRC (since 1991)
  - Deputy of the National People's Congress of the PRC (1993-2008)
  - Advisor to the Governor of Guangdong Province of the PRC (2000-2005)
  - Former Member of the Preparatory Committee of the Hong Kong Special Administrative Region ("SAR") of the National People's Congress of the PRC; Port and Marine Board, Committee on Port and Harbour Development, the Port Development Board of the Hong Kong SAR Government

Ambassador Toh Hock Ghim
Independent Non-executive Director

- Aged 66. Appointed as the Company's Independent Non-executive Director, the Chairman of the Nomination and Remuneration Committee, a member of the Audit Committee and a member of the Conflict Committee on 1 July 2008
- Joined the Ministry of Foreign Affairs of Singapore in October 1966 with diplomatic postings to Malaysia, the Philippines, Thailand, Vietnam and the Hong Kong Special Administrative Region ("SAR") and Macau SAR
- Ambassador to Vietnam from January 1994 to January 2002 and the Consul-General of the Consulate Generals in the Hong Kong SAR and the Macau SAR from February 2002 to December 2007
- Appointed as the Senior Adviser to the Ministry of Foreign Affairs upon retirement from the foreign service at the end of 2007
- Chairman of Equation Corporation Limited, a Singapore-listed company, at present
- Obtained his Bachelor's Degree of Arts (Political Science) from National University of Singapore

CIAM Group Limited has directors from diverse backgrounds:

Chairman's Statement

This is the first annual report of CIAM Group Limited (the "Company") after being acquired by our present controlling shareholder CITIC International Assets Management Limited ("CIAM Parent"). On behalf of the Board of Directors (the "Board"), I hereby express my heartfelt gratitude to all shareholders and Management who exerted enormous effort and contributed to our restructuring and resumption of trading during the past few months.

It is a well known fact that the unprecedented financial tsunami that occurred during the second half of 2008 caused turmoil to the global economy. Every enterprise is facing extreme challenges, and the Company is no exception. Due to the adverse trend of the global economy, we were forced to reassess our strategic positioning and business model. We adopted a pragmatic approach when we reduced CIAM Parent's shareholding in the Company, following the mandatory general offer immediately after the acquisition. Based on the refined business model, we enhanced our shareholders' composition accordingly. By placement of old shares from CIAM Parent and the issuance of new shares, the Company has successfully introduced Tsinghua Tongfang from the PRC, Dundee Corporation from Canada and Concorde as our strategic shareholders. With their distinct background and competitive advantages together with the synergetic effects with our controlling shareholder, their participation has laid down a solid foundation for our future development.

2008 was a unique year for the Company. Firstly, the Company suffered considerable loss due to the financial tsunami as we encountered difficulties in materializing our original plan and revenues. On the other hand, our carrying assets, following the acquisition, incurred unrealized losses due to market conditions. We believe that the ground works we did and efforts we made to the Company in 2008 will be realized in 2009 results.

With the solid support from our shareholders and the anticipated recovery of global economy, our Management will take every opportunity in the next 2 to 3 years to enhance our risk management and better position ourselves to invest in high yield and growth potential projects in selected industry segments, such as environmental protection and green energy. We will also make best use of our shareholders' brand names and industry expertise to grasp every development opportunity, in order to create value for our shareholders.

Dou Jianzhong
Chairman

Management Discussion and Analysis

Company's change of name from E2-Capital (Holdings) Limited to CIAM Group Limited on 27 June 2008 embarked the new journey of the Company. Led by the new Management, the Company and its subsidiaries (the "Group") will focus on direct investment and fund management businesses primarily in mainland China.

Restructured to exit non-core and loss making businesses

2008 was a year of changes to the Company. Former E2-Capital Group used to conduct diversified businesses including securities brokerage, investment banking, industrial and management operating services, direct investment as well as property investment. With the change of major shareholders and Management, the Group has refined the business model and strategy for its best interests going forward. In considering the resources, business network and expertise brought in from the new Management and controlling shareholder, the Group has decided to focus on direct investment, specifically in private equity, and related fund management business. Based on this new theme, non-core or loss making legacy businesses and assets were divested in early 2008, including brokerage services, investment banking and industrial management service, as well as majority of the listed securities which were brought forward from 2007. Divestment of such discontinued businesses brought in HK$54.75 million of cash to the Group for the development of direct investment and fund management business. The Company has, however, retained substantial amount of the asset portfolio from old management for the continuation of the existing business, in essence, the two redeveloping property projects in Hong Kong at Grampian Road and Yuen Long.

The new direction

Due to economic turmoil in 2008 and the uncertainty going into 2009 or beyond, the new Management has carefully adopted new investment segments and alternative investment strategies to manage our existing asset portfolio. In making such important decisions, Management has come up with plenty ideas on what we can do, and what we should do, to the best interest of the Company and shareholders under such prevailing market condition. We have considered different scenarios and various options, analyzing their respective risks and hurdles on execution, sustainability and social responsibility contributable to the growth of

Property in Yuen Long, Hong Kong

Elevation plan of Hong Kong Grampian Road property this platform, and after all, the potential risk-adjusted return to shareholders. We consider ourselves as small at the moment, with net asset value of approximately HK$482.69 million and on fair market value basis of HK$585.45 million (adjusted by the fair market value of the property under development at Grampian Road). With our constrained balance sheet size, we have to use our resources wisely, including our shareholders, business partners and co-investors, to develop and grow our platform. Management will try to leverage respective shareholder's comparative advantages and expertise inherited from its respective industry and geographical background in mainland China, Middle-east, Japan and North America, to reduce the execution risk and to increase the chance of success of our business plan. We recognize one of the keys to success at the infant stage of the Company is pairing in-house professional execution with our strong partnership base.

Bilateral meaning of shareholder's value

As we appreciate the importance of our shareholders' contribution for the development of the Company, our major shareholder CITIC International Assets Management Limited ("CIAM Parent") and Management were so serious in looking for appropriate new strategic investors when they worked on the share placement to restore public float in Hong Kong Stock Exchange. It was not an easy task in the middle of the financial crisis outbreak. Nevertheless, we strived to adhere to our selection criteria for filtering potential investors. Firstly, the capability to help us build the asset under management ("AUM") platform, in terms of fund raising and/or the ability to manage specialized fund. Secondly, the expertise in operating and managing business in line with our "Green" theme. This capability can help us further enhance investments value creation on our balance sheet or under the AUM. We believe that this element is getting more important in the new world after the financial crisis. Investors, including ourselves, are more cautious and concerned about business sustainability, in terms of genuine profitability and growth potential, instead of how they can be packaged for initial public offering in 18 months. Investors, shareholders and the Company should hold hands to face the challenges in coming months and get prepared for the next economic boom. The meaning of "shareholders' value" is bilateral to us. It is the value to shareholders created by the Company, as well as the value brought in by the major shareholders to the Company. Our major shareholders share the same values with the Company and we do the same for our investments.

Shareholders background and the new management team

CIAM Parent is an asset management company. Its business ranges from distressed asset management at the start up of the company to the current focus on direct investment, fund management and investment advisory. They invest in mainland China by integrating the local knowhow from the business network of CITIC Group with the professional support from Hong Kong Management and international shareholders is the key competitive advantage against other similar sized investment firms. The mission of CIAM Parent is to become one of the best investment channels for foreigners to invest in mainland China. The Group is currently the major platform under CIAM Parent to focus on small to medium size enterprises ("SME") and environmental protection related business primarily in mainland China. Most of the management resources including shareholders' support have been replicated from CIAM Parent to the Company. The Company will have first right of refusal on investment opportunities being sourced by the management team. The setup of all corporate governance infrastructure in the past six months, including the Service Agreement between CIAM Parent and the Company and Conflict Committee comprising of all Independent Non-Executive Directors, were all aimed at providing maximum transparency to the market on how CIAM Parent assists the Group on the management and operational level. It demonstrates how keen CIAM Parent is to grow the Group in the most effective way, regardless of the costs at CIAM Parent's level in establishing and maintaining such infrastructure.

Apart from the representations of CIAM Parent at the Board level, including CITIC International Financial Holdings, Ithmaar Bank and Asset Managers International, there are tangible collaboration between CITIC Group affiliates and the Group at the working level. Such collaboration explores mutual benefits on deal sourcing, products enhancement and supporting each others on post investment or lending monitoring works. Memorandums of understanding have been signed in the last few months with two selected major branches of China CITIC Bank at Hangzhou and Tianjin. More frequent contact and exchange of ideas are underway for a more specific action plan.

We believe the new shareholders, brought in by the recent share placement, will also contribute tremendous value in developing the Group business. The major investor of the last new share issue, Dundee Corporation, is one of the largest investment companies in Canada and is listed on Toronto Stock Exchange. Partnering with Radiant Enterprises Group Limited to form the Dundee Greentech Limited ("Dundee"), they invested in the Company with the intention to facilitate Dundee Corporation's strategy to invest in the PRC relating to environmental protection and alternative energy businesses. Another interesting new investor to the Company is Tsinghua Tongfang Co., Ltd ("Tsinghua Tongfang"), which is listed on Shanghai Stock Exchange, with majority shares owned by Tsinghua University in Beijing. With the strong local background of Tsinghua Tongfang in mainland China and their specialization in information technology as well as designing, engineering and constructing water related plants, Tsinghua Tongfang can certainly increase our deal sourcing and execution capability when we invest and operate the SME, environmental protection related projects and funds in our pipeline. Based on the mutual interests and potential benefits from cooperation, we signed a memorandum of understanding with Dundee and Tsinghua Tongfang to cooperate and develop strategic alliances in renewable energy and environmental protection related projects in the PRC. Dundee has expressed interest to cooperate with the Company in developing the fund management business related to environmental protection in the PRC. Tsinghua Tongfang is interested in providing technical support for sourcing and screening potential projects and investments as well as acting as an operator of the investment companies under the said potential fund.

The third new shareholder brought in from last share placement was Concorde Energy Group which is indirectly held by David Wong, China Soong Ching Ling Foundation and Kaibo Charitable Trust. Concorde represents a decent access to SME network and high networth individuals in Hong Kong which can help us in developing our business in the SME arena.

All these three new shareholders will each nominate a director to our Board for consideration. Their participation will certainly provide more intelligence and valuable input for the Board to formulate business plan and assist us on the execution level.

Results of the Group

For the year ended 31 December 2008, the loss attributable to equity shareholders of the Company amounted to HK$70.29 million (2007: profit HK$27.05 million), and loss per share was HK$0.1754 (2007: earnings per share HK$0.0675). The loss was mainly arising from the loss of approximately HK$46.20 million from discontinued operations. The Group also disposed of certain subsidiaries holding several investments and recorded a gain of approximately HK$32.73 million. All of the disposals on group restructuring were completed in April 2008.

During the year under review, the Group concluded a loan deal which contributed approximately HK$7.04 million of interest income and arrangement fee to the Group's revenue. Due to the adverse market conditions, the Group recorded an impairment loss of approximately HK$15.36 million on prepaid lease payments for the property located at Yuen Long. Additional costs incurred in the group restructuring during the year led to increase in administrative expenses from HK$31.55 million to HK$39.86 million.

Financial Position

As of 31 December 2008, the Group had total assets of HK$698.73 million. The Group's balance sheet remained sound, with properties assets of HK$348.81 million and plenty of cash held in deposits of HK$282.17 million which accounted for 49.9% and 40.4% of the Group's total assets respectively. The Group's loans and borrowings were approximately HK$209.50 million. With the current level of cash and loan receivable of HK$43.31 million, which has been fully repaid after the balance sheet date. The Group has sufficient resources to meet its current commitments and working capital requirement. The shareholders' funds was HK$479.83 million (31 December 2007: HK$585.40 million), based on 400,633,217 shares (31 December 2007: 400,633,217 shares), net asset value per share was HK$1.20 (31 December 2007: HK$1.46).

Currency exposure and exchange risk

As of 31 December 2008, the Group had no material exposure to foreign exchange, since the majority of the Group's assets, except for certain foreign currencies, bank deposits and fund investments, were denominated in Hong Kong dollars or United States dollars. Currency exposure to Renminbi ("RMB") may arise when the Group executes its China focus strategy on investments and the Group's RMB denominated assets increase. However, Management believes that the Group will benefit from the moderate appreciation of the RMB against the US dollars, and nevertheless will closely monitor the situation if hedging is needed for such exposure.

Liquidity and interest risk exposure

The current borrowings were all relating to properties at Grampian Road and Yuen Long, Hong Kong. All bank borrowings were made at less than 50% of the property professional valuation as of 31 December 2008. Since the major properties held by the Group are located in Hong Kong, the borrowings are denominated in Hong Kong dollars which will be repaid in the same currency. The borrowings bear interests at floating rates ranging from 1.82% to 5.50% for 2008 and are renewable by the fourth quarter of 2009. Management considers that the interest rates for our borrowings were at reasonable level under the then prevailing market conditions. With cash on hand of HK$282.17 million at the balance sheet date and the net proceeds of HK$75.97 million from issue of new shares in March 2009, Management expects that the current funds held by the Group will suffice to meet its current obligation. In order to facilitate the implementation of our future development strategies, Management will make necessary funding arrangements after taking into consideration the market situation.

Contingent liabilities and pledge of assets

As at 31 December 2008, the Group had no contingent liabilities identified.

As at 31 December 2008, prepaid lease payments, investment properties under development and properties for development with an aggregate value of approximately HK$347.09 million have been pledged to secure banking facilities of HK$172.44 million granted to Group companies for properties' acquisition, and possible developments. Mortgage loans receivable of HK$0.29 million has been pledged to secure other loan of HK$0.20 million.

Asset portfolio brought forward

When the new Management joined the Company in mid 2008, the core assets of the Company were two investment properties in Hong Kong and considerable cash from the divestment of non-core assets or discontinued businesses. Out of the asset portfolio brought forward, Grampian Road property is still the largest project as of 2008 year end. However, its importance will be gradually diluted by other investments being made and AUM business being built in 2009. Regarding the development of Grampian Road project, we have obtained approval from Buildings Department on the demolition on 7 July 2008. Time table is being worked out and demolishing works will commence accordingly. On the other hand, Management has tried to be more pragmatic in dealing with market condition for this property investment. Various options are under consideration and feasibility studies are in progress.

Similar to Grampian Road project, we have been considering various options to maximize the value of the Yuen Long property to the Company. It could be a composition of refurbishment for interim leasing and a longer term redevelopment or divestment plan in dealing with this unique property.

Most of the non-core small size investments, including some investments in technology venture companies and apartments in Guangzhou, were divested in the past few months. There was no material profit or loss, nor cash flow implication to the Company at their disposal, but will help Management focus their resources on current business plan.

Business strategy and model

The new direction and business strategy is loud and clear. The Company will focus on direct investments and third party fund management. The business model of the Company is simple. We will leverage the fund management fee from AUM in running the platform. Advisory fee, interest, revaluation or exit of direct investments and sharing carried interest from AUM will provide positive return on equity. We prefer to invest in unique opportunities which we have good understanding of investee background and advantageous access to relevant parties for investment execution, including divestment. We can participate in direct investments for a 3–5 years horizon. These direct investments could be warehoused for the new AUM portfolio. In the first two years of our business plan, we believe that we need to make shorter term investments or financing deals to earn interest revenue to feed our shorter term profit and loss accounts. We will adopt different investment criteria in order to achieve short term profit targets. For example, we will be less selective on industry exposure and we will have different approaches to analyzing our risk exposure and return on a case by case basis.

Business under development

Our first project to develop our AUM platform will be through collaboration with CITIC Trust on a trust plan, which is effectively an onshore third party private equity fund in the PRC. CITIC Trust will be the trustee of the said trust plan with target fund size of approximately RMB300–500 million. The Company will act as an investment consultant for CITIC Trust which will be the manager of the trust plan. Agreement was signed with CITIC Trust which we announced on 25 February 2009. Subject to the documentation of the trust plan and relevant regulatory approvals, the trust plan is expected to be launched in 2009. This will be a meaningful step for the AUM platform of the Company. Shareholder's value is demonstrated through leveraging on CITIC's network in overcoming the market's legal and regulatory constraints in relation to restricting foreign investors from setting up domestic AUM in the PRC. This is one of our prioritized targets to be achieved in 2009.

Another AUM is being setup in parallel with the above trust plan with CITIC Trust. A memorandum of understanding has been signed with the Tianjin Hi-Tech Group (海泰控股) to act jointly as Sponsoring General Partners for an environmental protection focused "Green Fund" in Tianjin Hi-Tech Industrial Park. Target fund size is RMB500 million. The Company will be the Managing General Partner of the fund. The commercial terms and structure of the fund will be agreed in the coming weeks and documentation will follow. This is also another essential target for 2009 to develop AUM platform.

On the direct investment side, the Company has recently completed an investment of RMB84 million on a gross project size of approximately RMB560 million, 50MW wind farm with Huaneng New Energy Group in China Shandong Province. More details about the investment can be found in the Company's announcement on 20 January 2009. The strategy is for the Company to warehouse a number of wind energy related projects along the wind energy value chain including wind farms and equipment manufacturers to seed a specialized wind energy platform to be spun off from the Company either as a separate business unit or AUM. This investment is an example which we mentioned above on warehousing investment to build AUM.

A wind power electricity facility in China Shandong Province, under Huaneng New Energy Group.

A memorandum of understanding was signed with the Tianjin Hi-Tech Group on January 2009 for mutual intention to set up a "Green Technology Fund"

In March 2009, a strategic investment was made in Beijing Enterprises Water Group, a listed company in Hong Kong Stock Exchange and a memorandum of understanding was signed. Details of the investment have been announced on 16 March 2009. The alliance with Beijing Enterprises Water Group can help us develop and operate our water related investment in our "Green Fund" or any other potential environmental protection related fund to be developed with other shareholders or partners, including Dundee as mentioned above.

Management has been trying to allocate our resources to balance the short and long term profitability of the Group. We have been looking for short term financing projects, trade sale or arbitrage investment opportunities to feed short term revenue to our profit and loss accounts. We did an approximately HK$54.6 million short term financing deal in 2008 and it was completed in 2009. We will continue to allocate considerable resources into this area to ensure we have reasonable revenue to provide steady income to the Group from one year to another, before the availability of sizable return from direct investment or the sharing of carried interest from fund management business in a longer time frame, typically 5–7 years.

Human Resources

As of April 2009, the Group has offices in Hong Kong, Shenzhen and Beijing with approximately 30 investment professional and management staff. We are considering expanding our local coverage to Tianjin by leveraging on the set up under CIAM Parent existing investment portfolio.

2008 was the first year the Company adopted new incentive scheme. The whole compensation strategy has been reviewed and endorsed by the Nomination and Remuneration Committee in September 2008. Carried interest scheme was formally launched, although there were no staff in 2008 entitled to the carried interest distribution by the Company. Discretionary bonus in 2008 was allocated and distributed in accordance with the Board's approved guidelines and policies. No share option was granted in 2008 and up to April 2009.

Going forward

To align the shareholders' strength with the Company's needs is currently our focus on paving the road for business development, especially in the AUM platform. With the challenges on fund raising in the prevailing market condition, we have to make the best use of our every dollar of capital to help grow our platform, while creating short term profitability in the same time. Management will constantly review the situation and make appropriate decision in this respect.

As we announced in our interim results, Management believes the Company, with its blended China business expertise and multinational professional experience, can become one of the unique and successful China focused asset management companies in Asia. The momentum is here and let it grow in green.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2008.

Principal Activities

CIAM Group Limited (the "Company") is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 51 and 22, respectively, to the consolidated financial statements.

Results and Appropriations

The results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 are set out in the consolidated income statement on page 33 of the annual report. No interim dividend was paid to shareholders during the year.

The directors do not recommend the payment of a final dividend for the year.

Property, Plant and Equipment and Investment Properties

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

Share Capital

There were no movements in either the authorised or issued share capital of the Company during the year. Details of the share capital of the Company are set out in note 36 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2008 were HK$152,233,000 (2007: HK$198,461,000) which comprised of other reserve of HK$2,184,000 (2007: HK$2,184,000) and retained profits of HK$150,049,000 (2007: HK$196,277,000).

Directors

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

Chairman

Mr. Dou Jianzhong	(appointed on 31 May 2008)

Executive Vice-chairman

Mr. Lo Wing Yat Kelvin	(appointed on 23 April 2008)

Vice-chairman

Mr. Fung Ka Pun

Executive Directors

Mr. Yip Chi Chiu	(appointed on 23 April 2008)
Dato' Wong Sin Just	(resigned on 31 May 2008)

Non-executive Directors

Mr. Graham Roderick Walker	(appointed on 1 July 2008)
Mr. Mohamed Abdulrahman Husain Abdulla Bucheeri	(appointed on 19 February 2009)

Independent Non-executive Directors

Mr. Hung Chi Yuen Andrew	(appointed on 1 July 2008)
Professor Sit Fung Shuen Victor	(appointed on 1 July 2008)
Ambassador Toh Hock Ghim	(appointed on 1 July 2008)
Mr. Chung Cho Yee Mico	(resigned on 31 May 2008)
Mr. Ho Kwan Tat	(resigned on 1 July 2008)
Dr. Hui Ka Wah, Ronnie	(resigned on 1 July 2008)
Mr. Ongpin Roberto V.	(resigned on 1 July 2008)

Pursuant to Bye-law 86(2) of the existing Bye-laws of the Company, Messrs. Lo Wing Yat Kelvin and Yip Chi Chiu had retired at the annual general meeting of the Company held on 30 May 2008 and both were being re-elected as Directors. Messrs. Dou Jianzhong, Graham Roderick Walker, Hung Chi Yuen Andrew, Sit Fung Shuen Victor and Toh Hock Ghim had retired at the special general meeting of the Company held on 27 November 2008 and all were being re-elected as Directors of the Company at that meeting.

In accordance with Bye-law 87 of the existing Bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Messrs. Lo Wing Yat Kelvin, Fung Ka Pun and Yip Chi Chiu will retire accordingly at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. Mr. Mohamed Abdulrahman Husain Abdulla Bucheeri who was appointed on 19 February 2009, will retire at the forthcoming annual general meeting of the Company in accordance with Bye-law 86(2) of the existing Bye-laws of the Company and, being eligible, offer himself for re-election.

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

Directors' and Chief Executive's Interests in Securities

As at 31 December 2008, the interests or short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were required to be 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 Issuers ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, were as follows:

(i) Long positions

Ordinary shares of HK$1 each of the Company (the "Shares")

	Number of Shares			
Name of director	**Beneficial owner**	**Held by controlled corporation**	**Total**	**Percentage of the issued share capital of the Company**
Mr. Lo Wing Yat Kelvin	35,000	–	35,000	0.01%
Mr. Fung Ka Pun	–	1,862,303 (Note 1)	1,862,303	0.46%

(ii) Interests in associated corporation

		Number of shares		
Name of associate	**Name of director**	**Beneficial owner**	**Spouse interest**	**Percentage of the issued share capital of associate**
Boxmore Limited	Mr. Fung Ka Pun	–	2,000 (Note 2)	20%

Notes:

(1) Mr. Fung Ka Pun has beneficial interest in Bo Hing Limited, which was interested in 1,862,303 Shares of the Company as at 31 December 2008, representing approximately 0.46% in the issued share capital of the Company.

(2) The spouse of Mr. Fung Ka Pun has beneficial interest in 2,000 shares, representing approximately 20% in the issued share capital of Boxmore Limited.

Save as disclosed above, as at 31 December 2008, none of the Directors or Chief Executive of the Company had any interest and short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option

Particulars of the Company's share option scheme are set out in note 37 to the consolidated financial statements.

No option was granted or exercised since adoption of the share option scheme. The share option scheme will end on 12 October 2017.

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, its holding company, or any of its subsidiaries or fellow 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' Interest in Contracts of Significance

Save as disclosed in this Report, no contracts of significance, to which the Company, its holding company, any of its subsidiaries or fellow 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

As at 31 December 2008, so far as was known to the Directors and the Chief Executive of the Company, the following persons who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of the Company.

(i) Long positions

Ordinary shares of HK$1 each of the Company

Name of shareholder	**Capacity**	**Number of ordinary Shares held**	**Percentage of issued share capital of the Company** (Note 1)
Right Precious Limited ("RPL")	Beneficial owner	362,555,154 (Note 2)	90.49%
CITIC International Assets Management Limited ("CIAM Parent")	Held by controlled corporation (Note 3)	362,555,154	90.49%
CITIC International Financial Holdings Limited ("CIFH")	Held by controlled corporation (Note 3)	362,555,154	90.49%
CITIC Group	Held by controlled corporation (Note 3)	362,555,154	90.49%

Substantial Shareholders (continued)

Notes:

1. The percentages are calculated based on the total number of issued shares of the Company of 400,633,217 ordinary shares as at 31 December 2008.

2. The shareholding of RPL comprises the 288,455,917 Shares acquired upon the completion of the Share Purchase Agreement and the Other Purchase Agreements, as defined in a circular of the Company dated 22 February 2008, on 8 April 2008 regarding its acquisition of shares in the Company from Goodwill International (Holdings) Limited, e2-Capital Inc, Dato' Wong Sin Just, Newmark Capital Corporation Limited, NAPA Macao Commercial Offshore Limited, Mr. Leung Wing Shing Len and an individual resident in Hong Kong and the 74,099,237 Shares tendered for acceptance of the unconditional mandatory cash offer to acquire at the offer price all shares not already owned or agreed to be acquired (if any) by RPL or parties acting in concert with it. The offer has been closed on 13 May 2008.

3. RPL is a wholly-owned subsidiary of CIAM Parent which CIFH owns 40%. CIFH is a 70% subsidiary of CITIC Group.

Other than disclosed above, the Company has not been notified and is not aware of any other relevant interest or short position in the issued share capital of the Company as at 31 December 2008.

Emolument Policy

The emolument policy of the employees of the Group is based on their merits, qualifications and competence.

The emoluments of the directors of the Company are decided by the Nomination and Remuneration Committee, upon considering the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees.

Pre-emptive Rights

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

Connected Transactions

(a) Connected Transactions

On 4 February 2008, Goodwill Investment (BVI) Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Glory High Holdings Limited, a company controlled by Mr. Fung Ka Pun and Dato' Wong Sin Just, Director and ex-Director of the Company respectively, to dispose of the Group's directly owned 40% interest in SBI E2-Capital Asia Holdings Pte Ltd ("SBI E2-Capital Asia") at a consideration of approximately HK$42,000,000. On the same date, the Group's 49% owned jointly controlled entity, SBI E2-Capital Limited ("SBI E2"), through its 97.1% owned subsidiary, SBI E2-Capital Asia Securities Group Limited, also entered into a sale and purchase agreement with Glory High Holdings Limited to dispose of its entire 60% interest in SBI E2-Capital Asia, a subsidiary of SBI E2, at a consideration of approximately HK$63,000,000. The disposals were both completed on 31 March 2008.

On 4 February 2008, the Group also disposed its entire 100% interest in and a shareholder's loan to Sinojet Projects Limited and its subsidiary to Goodwill International (Holdings) Limited, a company controlled by Mr. Fung Ka Pun, Director of the Company, at a consideration of approximately HK$50,000,000.

On 14 October 2008, the Company entered into a sale and purchase agreement ("S&P Agreement") with CIAM Parent, the substantial shareholder of the Company, pursuant to which the Company has agreed, among other things, to acquire from CIAM Parent the entire issued share of All Victory Limited ("All Victory") and the loan granted by CIAM Parent to All Victory with the outstanding principal amount of HK$11,339,895 as at the date of the S&P Agreement for a total consideration of HK$10,037,000 (the "Acquisition") which represented the carrying value of All Victory. The purpose of the Acquisition was to speed up the office setup in the PRC under the Company by acquiring the existing operation from CIAM Parent. The Acquisition was reviewed by an independent financial adviser and approved by the independent shareholders at the special general meeting held on 27 November 2008. Completion took place on 28 November 2008.

(b) Continuing Connected Transactions

On 14 October 2008, the Company entered into an inter-companies services and cost allocation agreement ("Services Agreement") with CIAM Parent pursuant to which the Group would provide services to CIAM Parent and its subsidiaries ("CIAM Parent Group"), including the investment and asset management services, business development and management services, administration, finance, compliance and operational services (the "Services") for a term of three years commencing from 1 December 2008.

CIAM Parent would pay the fee for the Services ("Fee") in accordance with the relevant terms in the Services Agreement to the Company in cash during the period when Services are provided by the Group to CIAM Parent Group. The annual limit on the aggregate Fee payable by CIAM Parent to the Company ("Caps") is as follows:

(i) HK$9,000,000 for 1 month ended 31 December 2008;
(ii) HK$43,000,000 for 12 months ending 31 December 2009;
(iii) HK$49,000,000 for 12 months ending 31 December 2010; and
(iv) HK$43,000,000 for 11 months ending 30 November 2011.

Connected Transactions (continued)

(b) Continuing Connected Transactions (continued)

As CIAM Parent is a connected person to the Company, the provision of Services by the Group to CIAM Parent constituted continuing connected transactions of the Company ("Continuing Connected Transactions"). As the relevant percentage ratios applicable to the Services Agreement exceeded 2.5% and the aggregate annual Fee was expected to be more than HK$10,000,000, the Continuing Connected Transactions and the Caps mentioned above were submitted to and approved by the independent shareholders at the special general meeting held on 27 November 2008.

The Continuing Connected Transactions were conducted on normal commercial terms determined at arm's length negotiations having considered the estimated utilisation of staff time and number of headcount of the Group providing the Services. The actual amount payable by CIAM Parent to the Company for the year ended 31 December 2008 pursuant to the Services Agreement was HK$2,035,000.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors of the Company engaged the external auditors of the Company to perform certain agreed upon procedures in respect of the transactions under the Services Agreement with CIAM Parent Group which were entered into on or after 1 December 2008. The auditors have reported its factual findings arising from these procedures to the Board of Directors.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive directors have reviewed the continuing connected transactions and confirmed that the transactions were entered into by the Group in its ordinary course of business, on normal commercial terms or on terms no less favourable than terms available to or from independent third parties, if identified, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with Chapter 14A of the Listing Rules.

Appointment of Independent Non-executive Directors

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

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

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Sufficiency of Public Float

During the period from 9:30 am on 14 May 2008 to 22 March 2009, the public float of the Company has fallen below 25% public float requirement under Rule 8.08(1)(a) of the Listing Rules and the trading in the Shares of the Company was suspended at the request of the Company pending the restoration of the minimum public float. The Company has been granted a waiver from strict compliance with the public float requirements under the Listing Rules during that period. With the completion of the share placement on 23 March 2009, the public float of the Company has been restored to 26.80% and trading in the Shares of the Company was resumed with effect from 9:30 am on the same day.

Audit Committee

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2008.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 52 to the consolidated financial statements.

Auditors

The financial statements of the Company for the year end 31 December 2008 have been audited by Messrs. Deloitte Touche Tohmatsu. Before the appointment of Messrs. Deloitte Touche Tohmatsu as the auditors of the Company in 2007, Messrs. PricewaterhouseCoopers had been the auditors of the Company during the preceding three years period.

On behalf of the Board

Dou Jianzhong
Chairman

27 April 2009

Corporate Governance Report

CIAM Group Limited (the "Company") is committed to maintaining high standards of corporate governance. Throughout the year ended 31 December 2008, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviations discussed in the relevant paragraphs below.

(A) Directors' securities transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of the Directors of the Company, all Directors of the Company have complied with the required standard as set out in the aforesaid model code throughout the year of 2008.

(B) The Board

Composition and Role

The Board of Directors of the Company (the "Board") currently comprises nine members, consisting of the Chairman, the Executive Vice-chairman, Vice-chairman, one Executive Director and five Non-executive Directors, out of which three are Independent Non-executive Directors. All the Independent Non-executive Directors confirmed that they have met the criteria of Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence. The names and brief biographical details of the Directors are shown in the "Board of Directors" section in this Annual Report.

The Board is responsible for overseeing the strategic development of the Company and its subsidiaries (the "Group") and for determining the objectives, strategies, policies and business plans of the Group. It has delegated the responsibility of the day-to-day operation and management to the Management of the Company. In addition to its overall supervisory role, the Board retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving capital raising activities, approving policies and codes as required by regulators, etc.

Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures, and all applicable rules and regulations, are followed. Directors, should they believe it to be necessary, may also seek independent professional advice at the Company's expense.

Board Meetings

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. Each Director may request the inclusion of matters in the agenda for Board meetings. The Chairman also ensures that all Directors are supplied with adequate information in timely manner before each meeting and that all Directors are properly briefed on issues arising at Board meetings. Senior executives of the Group are invited to attend the Board meetings to present and answer any enquiries raised by the Directors. At all times the Board and each Director have separate and independent access to the Company's senior executives for the purpose of obtaining additional information.

During the year ended 31 December 2008, seven board meetings were held. The attendance record of individual Directors is set out below. Figures in brackets indicate maximum number of meetings in the period in which the individual was a Director of the Company.

	Attendance
Chairman	
Mr. Dou Jianzhong (appointed on 31 May 2008)	2/(3)
Executive Vice-chairman	
Mr. Lo Wing Yat Kelvin (appointed on 23 April 2008)	3/(3)
Vice-chairman	
Mr. Fung Ka Pun	6/(7)
Executive Director	
Mr.Yip Chi Chiu (appointed on 23 April 2008)	3/(3)
Non-executive Director	
Mr. Graham Roderick Walker (appointed on 1 July 2008)	3/(3)
Independent Non-executive Directors	
Mr. Hung Chi Yuen Andrew (appointed on 1 July 2008)	3/(3)
Professor Sit Fung Shuen Victor (appointed on 1 July 2008)	3/(3)
Ambassador Toh Hock Ghim (appointed on 1 July 2008)	3/(3)
Ex Directors	
Dato' Wong Sin Just (Resigned on 31 May 2008)	4/(4)
Mr. Chung Cho Yee Mico (Resigned on 31 May 2008)	1/(4)
Mr. Ho Kwan Tat (Resigned on 1 July 2008)	1/(4)
Dr. Hui Ka Wah Ronnie (Resigned on 1 July 2008)	1/(4)
Mr. Ongpin Roberto V. (Resigned on 1 July 2008)	0/(4)

The Company Secretary is responsible for taking minutes of the Board meetings and meetings of the Board Committees. The minutes record, in sufficient detail, the matters considered by the Board and the Board Committees, decisions reached, including any concerns raised by Directors or dissenting views expressed. All minutes are kept by the Company Secretary and are available for inspection by the Directors upon request.

Chairman and Chief Executive Officer (the "CEO")

During the period from 1 January 2008 to 30 May 2008, the Board was co-managed by two Executive Directors who were both Executive Chairman of the Company. Since the appointment of Mr. Dou Jianzhong as the Chairman and Mr. Lo Wing Yat Kelvin as the CEO of the Company on 31 May 2008, the roles of Chairman and CEO have been segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, while the CEO, supported by other Board members and senior management, is responsible for the day-to-day management of the Group's business, including the implementation of major strategies and initiatives adopted by the Board.

Non-executive Directors

The Code provides that non-executive directors should be appointed for a specific term and should be subject to re-election. Although the Non-executive Directors of the Company are not appointed for such a specific term, they are, same as for all other Directors of the Company, subject to the retirement by rotation and are eligible for re-election at the annual general meeting in accordance with the Bye-laws of the Company. The Directors believe that subjecting the Non-executive Directors to retirement by rotation and re-election achieves the intended aims of the Code.

(C) Nomination and Remuneration Committee

Before the formation of the current Board, which was formed after the acquisition by CITIC International Assets Management Limited ("CIAM Parent") of the substantial and controlling interest in the Company, the Company had a Nomination Committee and a Remuneration Committee each comprised of two Independent Non-executive Directors. No meeting was held by the two committees during the year before their cessation. The two committees were replaced by the new Nomination & Remuneration Committee set up by the new Board on 12 September 2008 (the "N&R Committee"). The N&R Committee comprises of the current three Independent Non-executive Directors and the Chairman of the Board, with Ambassador Toh Hock Ghim being appointed as the chairman.

The roles and responsibilities of the N&R Committee, as set out in its terms of reference, are published on the Company's website. These primarily include: identifying and nominating qualified individuals to the Board to be appointed as Directors; making recommendations to the Board on directors' fees; reviewing and approving the policies and mechanism in relation to the appointment or termination, remuneration or compensation, succession plans; reviewing and approving performance based remuneration by reference to corporate goals and objectives resolved by the Board; and reviewing the overall compensation strategy of the Company.

The members of the N&R Committee shall not vote in decisions concerning their own remuneration or any other matters which they have any direct or indirect interest. The composition and the terms of reference of the N&R Committee shall be reviewed from time to time.

During the year ended 31 December 2008, one N&R Committee meeting was held. The attendance record of individual members is set out below. Figures in brackets indicate maximum number of meetings in the period in which the individual was a member of the N&R Committee.

Name	**Attendance**
Ambassador Toh Hock Ghim (Chairman)	1/(1)
Mr. Dou Jianzhong	1/(1)
Professor Sit Fung Shuen Victor	1/(1)
Mr. Hung Chi Yuen Andrew	1/(1)

(D) Internal Control

The Board is ultimately responsible for maintaining a sound and effective systems of internal control and risk management of the Group. Procedures have been designed for the achievement of business objectives, safeguard assets against unauthorised 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. An Investment Committee was formed to ensure that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee meets on an ad hoc basis to review and approve various investment projects, and to monitor and assess the risks on the investment projects to ensure that they are in line with the investment strategy and policies of the Company.

The Board has also set up a Conflict Committee comprising the three Independent Non-executive Directors. The Conflict Committee meets on an ad hoc basis to review and assess the effectiveness of the deal flow allocation process between the Company and CIAM Parent to ensure the Company will have the first right of refusal for deals that can be booked in the Company for the interest of its shareholders. The Conflict Committee will obtain confirmation from the management and the relevant approval authorities of the Company that a proposed investment or loan deal has been reviewed and duly considered by the Company and final decision is made to reject the deal before it is being passed to CIAM Parent for consideration.

In 2008, the Board engaged Grant Thornton as internal auditors of the Company to conduct independent examination and evaluation on the adequacy and effectiveness of the Group's internal control system on an on-going basis. The internal auditors developed a risk-based annual audit plan for regular audits for each calendar year. Such audit plan is reviewed and approved by the Audit Committee. The audits cover all material controls, including financial, operational and compliance controls as well as risk management functions. Special audit may be conducted when necessary. The internal auditors report regularly to the Audit Committee about the internal audit works done as compared with the annual audit plan and highlight any significant findings or issues to the Audit Committee. The Audit Committee will then review the findings and report to the Board for appropriate action.

(E) Audit Committee

The current composition of the Audit Committee consists of the three Independent Non-executive Directors and one Non-executive Director. Mr. Hung Chi Yuen Andrew, the chairman of the Committee, holds a professional accountancy qualification and has substantial experience in accounting and financial matters. The authority and duties of the Audit Committee, as set out in the terms of reference, are published on the Company's website.

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 internal and external auditors in matters within the scope of the group audit.

The Audit Committee meets regularly with the senior management, the external and internal auditors to discuss the Group's financial reporting process, internal control and compliance systems. It is also responsible for considering the appointment of external auditors and audit fee, and discuss with the external and internal auditors the nature and scope of the audit before any audit commences. It also discusses matters raised by the internal and external auditors to ensure that appropriate recommendations are implemented.

During the year ended 31 December 2008, two Audit Committee meetings were held. The attendance record of individual members is set out below. Figures in brackets indicate maximum number of meetings in the period in which the individual was a member of the Audit Committee.

Name	Attendance
Mr. Hung Chi Yuen Andrew (Chairman)	1/(1)
Mr. Sit Fung Shuen Victor	0/(1)
Mr. Toh Hock Ghim	1/(1)
Mr. Graham Roderick Walker	1/(1)
Ex-members	
Mr. Ho Kwan Tat (Chairman)	1/(1)
Mr. Chung Cho Yee Mico	1/(1)
Dr. Hui Ka Wah Ronnie	1/(1)

(F) Accountability and Audit

The Directors are responsible for overseeing the preparation of the financial statements for each financial period and for ensuring that they give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2008, the Directors, with the assistance of the management and the external auditors, have selected the suitable accounting policies and applied them consistently, approved the adoption of all Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards, made judgements and estimates that are prudent, and prepared the accounts on the going concern basis.

Deloitte Touche Tohmatsu was reappointed as the Company's external auditors at the 2008 annual general meeting until the conclusion of the next annual general meeting.

For 2008, fees charged by Deloitte Touche Tohmatsu for audit services amounted to HK$900,000 and for non-audit services including review of interim financial statements, tax advisory services and other services was HK$1,232,756.

(G) 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 the shareholders and the public with the necessary information for them to form their own judgement on the Company.

Independent Auditor's Report

TO THE MEMBERS OF CIAM GROUP LIMITED
(FORMERLY KNOWN AS E2-CAPITAL (HOLDINGS) LIMITED
金匯投資(集團)有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CIAM Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 110, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTE	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	6	**9,504**	8,060
Cost of sales		**(293)**	(411)
Gross profit		**9,211**	7,649
Other income		**8,855**	7,218
Gain on disposal of subsidiaries		**32,727**	–
Administrative expenses		**(39,861)**	(31,545)
Change in fair value of investment properties		**(106)**	213
Impairment loss on prepaid lease payments		**(15,357)**	–
Net (loss) gain on financial instruments	8	**(14,072)**	43,373
Finance costs	9	**(3,381)**	(9,451)
Share of (losses) profits of associates		**(194)**	282
Loss on disposal of an associate		**(784)**	–
(Loss) profit before taxation		**(22,962)**	17,739
Income tax expense	10	**(1,129)**	(8,934)
(Loss) profit for the year from continuing operations		**(24,091)**	8,805
Discontinued operations			
(Loss) profit for the year from discontinued operations	11	**(46,204)**	18,229
(Loss) profit for the year	12	**(70,295)**	27,034
Attributable to:			
Equity holders of the Company		**(70,289)**	27,046
Minority interests		**(6)**	(12)
		(70,295)	27,034
Dividends	15	**–**	40,064
(Loss) earnings per share	16		
From continuing and discontinued operations			
Basic		**HK (17.54) cents**	HK 6.75 cents
From continuing operations			
Basic		**HK (6.01) cents**	HK 2.20 cents

Consolidated Balance Sheet

At 31 December 2008

	NOTE	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	**26,418**	2,505
Investment properties	18	**1,717**	1,823
Prepaid lease payments – non-current portion	19	**312,241**	312,530
Properties for development	20	**3,400**	19,800
Goodwill	21	**–**	–
Interests in associates	22	**–**	44,457
Available-for-sale investments	24	**–**	71,239
Conversion options embedded in convertible notes	24	**–**	5,447
Mortgage loans receivable – non-current portion	25	**4,820**	6,177
Other non-current assets	26	**1,824**	6,881
		350,420	470,859
Current assets			
Inventories	27	**–**	2,809
Trade and other receivables	28	**1,748**	62,858
Prepaid lease payments – current portion	19	**8,326**	8,118
Financial assets at fair value through profit or loss	29	**10,584**	57,968
Available-for-sale investments	24	**–**	1,983
Mortgage loans receivable – current portion	25	**192**	185
Loans to associates	22	**–**	132
Other loan receivable	30	**43,306**	–
Amount due from immediate holding company	31	**1,986**	–
Pledged bank deposits	32	**–**	44,220
Deposits placed with other financial institutions	32	**1,916**	33,262
Bank balances and cash	32	**280,253**	181,829
		348,311	393,364
Current liabilities			
Trade and other payables	33	**4,072**	56,392
Taxation payable		**2,474**	9,683
Secured bank and other borrowings	34	**172,458**	173,537
Loans from minority shareholders of subsidiaries	35	**36,851**	36,709
Financial guarantee liability		**–**	568
		215,855	276,889
Net current assets		**132,456**	116,475
Total assets less current liabilities		**482,876**	587,334
Non-current liability			
Secured bank and other borrowings	34	**187**	1,010
		482,689	586,324

Consolidated Balance Sheet

At 31 December 2008

	NOTE	**2008 HK$'000**	2007 HK$'000
Capital and reserves			
Share capital	36	**400,633**	400,633
Reserves		**79,200**	184,770
Equity attributable to equity holders of the Company		**479,833**	585,403
Minority interests		**2,856**	921
		482,689	586,324

The consolidated financial statements on pages 33 to 110 were approved and authorised for issue by the Board of Directors on 27 April 2009 and are signed on its behalf by:

Dou Jianzhong
DIRECTOR

Lo Wing Yat Kelvin
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	Contributed surplus HK$'000 (Note a)	Investments revaluation reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000 (Note b)	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	400,633	82,445	9,438	2,454	3,369	76,691	575,030	933	575,963
Change in fair values of available-for-sale investments	–	–	15,023	–	–	–	15,023	–	15,023
Exchange difference arising on translation of foreign operations	–	–	–	5,213	–	–	5,213	–	5,213
Total income recognised directly in equity	–	–	15,023	5,213	–	–	20,236	–	20,236
Realised on disposal of available-for-sale investments	–	–	3,155	–	–	–	3,155	–	3,155
Profit (loss) for the year	–	–	–	–	–	27,046	27,046	(12)	27,034
Total recognised income and expenses for the year	–	–	18,178	5,213	–	27,046	50,437	(12)	50,425
Realised upon disposal/partial disposal of subsidiaries of a jointly controlled entity	–	–	–	–	(1,788)	1,788	–	–	–
Dividends paid	–	–	–	–	–	(40,064)	(40,064)	–	(40,064)
At 31 December 2007	400,633	82,445	27,616	7,667	1,581	65,461	585,403	921	586,324
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	2,874	–	–	2,874	–	2,874
Realised on disposal of available-for-sale investments	–	–	(923)	–	–	–	(923)	–	(923)
Release on deregistration of a subsidiary	–	–	–	(1,816)	–	–	(1,816)	–	(1,816)
Realised on disposal of entities classified as discontinued operations	–	–	–	(8,548)	–	–	(8,548)	–	(8,548)
Realised on disposal of other subsidiaries	–	–	(26,693)	(175)	–	–	(26,868)	(206)	(27,074)
Loss for the year	–	–	–	–	–	(70,289)	(70,289)	(6)	(70,295)
Total recognised income and expenses for the year	–	–	(27,616)	(7,665)	–	(70,289)	(105,570)	(212)	(105,782)
Capital contributed by minority shareholder of a subsidiary	–	–	–	–	–	–	–	2,147	2,147
At 31 December 2008	**400,633**	**82,445**	**–**	**2**	**1,581**	**(4,828)**	**479,833**	**2,856**	**482,689**

Notes:

(a) Contributed surplus represents the difference between net assets of the companies acquired and the aggregate nominal value of shares issued by the Company under the scheme of arrangement in 1992.

(b) Other reserve as at 31 December 2008 arose as a result of (i) repurchase of the Company's listed securities, representing the excess of the nominal value of the shares repurchased over the consideration paid and (ii) goodwill reserve arising on acquisition of subsidiaries of the Company prior to 1 January 2005.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	NOTE	2008 HK$'000	2007 HK$'000
Operating activities			
(Loss) profit before taxation from continuing and discontinued operations		**(69,230)**	40,178
Adjustments for:			
Depreciation of property, plant and equipment		**585**	1,433
(Gain) loss on disposal of property, plant and equipment		**(40)**	104
Gain on disposal of other non-current assets		**(383)**	–
Release of prepaid lease payments		**4,861**	8,118
Change in fair value of investment properties		**106**	(213)
Share of losses (profits) of associates		**2,659**	(6,711)
Change in fair value of investments held for trading		**7,532**	(5,330)
Change in fair value of financial assets designated at fair value through profit or loss		**–**	919
Loss (gain) on disposal of entities classified as discontinued operations	11	**15,324**	(22)
Gain on disposal of other subsidiaries	39	**(32,727)**	–
Impairment loss on prepaid lease payments		**15,357**	–
Write-off of loan to an associate		**1,675**	4,434
Loss on disposal of an associate		**784**	–
Finance costs		**3,381**	11,672
Interest income		**(9,086)**	(11,438)
Loss on disposal of subsidiaries of a jointly controlled entity	41	**–**	4,818
Release of conversion options embedded in convertible notes upon disposal of available-for-sale investments		**–**	377
Change in fair value of conversion options embedded in convertible notes		**–**	(5,313)
Impairment loss on inventories		**–**	228
Impairment loss on available-for-sale investments		**–**	11,078
Impairment loss on trade receivables		**–**	1,394
Impairment loss on goodwill		**–**	1,692
Gratuitous shares paid to staff in specie		**–**	2,032
Financial guarantee expense		**–**	686
Financial guarantee income		**–**	(118)
Write back of impairment loss on trade receivables		**–**	(402)
Operating cash flows before movements in working capital		**(59,202)**	59,616
Decrease in inventories		**900**	3,078
Decrease (increase) in trade and other receivables		**31,985**	(71,829)
Decrease in financial assets at fair value through profit or loss		**35,048**	4,950
Increase in amount due from immediate holding company		**(1,986)**	–
(Decrease) increase in trade and other payables		**(14,336)**	69,820
Cash (used in) generated from operations		**(7,591)**	65,635
Hong Kong Profits Tax paid		**(7)**	(228)
Overseas tax refunded		**105**	–
Interest paid		**(3,381)**	(11,672)
Interest received		**6,805**	11,438
Net cash (used in) from operating activities		**(4,069)**	65,173

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	NOTE	2008 HK$'000	2007 HK$'000
Investing activities			
Proceeds from disposal of entities classified as discontinued operations	11	**54,747**	163
Proceeds from disposal of other subsidiaries	39	**71,900**	–
Proceeds from disposal of available-for-sale investments and embedded options		**6,645**	25,818
Decrease in pledged bank deposits		**6,000**	25,205
Redemptions of equity-link notes		**3,090**	–
Proceeds from disposal of other non-current assets		**2,400**	–
Decrease in mortgage loans receivable		**1,350**	4,554
Proceeds from disposal of property, plant and equipment		**690**	20
Acquisition of subsidiaries	38	**(1,484)**	–
Loans to associates		**(1,831)**	(183)
Purchase of property, plant and equipment		**(5,732)**	(2,958)
Additions to prepaid lease payments		**(23,900)**	–
Loans to a third party		**(43,306)**	–
Repayment from a shareholder of a jointly controlled entity		**–**	7,221
Disposal of subsidiaries of a jointly controlled entity	41	**–**	6,072
Decrease in other non-current assets		**–**	753
Acquisition of additional interest in a jointly controlled entity of a jointly controlled entity	40	**–**	(1,671)
Investment in associates		**–**	(21,903)
Acquisition of available-for-sale investments		**–**	(23,615)
Net cash from investing activities		**70,569**	19,476
Financing activities			
Capital contribution from a minority shareholder of a subsidiary		**2,147**	–
Loans from (repaid to) minority shareholders of subsidiaries		**142**	(494)
Repayment of bank and other borrowings		**(1,152)**	(15)
Advance from related parties		**–**	15,337
Repayment of loan from a jointly controlled entity		**–**	(368)
Dividends paid		**–**	(40,064)
Net cash from (used in) financing activities		**1,137**	(25,604)
Net increase in cash and cash equivalents		**67,637**	59,045
Effect of foreign exchange rate changes		**(559)**	2,683
Cash and cash equivalents at the beginning of the year		**215,091**	153,363
Cash and cash equivalents at the end of the year		**282,169**	215,091
Represented by:			
Deposits placed with other financial institutions		**1,916**	33,262
Bank balances and cash		**280,253**	181,829
		282,169	215,091

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Right Precious Limited, a limited company incorporated in the British Virgin Islands. Its ultimate holding company is CITIC International Assets Management Limited ("CIAM Parent"), a private limited company incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and Suites 1401-3, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, respectively.

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

The principal activities of the Company and its subsidiaries (the "Group") are direct investments and property investment.

Pursuant to a special resolution passed at the annual general meeting of the Company held on 30 May 2008 and upon the approval from the Registrar of Companies in Bermuda, the name of the Company was changed from E2-Capital (Holdings) Limited 金匯投資（集團）有限公司 to CIAM Group Limited 事安集團有限公司 with effect from 27 June 2008.

2. SIGNIFICANT EVENTS

During the current and prior years, the Group had the following significant events:

(i) Discontinued operations of brokerage services and investment banking

(a) On 4 February 2008, the Group through its wholly owned subsidiary, Goodwill Investment (BVI) Limited, entered into a sale and purchase agreement to dispose of the Group's directly owned 40% interest in SBI E2-Capital Asia Holdings Pte Ltd ("SBI E2-Capital Asia"), an associate of the Group, at a consideration of approximately HK$42,000,000.

On the same date, the Group's 49% owned jointly controlled entity, SBI E2-Capital Limited ("SBI E2"), through its 97.1% owned subsidiary, SBI E2-Capital Asia Securities Group Limited, also entered into a sale and purchase agreement to dispose of its entire 60% interest in SBI E2-Capital Asia, a subsidiary of SBI E2, at a consideration of approximately HK$63,000,000.

Completion of the above two agreements is conditional upon, among other conditions, simultaneous completion of both agreements. The purchasers under both agreements are related parties of the Company and details of the related party transactions are set out in note 46 (i)(a)(I).

The transactions were completed on 31 March 2008.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. SIGNIFICANT EVENTS (continued)

(i) Discontinued operations of brokerage services and investment banking (continued)

(b) On 21 February 2008, the Group entered into a sale and purchase agreement to dispose of its entire 49% interest in SBI E2 at a consideration of approximately HK$17,604,000. The transaction was completed on 8 April 2008.

As SBI E2 and SBI E2-Capital Asia had carried out all of the Group's operations in brokerage services and investment banking, the business segments of brokerage services and investment banking are classified as discontinued operations during the year.

(ii) Discontinued operations of industrial and management operating services and digital consumer products

(a) On 22 February 2008, the Group entered into a sale and purchase agreement to dispose of its entire 70% interest in Bright Advise Holdings Limited ("Bright Advise") and its wholly owned subsidiaries at a consideration of approximately HK$500,000. Bright Advise and its subsidiaries carried out all of the Group's industrial and management operating services. The transaction was completed on 31 March 2008.

(b) On 31 March 2007, the Group entered into a sale and purchase agreement to dispose of its entire 100% interest in Napa Global Inc. ("Napa") and its subsidiaries at a consideration of approximately HK$163,000. Napa and its subsidiaries carried out all of the Group's digital consumer products operations. The transaction was completed on 31 August 2007.

The business segment of industrial and management operating services is classified as discontinued operations during the year whilst the business segment of digital consumer products was classified as discontinued operations during the year ended 31 December 2007.

(iii) Disposal of other subsidiaries

The Group disposed of its interest in other subsidiaries during the year, the details of which are set out in note 39.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The application of the amendment to HKAS 40 "Investment Property" which is contained in HKFRSs (Amendments) "Improvements to HKFRSs" may affect the accounting for property under construction or development for future use as an investment property of the Group. The amendment to HKAS 40 brings such property within the scope of HKAS 40 which, therefore, shall be accounted for under the fair value model in accordance with the Group's accounting policy. Such property is currently accounted for at cost less impairment in accordance with HKAS 16 "Property, Plant and Equipment". The amendment is to be applied prospectively.

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.

4. 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 value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. 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 HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising from 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 the 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 from acquisition prior to 1 January 2005

Goodwill arising from an acquisition of net assets and operations of a jointly controlled entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

Goodwill arising from acquisitions of net assets and operations of a jointly controlled entity prior to 1 January 2001 continues to be held in reserves, and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (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 associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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

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

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 Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any goodwill arising from the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising from the acquisition of net assets and operations of a jointly controlled entity (see above).

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, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

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

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

Service income is 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the period of the respective leases.

Property, plant and equipment

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

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

Property that is being constructed or developed for future use as an investment property is classified as property, plant and equipment and carried at cost less recognised impairment loss until construction or development is complete, at which time it is reclassified to and subsequently accounted for as investment property. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

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 from 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.

Leasehold land under construction

When the leasehold land and buildings are in the course of development for capital appreciation, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction unless active development is suspended or during the period of delay.

Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties for development

Properties for development comprises the consideration for the building element contributable to the future development of properties which are stated at cost less identified impairment loss.

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

Foreign currencies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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, 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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are recognised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for recognition.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and a defined contribution provident fund under Occupational Retirement Scheme Ordinance (the "ORSO Scheme") are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

Inventories

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

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

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.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss 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 includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, mortgage loans receivable, amount due from immediate holding company, loans to associates, other loan receivable, pledged bank deposits, deposits placed with other financial institutions and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in impairment loss on financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

- 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.

For certain categories of financial assets, such as trade receivables and mortgage loans receivable, 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 trade receivables and mortgage loans receivable 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 and observable changes in national or local economic conditions that correlate with default on receivables.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 and mortgage loans receivable, 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 trade receivable or mortgage loans 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities of the Group including trade and other payables, secured bank and other borrowings, and loans from minority shareholders of subsidiaries, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

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.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Membership licences/golf club debentures

Membership licences/golf club debentures with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. 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, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors of the Company are required to make 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 assets and liabilities within the next financial year.

Estimated impairment on prepaid lease payments, properties for development and investment properties under development

Management reviews the recoverability of the Group's property interests held for development and in the course of development for capital appreciation with reference to its intended use and current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Impairment for estimated irrecoverable amounts is recognised in profit and loss when there is objective evidence that the asset is impaired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment on prepaid lease payments, properties for development and investment properties under development (continued)

In determining whether impairment on properties is required, the Group takes into consideration the intended use of the properties, the current market environment, the estimated market value of the properties and/or the present value of future cash flows it expects to receive. Impairment is recognised based on the higher of the present value of estimated future cash flows and estimated market value. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these properties interests, additional impairment loss may be required. For the year ended 31 December 2008, an aggregate impairment loss of HK$15,357,000 (2007: nil) in respect of the Group's prepaid lease payments has been recognised in the consolidated income statement.

6. REVENUE

Revenue represents revenue arising from direct investments and property investment for the year. As explained in note 2, the operations of brokerage services, investment banking, industrial and management operating services and digital consumer products were regarded as discontinued operations. An analysis of the Group's revenue for the year is as follows:

	2008 **HK$'000**	2007 HK$'000
Continuing operations		
Interest income	**7,215**	3,965
Dividend income	**1,337**	4,077
Arrangement fee income	**952**	–
Property rental income	**–**	18
	9,504	8,060
Discontinued operations		
Brokerage commission income	**1,325**	87,179
Advisory fee income	**2,005**	10,154
Interest income	**–**	1,631
Dividend income	**–**	268
Sales of goods	**2,690**	16,048
Sales of digital customer products	**–**	784
	6,020	116,064
	15,524	124,124

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. REVENUE (continued)

Revenue from continuing and discontinued operations which includes investment income is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Interest on:						
– other loan receivable	**6,089**	–	**–**	–	**6,089**	–
– mortgage loans receivable	**396**	914	**–**	–	**396**	914
– equity link notes	**145**	979	**–**	–	**145**	979
– debt securities	**–**	1,290	**–**	–	**–**	1,290
– accounts receivable arising from brokerage services	**–**	–	**–**	1,341	**–**	1,341
– others	**585**	782	**–**	290	**585**	1,072
	7,215	3,965	**–**	1,631	**7,215**	5,596
Dividends from:						
– equity securities	**1,337**	3,868	**–**	268	**1,337**	4,136
– equity link notes	**–**	36	**–**	–	**–**	36
– funds	**–**	173	**–**	–	**–**	173
	1,337	4,077	**–**	268	**1,337**	4,345
	8,552	8,042	**–**	1,899	**8,552**	9,941

Investment income earned on financial assets, analysed by category of asset, is as follows:

	2008 HK$'000	2007 HK$'000
Financial assets at fair value through profit or loss	**1,482**	1,760
Loans and other receivables	**7,070**	3,327
Available-for-sale investments	**–**	4,854
	8,552	9,941

Included above is income from listed investments of HK$137,000 (2007: HK$572,000) and from unlisted investments of HK$1,345,000 (2007: HK$6,042,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. SEGMENT INFORMATION

Business segments

For management purpose, the Group is currently organised into two operating divisions – direct investments and property investment. These divisions are the basis on which the Group reports its primary segment information. Principal activities of the divisions are as follows:

Direct investments – securities trading and investments

Property investment – property development for future use as investment properties

As explained in note 2, the Group was also involved in the operations of brokerage services, investment banking, industrial and management operating services and sourcing and distribution of digital consumer products, all of which were discontinued during the current or prior year, as appropriate.

Segment information about these businesses is presented below:

For the year ended 31 December 2008

	Continuing operations			Discontinued operations				
	Direct investments HK$'000	Property investment HK$'000	Total HK$'000	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Total HK$'000	Consolidated HK$'000
Consolidated Income Statement								
Gross proceeds	37,244	–	37,244	3,330	–	2,690	6,020	43,264
Revenue	9,504	–	9,504	3,330	–	2,690	6,020	15,524
Segment results	(6,492)	(22,843)	(29,335)	(15,251)	(853)	(506)	(16,610)	(45,945)
Unallocated income			4,381				–	4,381
Unallocated corporate expenses			(26,376)				–	(26,376)
Gain on disposal of other subsidiaries			32,727				–	32,727
Loss on disposal of subsidiaries			–				(11,782)	(11,782)
Share of losses of associates			(194)				(2,465)	(2,659)
Loss on disposal of an associate			(784)				–	(784)
Finance costs			(3,381)				(87)	(3,468)
Loss before taxation			(22,962)				(30,944)	(53,906)
Income tax (expense) credit			(1,129)				64	(1,065)
Loss on disposal of discontinued operations			–				(15,324)	(15,324)
Loss for the year			(24,091)				(46,204)	(70,295)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. SEGMENT INFORMATION (continued)

Business segments (continued)

At 31 December 2008

	Continuing operations			Discontinued operations				
	Direct investments HK$'000	Property investment HK$'000	Total HK$'000	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Total HK$'000	Consolidated HK$'000
Consolidated Balance Sheet								
ASSETS								
Segment assets	63,621	354,714	418,335	–	–	–	–	418,335
Unallocated corporate assets								280,396
Consolidated total assets								698,731
LIABILITIES								
Segment liabilities	2,615	117	2,732	–	–	–	–	2,732
Borrowings	–	209,496	209,496	–	–	–	–	209,496
Unallocated corporate liabilities								3,814
Consolidated total liabilities								216,042

For the year ended 31 December 2008

	Continuing operations				Discontinued operations				
	Direct investments HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Total HK$'000	Consolidated HK$'000
Other Information									
Capital additions	–	26,862	2,522	29,384	–	–	248	248	29,632
Capital additions arising from acquisition of a subsidiary	–	–	409	409	–	–	–	–	409
Depreciation and amortisation	–	4,861	493	5,354	92	–	–	92	5,446
Loss on disposal of an associate	–	–	784	784	–	–	–	–	784
Gain on disposal of property, plant and equipment	–	–	40	40	–	–	–	–	40
Decrease in fair value of financial assets at fair value through profit or loss	12,397	–	–	12,397	1,763	–	–	1,763	14,160
Impairment loss on prepaid lease payments	–	15,357	–	15,357	–	–	–	–	15,357
Write-off of loan to an associate	–	–	1,675	1,675	–	–	–	–	1,675

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. SEGMENT INFORMATION (continued)

Business segments (continued)

For the year ended 31 December 2007

	Continuing operations			Discontinued operations					
	Direct investments HK$'000	Property investment HK$'000	Total HK$'000	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Digital consumer products HK$'000	Total HK$'000	Consolidated HK$'000
Consolidated Income Statement									
Gross proceeds	273,100	935	274,035	99,085	147	16,048	784	116,064	390,099
Revenue	7,125	935	8,060	99,085	147	16,048	784	116,064	124,124
Segment results	56,030	(12,269)	43,761	25,228	(218)	(4,883)	(1,926)	18,201	61,962
Unallocated income			4,183					–	4,183
Unallocated corporate expenses			(21,036)					8	(21,028)
Share of profit of associates			282					6,429	6,711
Finance costs			(9,451)					(2,221)	(11,672)
Profit before tax			17,739					22,417	40,156
Income tax expense			(8,934)					(4,210)	(13,144)
Gain on disposal of discontinued operations			–					22	22
Profit for the year			8,805					18,229	27,034

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. SEGMENT INFORMATION (continued)

Business segments (continued)

At 31 December 2007

	Continuing operations			Discontinued operations					
	Direct investments HK$'000	Property investment HK$'000	Total HK$'000	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Digital consumer products HK$'000	Total HK$'000	Consolidated HK$'000
Consolidated Balance Sheet									
ASSETS									
Segment assets	309,418	351,907	661,325	46,126	7,171	8,559	–	61,856	723,181
Interests in associates	–	–	–	43,362	–	1,095	–	44,457	44,457
Unallocated corporate assets									96,585
Consolidated total assets									864,223
LIABILITIES									
Segment liabilities	2,089	647	2,736	22,419	305	2,827	–	25,551	28,287
Borrowings	–	210,210	210,210	–	–	1,046	–	1,046	211,256
Unallocated corporate liabilities									38,356
Consolidated total liabilities									277,899

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. SEGMENT INFORMATION (continued)

Business segments (continued)

For the year ended 31 December 2007

	Continuing operations				Discontinued operations					
	Direct investments HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Digital consumer products HK$'000	Total HK$'000	Consolidated HK$'000
Other Information										
Capital additions	–	–	2,335	2,335	574	38	4	7	623	2,958
Capital additions arising from acquisition of additional interest in a subsidiary of a jointly controlled entity	–	–	–	–	322	–	–	–	322	322
Depreciation and amortisation	–	8,118	708	8,826	307	78	309	31	725	9,551
(Gain) loss on disposal of property, plant and equipment	(20)	–	–	(20)	124	–	–	–	124	104
Increase in fair value of financial assets at fair value through profit or loss	53,572	–	–	53,572	3,097	–	–	–	3,097	56,669
Increase in fair value of conversion options embedded in convertible notes	5,313	–	–	5,313	–	–	–	–	–	5,313
Impairment loss on available-for-sale investments	11,078	–	–	11,078	–	–	–	–	–	11,078
Impairment loss on inventories	–	–	–	–	–	–	228	–	228	228
Impairment loss on loan to an associate	–	–	4,434	4,434	–	–	–	–	–	4,434
Impairment loss on trade receivables	–	–	–	–	39	–	1,355	–	1,394	1,394
Write back of impairment loss on trade receivables	326	–	–	326	76	–	–	–	76	402
Impairment loss on goodwill	–	–	–	–	–	1,692	–	–	1,692	1,692
Financial guarantee expense	–	–	–	–	686	–	–	–	686	686
Financial guarantee income	–	–	–	–	118	–	–	–	118	118

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. SEGMENT INFORMATION (continued)

Geographical segments

The Group's operations in direct investments and property investment are mainly located in Hong Kong.

The Group's discontinued operations in brokerage services, investment banking, industrial and management operating services and sourcing and distribution of digital consumer products were mainly operated in Hong Kong, Singapore and Europe.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	2008 HK$'000	2007 HK$'000
Revenue from continuing and discontinued operations:		
Hong Kong	9,504	113,981
Singapore	6,020	9,359
Europe	–	784
	15,524	124,124

Revenue is allocated based on the countries in which the customers or traders are located.

As at the balance sheet dates, over 90% of the identifiable assets of the Group were located in Hong Kong. Accordingly, no separate disclosure for segment assets or capital additions by geographical location of assets is presented.

8. NET (LOSS) GAIN ON FINANCIAL INSTRUMENTS

	Continuing operations		Discontinued operations		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
(Decrease) increase in fair values of:						
– investments held for trading	(12,897)	54,491	(1,763)	3,097	(14,660)	57,588
– financial assets designated at fair value through profit or loss	500	(919)	–	–	500	(919)
– conversion options embedded in convertible notes	–	5,313	–	–	–	5,313
Impairment loss on available-for-sale investments	–	(11,078)	–	–	–	(11,078)
Write off of loan to an associate	(1,675)	(4,434)	–	–	(1,675)	(4,434)
	(14,072)	43,373	(1,763)	3,097	(15,835)	46,470

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on:						
Bank loans and other borrowings wholly repayable within five years	**5,418**	9,359	**24**	2,221	**5,442**	11,580
Other borrowings not wholly repayable within five years	**26**	92	**63**	–	**89**	92
Less: amounts capitalised in property, plant and equipment	**(2,063)**	–	**–**	–	**(2,063)**	–
	3,381	9,451	**87**	2,221	**3,468**	11,672

10. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax charge (credit):						
Hong Kong	**1,200**	5,836	**–**	3,396	**1,200**	9,232
Other jurisdictions	**(71)**	–	**(64)**	814	**(135)**	814
Underprovision in prior years:						
Hong Kong	**–**	3,126	**–**	–	**–**	3,126
	1,129	8,962	**(64)**	4,210	**1,065**	13,172
Deferred tax credit:						
– current year	**–**	(28)	**–**	–	**–**	(28)
	1,129	8,934	**(64)**	4,210	**1,065**	13,144

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions has been calculated based on the estimated assessable profit for the year at the rates of taxation prevailing in the relevant jurisdictions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

10. INCOME TAX EXPENSE (continued)

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

	2008	2007
	HK$'000	HK$'000
(Loss) profit before taxation:		
Continuing operations	**(22,962)**	17,739
Discontinued operations	**(46,268)**	22,439
	(69,230)	40,178
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**(11,423)**	7,031
Tax effect of share of losses (profits) of associates	**439**	(1,174)
Tax effect of expenses not deductible for tax purpose	**15,632**	5,319
Tax effect of income not taxable for tax purpose	**(6,216)**	(3,353)
Effect of tax loss not recognised	**2,633**	2,195
Underprovision in respect of prior years	**–**	3,126
Tax charge for the year	**1,065**	13,144

At 31 December 2008, the Group has estimated unused tax losses of HK$409,370,000 (2007: HK$517,862,000) available for set off against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Such losses can be carried forward indefinitely.

11. DISCONTINUED OPERATIONS

As explained in note 2, the business segments of brokerage services, investment banking and industrial and management operating services are classified as discontinued operations during the year.

During the year ended 31 December 2007, the business segment of digital consumer products was also classified as discontinued operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

11. DISCONTINUED OPERATIONS (continued)

The net assets of the discontinued operations at the dates of disposals other than subsidiaries under direct investments and property investment segments, as set out in note 39, for the current and prior year were as follows:

	2008 HK$'000	2007 HK$'000
Net assets disposed of:		
Property, plant and equipment	1,127	95
Interests in associates	42,494	–
Inventories	1,909	–
Financial assets at fair value through profit or loss	1,714	–
Trade and other receivables	32,441	46
Pledged bank deposits	38,220	–
Bank balances and cash	35,332	–
Trade and other payables	(37,732)	–
Taxation payable	(804)	–
Secured bank and other borrowings	(750)	–
Net assets disposed of	113,951	141
Exchange reserve realised	(8,548)	–
	105,403	141
(Loss) gain on disposals	(15,324)	22
Total consideration	90,079	163
Satisfied by:		
Cash	90,079	163
Net cash inflow arising on disposal:		
Cash consideration	90,079	163
Bank balances and cash disposed of	(35,332)	–
	54,747	163
Net cash outflows from the discontinued operations:		
Net cash outflows from operating activities	(3,594)	(7,606)
Net cash outflows from investing activities	(1,068)	(7)
Net cash outflows from financing activities	(7,499)	–
	(12,161)	(7,613)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

11. DISCONTINUED OPERATIONS (continued)

The results and the loss on disposal of the discontinued operations for the period from 1 January 2008 to the relevant dates of disposals (dates on which controls of the relevant entities passed to the respective acquirers) together with comparative figures, which have been included in the consolidated income statement, were as follows:

For the year ended 31 December 2008

	From 1 January 2008 to dates of disposals			
	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Total HK$'000
Revenue	3,330	–	2,690	6,020
Cost of sales	(60)	–	(2,016)	(2,076)
Other income	–	230	149	379
Administrative expenses	(13,868)	(2,032)	(1,317)	(17,217)
Distribution costs	–	–	(11)	(11)
Other expense	(1,942)	–	–	(1,942)
Finance costs	(63)	–	(24)	(87)
Net loss on financial instruments	(1,763)	–	–	(1,763)
Share of losses of associates	(2,465)	–	–	(2,465)
Loss on disposal of subsidiaries	(11,782)	–	–	(11,782)
Income tax credit	64	–	–	64
Loss of discontinued operations for the year	(28,549)	(1,802)	(529)	(30,880)
Loss on disposal of discontinued operations	(10,677)	(980)	(3,667)	(15,324)
	(39,226)	(2,782)	(4,196)	(46,204)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

11. DISCONTINUED OPERATIONS (continued)

For the year ended 31 December 2007

	For the year ended 31 December 2007			From 1 January 2007 to date of disposal	
	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Digital consumer products HK$'000	Total HK$'000
Revenue	99,085	147	16,048	784	116,064
Cost of sales	(7,739)	(255)	(11,414)	(767)	(20,175)
Other income	8,746	3,497	276	29	12,548
Administrative expenses	(73,144)	(3,607)	(9,344)	(1,972)	(88,067)
Distribution costs	–	–	(440)	–	(440)
Net gain on financial instruments	3,097	–	–	–	3,097
Finance costs	(2,058)	(68)	(95)	–	(2,221)
Share of profits of associates	6,429	–	–	–	6,429
Loss on disposal of subsidiaries of a jointly controlled entity	(4,818)	–	–	–	(4,818)
Income tax expense	(4,076)	(134)	–	–	(4,210)
Profit (loss) of discontinued operations for the year	25,522	(420)	(4,969)	(1,926)	18,207
Gain on disposal of discontinued operations	–	–	–	22	22
	25,522	(420)	(4,969)	(1,904)	18,229

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

12. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):						
Release of prepaid lease payments	**4,861**	8,118	**–**	–	**4,861**	8,118
Depreciation for property, plant and equipment	**493**	708	**92**	725	**585**	1,433
Total depreciation and amortisation	**5,354**	8,826	**92**	725	**5,446**	9,551
Auditor's remuneration						
– current year	**900**	1,447	**–**	1,156	**900**	2,603
– under(over)provision in prior years	**828**	68	**(348)**	18	**480**	86
Net foreign exchange (gain) loss	**(643)**	(2,287)	**359**	205	**(284)**	(2,082)
Bank interest income	**(1,871)**	(2,735)	**(230)**	(3,107)	**(2,101)**	(5,842)
Management fee income	**(2,087)**	(1,428)	**–**	–	**(2,087)**	(1,428)
Rental income from investment properties	**–**	18	**–**	–	**–**	18
(Gain) loss on disposal of property, plant and equipment	**(40)**	(20)	**–**	124	**(40)**	104
Gain on disposal of other non-current assets	**(383)**	–	**–**	–	**(383)**	–
Financial guarantee expense	**–**	–	**–**	686	**–**	686
Financial guarantee income	**–**	–	**–**	(118)	**–**	(118)
(Write back of) impairment losses on trade receivables	**–**	(402)	**8**	–	**8**	(402)
Impairment losses on trade receivables	**–**	–	**–**	1,394	**–**	1,394
Impairment losses on inventories	**–**	–	**–**	228	**–**	228
Employee benefits expense, including directors' emoluments	**13,880**	10,656	**2,966**	67,673	**16,846**	78,329
Cost of inventories recognised as an expense	**–**	–	**2,016**	12,181	**2,016**	12,181

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2007: six) directors were as follow:

2008		**Other emoluments**			
Name of director	**Fees**	**Salary and other benefits**	**Discretionary bonuses**	**Contribution to retirement benefits scheme**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Dou Jianzhong (appointed on 31 May 2008)	**175**	**–**	**–**	**–**	**175**
Lo Wing Yat Kelvin (appointed on 23 April 2008)	**133**	**225**	**–**	**23**	**381**
Fung Ka Pun	**200**	**2,880**	**–**	**12**	**3,092**
Dato' Wong Sin Just ("Dato' Wong", resigned on 31 May 2008)	**–**	**1,200**	**–**	**5**	**1,205**
Yip Chi Chiu (appointed on 23 April 2008)	**133**	**–**	**–**	**–**	**133**
Graham Roderick Walker (appointed on 1 July 2008)	**100**	**–**	**–**	**–**	**100**
Hung Chi Yuen Andrew (appointed on 1 July 2008)	**125**	**–**	**–**	**–**	**125**
Sit Fung Shuen Victor (appointed on 1 July 2008)	**125**	**–**	**–**	**–**	**125**
Toh Hock Ghim (appointed on 1 July 2008)	**125**	**–**	**–**	**–**	**125**
Ongpin Roberto V. (resigned on 1 July 2008)	**50**	**–**	**–**	**–**	**50**
Chung Cho Yee Mico (resigned on 31 May 2008)	**73**	**–**	**–**	**–**	**73**
Ho Kwan Tat (resigned on 1 July 2008)	**120**	**–**	**–**	**–**	**120**
Hui Ka Wah Ronnie (resigned on 1 July 2008)	**120**	**–**	**–**	**–**	**120**
	1,479	**4,305**	**–**	**40**	**5,824**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

13. DIRECTORS' EMOLUMENTS (continued)

2007

Name of director	Fees	Other emoluments: Salary and other benefits	Other emoluments: Discretionary bonuses	Other emoluments: Contribution to retirement benefits scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fung Ka Pun	–	2,880	–	12	2,892
Dato' Wong	–	2,858	–	12	2,870
Ongpin Roberto V.	50	–	–	–	50
Chung Cho Yee Mico	80	–	–	–	80
Ho Kwan Tat	120	–	–	–	120
Hui Ka Wah Ronnie	120	–	–	–	120
	370	5,738	–	24	6,132

No directors waived any emoluments during each of the two years ended 31 December 2008.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2007: two) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining two (2007: three) individuals were as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**614**	2,673
Contribution to retirement benefits scheme	**24**	36
Discretionary bonuses	**–**	950
	638	3,659

The emoluments were within the following bands:

	Number of individuals	
	2008	2007
Nil – HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**–**	3

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

15. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Dividends recognised as distribution during the year:		
2008 Interim dividend of nil (2007: 2007 Interim dividend of HK5 cents per share)	–	20,032
2007 Final dividend of nil (2007: 2006 Final dividend of HK5 cents per share)	–	20,032
	–	40,064

The directors do not recommend the payment of a final dividend for 2008.

16. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic (loss) earnings per share is based on loss for the year attributable to the equity holders of the Company of HK$70,289,000 (2007: profit for the year attributable to equity holders of the Company of HK$27,046,000) and 400,633,217 (2007: 400,633,217) ordinary shares.

From continuing operations

The calculation of the basic (loss) earnings per share is based on loss for the year from continuing operations attributable to the equity holders of the Company of HK$24,085,000 (2007: profit for the year attributable to equity holders of the Company of HK$8,817,000) and 400,633,217 (2007: 400,633,217) ordinary shares.

From discontinued operations

Basic loss per share for the discontinued operation is HK11.53 cents per share (2007: basic earnings per share of HK4.55 cents per share), based on loss for the year from the discontinued operations attributable to the equity holders of the Company of HK$46,204,000 (2007: profit for the year attributable to equity holders of the Company of HK$18,229,000) and the denominators detailed above for basic (loss) earnings per share.

Diluted (loss) earnings per share

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Investment properties under development HK$'000	Total HK$'000
COST					
At 1 January 2007	3,843	7,111	4,697	–	15,651
Additions	372	357	2,229	–	2,958
Acquisition of subsidiaries of a jointly controlled entity	156	166	–	–	322
Disposals	(218)	(43)	(272)	–	(533)
Disposal of entities classified as discontinued operations	(48)	(109)	–	–	(157)
Disposal of subsidiaries of a jointly controlled entity	(671)	(3,524)	(2,229)	–	(6,424)
Exchange differences	13	19	–	–	32
At 31 December 2007	3,447	3,977	4,425	–	11,849
Additions	333	1,049	1,388	6,725	9,495
Acquisition of subsidiaries	–	15	394	–	409
Transfer from properties for development	–	–	–	16,400	16,400
Disposals	–	–	(1,813)	–	(1,813)
Disposal of entities classified as discontinued operations	(3,710)	(3,706)	(1,344)	–	(8,760)
Disposal of other subsidiaries	–	(95)	–	–	(95)
Exchange differences	18	20	–	–	38
At 31 December 2008	**88**	**1,260**	**3,050**	**23,125**	**27,523**
DEPRECIATION					
At 1 January 2007	3,493	5,903	2,338	–	11,734
Provided for the year	155	460	818	–	1,433
Acquisition of subsidiaries of a jointly controlled entity	152	104	–	–	256
Disposals	(104)	(33)	(272)	–	(409)
Disposal of entities classified as discontinued operations	(30)	(32)	–	–	(62)
Disposal of subsidiaries of jointly controlled entity	(642)	(2,918)	(74)	–	(3,634)
Exchange differences	9	17	–	–	26
At 31 December 2007	3,033	3,501	2,810	–	9,344
Provided for the year	45	204	336	–	585
Disposals	–	–	(1,163)	–	(1,163)
Disposal of entities classified as discontinued operations	(3,068)	(3,401)	(1,164)	–	(7,633)
Disposal of other subsidiaries	–	(46)	–	–	(46)
Exchange differences	3	15	–	–	18
At 31 December 2008	**13**	**273**	**819**	**–**	**1,105**
CARRYING VALUES					
At 31 December 2008	**75**	**987**	**2,231**	**23,125**	**26,418**
At 31 December 2007	414	476	1,615	–	2,505

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

17. 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:

Leasehold improvements	Over the shorter of the term of the lease, or 20%
Furniture, fixtures and equipment	10% – 33 1/3%
Motor vehicles	20% – 25%

The Group's investment properties under development are erected on leasehold interest in land held under medium-term leases in Hong Kong.

Included in investment properties under development is net interest capitalised of approximately HK$2,063,000 (2007: nil). The properties are developed for future use as investment properties.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2007	1,610
Net increase in fair value recognised in the consolidated income statement	213
At 31 December 2007	1,823
Net decrease in fair value recognised in the consolidated income statement	(106)
At 31 December 2008	**1,717**

The fair value of the Group's investment properties at 31 December 2008 has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal and Consulting Limited, independent qualified professional valuers not connected with the Group. Vigers Appraisal and Consulting Limited is a member of the Institute of Valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in a similar location.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model, classified and accounted for as investment properties and are erected on leasehold interest in land held under medium-term leases outside Hong Kong.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments held for development comprise:

	2008 **HK$'000**	2007 HK$'000
Leasehold land in Hong Kong:		
Medium-term lease	**320,567**	320,648
Analysed for reporting purposes as:		
Non-current asset	**312,241**	312,530
Current asset	**8,326**	8,118
	320,567	320,648

The aggregate fair values of the Group's prepaid lease payments as set out above and its properties for development as set out in note 20 at 31 December 2008 were estimated to be HK$439,450,000 and HK$6,550,000, respectively, which have been arrived at on the basis of valuation carried out as at that day by Jones Lang LaSalle Sallmanns and Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected with the Group. Jones Lang LaSalle Sallmanns and Savills Valuation and Professional Services Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties of the relevant locations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties.

During the year, the Directors conducted a review of the Group's leasehold interests in land and properties for development due to the fluctuations of property markets and, based on the valuation disclosed above, determined that a piece of leasehold land was impaired. The carrying amount of the relevant prepaid lease payment has been reduced to its fair value resulting in an impairment loss of HK$15,357,000 recognised in the consolidated income statement.

20. PROPERTIES FOR DEVELOPMENT

	Total **HK$'000**
COST	
At 1 January 2007 and 31 December 2007	48,270
Transfer to property, plant and equipment	(23,400)
At 31 December 2008	**24,870**
IMPAIRMENT	
At 1 January 2007 and 31 December 2007	28,470
Transfer to property, plant and equipment	(7,000)
At 31 December 2008	**21,470**
CARRYING VALUE	
At 31 December 2008	**3,400**
At 31 December 2007	19,800

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

20. PROPERTIES FOR DEVELOPMENT (continued)

During the year, the Group has determined that investment properties would be developed on certain lands upon which certain of these properties are situated. Accordingly, the cost attributable to these properties is transferred to investment properties under development in property, plant and equipment upon the commencement of developing the investment properties.

21. GOODWILL

	HK$'000
COST	
Acquisition of additional interest in a subsidiary of a jointly controlled entity and at 31 December 2007	1,692
Disposal of entities classified as discontinued operations	(1,692)
At 31 December 2008	**–**
IMPAIRMENT	
Impairment loss recognised during the year and at 31 December 2007	1,692
Disposal of entities classified as discontinued operations	(1,692)
At 31 December 2008	**–**
CARRYING AMOUNT	
At 31 December 2007 and 31 December 2008	–

22. INTERESTS IN ASSOCIATES

	2008 HK$'000	2007 HK$'000
Cost of investments in associates – unlisted	–	39,287
Share of post-acquisition profits (losses), net of dividends received	–	5,170
	–	44,457
Loans to associates, included in current assets	–	132

The loans to associates were unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

22. INTERESTS IN ASSOCIATES (continued)

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

Name of associate	Place/country of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group %	Principal activity
Right Venture Holdings Limited	British Virgin Islands	The People's Republic of China (the "PRC")	Ordinary shares of US$1 each	35.92	Investment holding
SBI E2-Capital Asia (Note a)	Singapore	Singapore	Ordinary shares of SG$1 each	40.00	Securities trading
Draco Investments Limited	British Virgin Islands	Hong Kong	Ordinary shares of HK$1 each	24.00	Investment holding
SIIS Investment (No. 6) Limited ("SIIS Investment") (Note b)	British Virgin Islands	Hong Kong	Ordinary shares of US$1 each	19.60	Investment holding

Notes:

(a) At 31 December 2007, the Group held an aggregate of 68.54% effective interest in SBI E2-Capital Asia, 40% of which was held directly by the Group whereas the remaining 28.54% was held indirectly through SBI E2. The 40% effective interest in SBI E2-Capital Asia was accounted for as an associate and the remaining 28.54% was accounted for using proportionate consolidation as set out in note 23.

(b) The Group held 19.6% effective interest in SIIS Investment through SBI E2. The interest in SIIS Investment was accounted for using proportionate consolidation, as set out in note 23, as the Directors of the Company consider that the Group exercised significant influence over the financing and operating policies of SIIS Investment.

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

During the year ended 31 December 2008, all of the principal associates in the list above have been disposed of. In the opinion of the Directors, the Group had no associate principally affect the results of the year or form a substantial portion of the net assets of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

22. INTERESTS IN ASSOCIATES (continued)

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

	2008 **HK$'000**	2007 HK$'000
Total assets	–	204,000
Total liabilities	–	(86,419)
Net assets	–	117,581
Group's share of net assets of associates	–	44,457
Revenue	**8,098**	57,151
(Losses) profits for the year	**(6,971)**	17,338
Group's share of (losses) profits of associates for the year	**(2,659)**	6,711

23. INTEREST IN A JOINTLY CONTROLLED ENTITY

Following a signed contractual agreement on 1 January 2005 between the shareholders of SBI E2, then an associate of the Group, SBI E2 became a 49% owned jointly controlled entity of the Group afterwards. Before the disposal of the entire interest in SBI E2 during the year, details of which are set out in note 2, the Group adopted the proportionate consolidation method under HKAS 31 "Interests in Joint Ventures" to account for its interest in SBI E2. The following amounts represented the Group's 49% share of the assets and liabilities, and income and expenses of SBI E2, which were included in the consolidated balance sheet and consolidated income statement. SBI E2 and its subsidiaries are engaging in the provision of corporate finance services, securities and futures broking and margin financing in Hong Kong and Singapore.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

23. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

The summarised financial information in respect of the Group's interest in the jointly controlled entity and its subsidiaries, which were accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	2008 **HK$'000**	2007 HK$'000
Assets		
Non-current assets	**–**	2,394
Current assets	**–**	143,931
	–	146,325
Liabilities		
Current liabilities	**–**	50,675
Non-current liabilities	**–**	–
	–	50,675
	–	95,650
Income	**3,560**	114,572
Expenses	**(31,446)**	(95,899)
(Loss) profit for the year	**(27,886)**	18,673

As set out in note 2, SBI E2 has been disposed of during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

24. AVAILABLE-FOR-SALE INVESTMENTS/CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

Available-for-sale investments which carried at fair value comprise:

	2007 HK$'000
Unlisted debt securities	
– Debt securities in Hong Kong, carry fixed interest of 5% and maturity date on 28 August 2008	4,877
– Debt securities in Hong Kong, carry fixed interest of 10% and maturity dates on 31 December 2009 and 2010	11,230
– Debt securities elsewhere, non-interest bearing and have no fixed term of repayment	4,270
	20,377
Listed equity securities in Hong Kong	1,983
Unlisted equity securities	
– Equity securities elsewhere	50,000
– Preference shares elsewhere	862
	52,845
Total	73,222
Analysed for reporting purposes as:	
Non-current assets	71,239
Current assets	1,983
	73,222

The unlisted equity investments elsewhere as at 31 December 2007 mainly represented investments in unlisted equity securities issued by a private entity incorporated in the PRC, which was measured at fair value by reference to the latest selling prices of the securities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

24. AVAILABLE-FOR-SALE INVESTMENTS/CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES (continued)

The Group's available-for-sale debt investments that were denominated in currencies other than the functional currencies of the relevant group entities are set out below:

Denominated in US dollars	HK$'000
As at 31 December 2007	17,927

Included in the available-for-sale investments were three debt securities with principal amounts of HK$5,000,000, US$500,000 (equivalent to approximately HK$3,900,000) and US$1,500,000 (equivalent to approximately HK$11,700,000), respectively. The Group was entitled to convert these three debt securities into shares at pre-determined conversion prices or formula for the calculation of conversion prices.

The Group classified the debt portion of these three debt securities as available-for-sale investments and the embedded derivative component as conversion options embedded in convertible notes on initial recognition. The fair value of each component of the debt securities on initial recognition and at balance sheet date were determined by the Directors of the Company with reference to the valuation performed by Greater China Appraisal Limited, a firm of independent valuers.

The fair values of the conversion options of the unlisted debt securities were determined using the Black-Scholes pricing model at a discount rate based on the market interest rate and the risk premium of the unlisted debt securities over the market risk specific to the investment in a range of 8.75% to 9.56% in 2007.

The effective interest rate of the debt portion of the three debt securities ranged from 8.75% to 9.75%. At 31 December 2007, the fair value of the embedded derivative component of the three debt securities were approximately HK$2,276,000, US$332,000 (equivalent to approximately HK$2,590,000) and US$74,000 (equivalent to approximately HK$581,000), respectively.

The Group's available-for-sale investments and conversion options embedded in convertible notes had been held by subsidiaries which were disposed of during the year, details of which are set out in note 39.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

25. MORTGAGE LOANS RECEIVABLE

	2008 HK$'000	2007 HK$'000
Variable-rate mortgage loans receivable	**5,012**	6,362
Analysed as		
Non-current	**4,820**	6,177
Current	**192**	185
	5,012	6,362

The mortgage loans receivable is secured by sub-mortgages on certain residential properties in Hong Kong and bears floating interest with effective interest rates ranging from 6% to 7.5% per annum (2007: 7.75% to 9.25% per annum).

The mortgage loans receivable are repayable as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**192**	185
More than one year, but not exceeding two years	**183**	235
More than two years, but not exceeding five years	**611**	783
More than five years	**4,026**	5,159
	5,012	6,362

Included in the carrying amount of mortgage loans receivable as at 31 December 2008 was accumulated impairment loss of HK$1,500,000 (2007: HK$1,500,000), which was past due as at the balance sheet date and the relevant debtors were in financial difficulties. The Directors consider that the fair value of the sub-mortgages approximates the carrying amount of the mortgage loans receivable. Other than the above, no significant mortgage loans receivable balance has been past due at the balance sheet date for which the Group has not provided for impairment loss. No provision for impairment loss for the balance not yet past due as at the balance sheet date was considered necessary, since there has been no past default history in respect of those receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

26. OTHER NON-CURRENT ASSETS

	2008 HK$'000	2007 HK$'000
Membership licences, at cost	**720**	720
Golf club debentures	**1,104**	3,993
Chinese antiques	**–**	2,017
Statutory and other deposits relating to the securities dealing businesses (Note)	**–**	25
Other deposits (Note)	**–**	126
	1,824	6,881

Note: The statutory and other deposits relating to the securities dealing businesses and other deposits were non-interest bearing.

27. INVENTORIES

	2008 HK$'000	2007 HK$'000
Finished goods	**–**	2,809

28. TRADE AND OTHER RECEIVABLES

	2008 HK$'000	2007 HK$'000
Trade receivables	**–**	4,899
Accounts receivable arising from the ordinary course of business of dealing in securities	**–**	18,935
	–	23,834
Other receivables	**1,748**	39,024
	1,748	62,858

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

28. TRADE AND OTHER RECEIVABLES (continued)

The Group has a designated team responsible for assessing and monitoring credit risks and credit quality of the transactions, and well established procedures in place to review the recoverable amount at every balance sheet date.

Included in the Group's trade receivables balance as at 31 December 2007 was debtors with an aggregate carrying amount of HK$1,337,000 which has been past due at the reporting date for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances. The average age of these receivables was 60 days.

For the year ended 31 December 2007, the Group's average credit period to its trade customers was 30 to 90 days. The following is an ageing analysis of the trade receivables net of allowance for doubtful debts at the reporting date:

	2008 **HK$'000**	2007 HK$'000
0-60 days	–	2,937
61-90 days	–	625
Over 90 days	–	1,337
	–	4,899

Ageing of trade receivables which are past due but not impaired:

	2008 **HK$'000**	2007 HK$'000
91 – 120 days	–	1,337

No significant balances of accounts receivable arising from the ordinary course of business of dealing in securities have been past due as at 31 December 2007 for which the Group had not provided for impairment loss. The credit risk on accounts receivable arising from the ordinary course of business of dealing in securities is limited because the counterparties are financial institutions with high credit ratings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

28. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts:

	2008 **HK$'000**	2007 HK$'000
Balance at beginning of the year	**7,786**	6,924
Amounts eliminated upon disposal of subsidiaries	**(7,786)**	–
Impairment losses recognised on receivables	**–**	1,394
Impairment losses reversed	**–**	(402)
Amounts written off as uncollectible	**–**	(9)
Amounts eliminated upon disposal of subsidiaries of SBI E2	**–**	(121)
Balance at end of the year	**–**	7,786

The Group's trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 **HK$'000**	2007 HK$'000
US Dollars	**523**	14,343
Others	**2**	1,679
	525	16,022

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 HK$'000	2007 HK$'000
Financial assets at fair value through profit or loss comprise:		
Investments held for trading	**10,584**	52,260
Financial assets designated at fair value through profit or loss	**–**	5,708
	10,584	57,968
Investments held for trading comprise:		
Listed securities:		
– Equity securities listed in Hong Kong	**5,195**	13,911
– Equity securities listed elsewhere	**94**	7,329
Unlisted equity funds	**5,295**	31,020
	10,584	52,260
Financial assets designated at fair value through profit or loss		
– Equity link notes	**–**	5,708

Unlisted equity funds represent investments in portfolios of securities managed by financial institutions, and are measured at fair values based on the valuation provided by the financial institutions at the balance sheet date. Accordingly, a decrease in fair value of unlisted equity securities of HK$698,000 (2007: increase in fair value of HK$6,225,000) is recognised in the consolidated income statement for the year ended 31 December 2008.

The equity link notes were subject to mandatory redemption clauses at various intervals until maturity dates depending on the market prices of Hong Kong and overseas listed securities underlying the equity link notes. The equity link notes borne interest ranged from 16% to 25.5% per annum and were redeemed based on the original principal amounts during the year ended 31 December 2008.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The equity link notes were measured at fair value at the balance sheet date based on fair values quoted by the respective issuing banks and financial institutions. Accordingly, a fair value change on equity link notes of HK$919,000 has been recognised in the consolidated income statement for the year ended 31 December 2007.

The Group's financial assets at fair value through profit or loss that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 **HK$'000**	2007 HK$'000
US Dollars	**2,782**	33,723
Singapore Dollars	**2,554**	3,939
Others	**52**	1,421
	5,388	39,083

30. OTHER LOAN RECEIVABLE

The amount is interest-bearing at fixed rate (with effective interest rate of 22.66% per annum) and repayable within one year. The Group has the right to obtain the borrower's equity interest in certain entities in the PRC in the event of default of payment by the borrower. As at 31 December 2008, the whole amount of other loan receivable was denominated in US Dollars, which is different from the functional currency of the relevant group entity.

Before offering any new loans, the Directors of the Company will assess the potential borrower's credit quality and define credit limits to the borrower. The Directors will continuously assess the recoverability of other loan receivable. In the opinion of the Directors, the borrower is of good credit quality.

Subsequent to the balance sheet date, the full amount of the other loan receivable has been settled.

31. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest-free and is repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

32. PLEDGED BANK DEPOSITS/DEPOSITS PLACED WITH OTHER FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates which range from 0.01% to 3.8% per annum (2007: 0.01% to 5.04% per annum).

Deposits placed with other financial institutions carry interest at prevailing market rates which range from 0.04% to 4.47% per annum (2007: 1.22% to 6.37%) per annum.

The pledged bank deposits as at 31 December 2007 were pledged to secure short-term bank loans/ undrawn facilities and were therefore classified as current assets. The entire amount of the deposits has been released during the year upon settlements of the relevant bank borrowings. The pledged deposits are carried at prevailing interest rates which range from 2.5% to 5% per annum.

As at 31 December 2007, pledged bank deposit of HK$6,000,000 represented deposits pledged to banks to secure banking facilities granted to the Group. The remaining balance of HK$38,220,000 represented deposits placed with a bank to secure banking facilities granted to an independent third party.

The Group's pledged bank deposits, deposits placed with other financial institutions and bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 **HK$'000**	2007 HK$'000
US Dollars	**238,347**	24,979
Singapore Dollars	**3,088**	30,239
Others	**2,911**	1,384
	244,346	56,602

33. TRADE AND OTHER PAYABLES

	2008 **HK$'000**	2007 HK$'000
Trade payables	**–**	1,892
Accounts payable arising from the ordinary course of business of dealing in securities	**–**	18,784
	–	20,676
Other payables	**4,072**	35,716
	4,072	56,392

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

33. TRADE AND OTHER PAYABLES (continued)

The following is an ageing analysis of trade payables at the balance sheet date:

	2008	2007
	HK$'000	HK$'000
0 – 60 days	**–**	908
61 – 90 days	**–**	621
Over 90 days	**–**	363
	–	1,892

The Group has financial risk management policies in place to ensure that all payable is within the credit timeframe.

As at 31 December 2007, the Group's trade and other payables that were denominated in currencies other than the functional currencies of the relevant group entities amounted to HK$15,000. No balance of trade and other payables has been denominated in currencies other than the functional currencies of the relevant group entities as at 31 December 2008.

As set out in note 46, included in other payables as at 31 December 2007 was amounts due to former related parties of the Company. These amounts have been eliminated upon the disposal of entities classified as discontinued operations during the year.

34. SECURED BANK AND OTHER BORROWINGS

	2008	2007
	HK$'000	HK$'000
Bank loans	**172,440**	173,487
Other loan	**205**	1,060
	172,645	174,547
The secured bank and other borrowings are repayable:		
On demand or within one year	**172,458**	173,537
More than one year, but not exceeding two years	**15**	51
More than two years but not exceeding five years	**43**	151
More than five years	**129**	808
	172,645	174,547
Less: amount due within one year shown under current liabilities	**(172,458)**	(173,537)
Amount due after one year shown as non-current liabilities	**187**	1,010

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

34. SECURED BANK AND OTHER BORROWINGS (continued)

As at the balance sheet date, the Group has the following undrawn borrowing facilities:

	2008 HK$'000	2007 HK$'000
Floating rate		
– expiring within one year	**–**	4,954
– expiring beyond one year	**–**	55,000
	–	59,954

The Group's variable-rate bank borrowings carry interest as follows:

	2008 HK$'000	2007 HK$'000
HIBOR + 1.75% per annum (2007: HIBOR + 0.82% per annum)	**148,250**	148,250
Hong Kong Prime Rate (2007: Hong Kong Prime Rate – 1.5% per annum)	**24,190**	24,190
Hong Kong Prime Rate + 0.5% per annum	**–**	1,047
	172,440	173,487

As at 31 December 2007 and 2008, the Group's variable-rate other loan carries interest at Hong Kong Prime Rate plus 1.5% per annum.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable-rate borrowings are 1.82% to 5.50% per annum (2007: 4.6% to 9.8% per annum).

The Group's bank borrowings are secured by the prepaid lease payments, properties for development, investment properties under development and bank deposits at carrying values of HK$320,567,000 (2007: HK$320,648,000), HK$3,400,000 (2007: HK$19,800,000), HK$23,125,000 (2007: nil) and nil (2007: HK$6,000,000), respectively. Other loan is secured by mortgage loans receivable of HK$293,000 (2007: HK$1,512,000).

35. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The loans from minority shareholders of subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

36. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$1 each		
Authorised:		
At 1 January 2007, 31 December 2007 and 31 December 2008	750,000,000	750,000
Issued and fully paid:		
At 1 January 2007, 31 December 2007 and 31 December 2008	400,633,217	400,633

37. SHARE-BASED PAYMENT TRANSACTIONS

Since the expiration of the previous share option scheme on 14 December 2002, no share option scheme has been adopted until adoption of a new share option scheme on 12 October 2007 (the "Adoption Date"). Pursuant to a resolution passed on 12 October 2007, the Company's new share option scheme (the "New Scheme"), was adopted for the primary purpose of providing incentives to directors and eligible employees. The Company may by resolution in general meeting at any time terminate the operation of the New Scheme, and in such event no further options will be offered. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the New Scheme.

Under the New Scheme, the Directors of the Company may, at their absolute discretion, grant options to the following classes of participants, to subscribe for shares of the Company:

(i) any employees or proposed employees (whether full-time or part-time and including any executive directors), consultants or advisers of or to the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Group holds an equity interest;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any suppliers of goods or services to any members of the Group or any Invested Entity;

(iv) any customers of the Group or any Invested Entity;

(v) any person or entities that provide research, development, or other technological support to the Group or any Invested Entity; and

(vi) any shareholders of any members of the Group or any Invested Entity, or any holders of any securities issued by any members of the Group or any Invested Entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The total number of shares in respect of which options may be granted under the New 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 may be exercised at any time within a period of 10 years commencing on the Adoption Date. 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.

No option under the New Scheme was granted or exercised since its adoption.

38. ACQUISITION OF SUBSIDIARIES

On 14 October 2008, the Group entered into a sale and purchase agreement (the "Agreement") with CIAM Parent pursuant to which the Group was to acquire the entire 100% equity interest in All Victory Limited and its wholly-owned subsidiary, YBN Investment Consultant Company Limited ("YBN"), for a consideration of approximately HK$10,037,000. The acquirees are investment consulting companies providing local support services in the PRC to the Group in relation to its investment activities.

Details of the above are set out in the announcement of the Company dated 31 October 2008.

The transaction has been completed on 28 November 2008 and accounted for using the purchase method of accounting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

38. ACQUISITION OF SUBSIDIARIES (continued)

The net assets acquired in the transaction were as follows:

	2008 Acquirees' carrying amounts before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	**409**
Trade and other receivables	**1,236**
Bank balances and cash	**8,553**
Trade and other payable	**(161)**
	10,037
Total consideration satisfied by:	
Cash	**10,037**
Net cash outflow arising on acquisition:	
Cash consideration paid	**10,037**
Bank balances and cash acquired	**(8,553)**
	1,484

The subsidiaries acquired contributed approximately HK$290,000 to the Group's loss for the year between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, the Group's revenue for the year would have been HK$16,981,000, and loss for the year would have been HK$71,998,000. The pro forma 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 1 January 2008, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

39. DISPOSAL OF OTHER SUBSIDIARIES

During the year, the Group has also disposed of the interest of the following subsidiaries ("disposed subsidiaries") other than those classified as discontinued operations as set out in note 11:

(i) On 28 January 2008, the Group disposed of its entire 100% interest in E2-Capital Technologies Holdings Limited and its subsidiary at a consideration of approximately HK$7,000,000.

(ii) On 4 February 2008, the Group disposed of its entire 100% interest in and shareholder's loan to Sinojet Projects Limited and its subsidiary at a consideration of approximately HK$50,000,000. The purchaser is a related party of the Company and details of the related party transaction are set out in note 46.

(iii) On 22 February 2008, the Group disposed of its entire 100% interest in AWJ Asset Management Limited, e2 Biotech Advisory Group Limited, e2-Capital Investment Limited, E2-Capital Holdings Sdn. Bhd., Paper Rich Investments Limited and Winslow Asset Management Limited at a consideration of approximately HK$13,500,000.

(iv) On 22 February 2008, the Group disposed of its entire 100% interest in e2-Capital Venture Limited at a consideration of approximately HK$1,400,000.

The net assets of the disposed subsidiaries at the dates of disposals were as follows:

	2008 HK$'000
Net assets disposed of:	
Property, plant and equipment	**49**
Available-for-sale investments	**67,362**
Conversion option embedded in convertible notes	**3,171**
Other non-current assets	**3,014**
Trade and other receivables	**232**
Trade and other payables	**(13)**
Taxation payable	**(7,568)**
Net assets disposed of	**66,247**
Minority interests	**(206)**
Investment revaluation reserve realised	**(26,693)**
Exchange reserve realised	**(175)**
	39,173
Gain on disposal	**32,727**
Total consideration	**71,900**
Satisfied by:	
Cash	**71,900**
Net cash inflow arising on disposal:	
Cash consideration	**71,900**

The subsidiaries disposed of during the year did not have a material impact on the Group's cash flows or operating results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

40. ACQUISITION OF ADDITIONAL INTEREST IN A JOINTLY CONTROLLED ENTITY OF A JOINTLY CONTROLLED ENTITY

On 31 August 2007, SBI E2 acquired additional 50% interest in the issued share capital of a jointly controlled entity for consideration of HK$6,641,000. This acquisition has been accounted for using the purchase method by SBI E2. The amount of goodwill arising as a result of the acquisition was HK$3,453,000. As the Group adopted the proportionate consolidation method to account for its interest in SBI E2, the Group has shared 49% of the consideration and the goodwill which were HK$3,254,000 and HK$1,692,000 respectively. The jointly controlled entity engaged in the provision of corporate finance services.

The Group's interest of net assets acquired in the transaction and the goodwill arising are as follows:

	2007 Acquiree's carrying amount before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	66
Trade and other receivables	474
Bank balances and cash	1,583
Trade and other payable	(460)
Taxation payable	(101)
	1,562
Goodwill	1,692
	3,254
Total consideration satisfied by:	
Cash	3,254
Net cash outflow arising from acquisition:	
Cash consideration paid	(3,254)
Bank balances and cash acquired	1,583
	(1,671)

The subsidiary acquired by SBI E2 contributed a loss of HK$1,514,000 to the Group's profit for the period between the date of acquisition and 31 December 2007.

SBI E2 has been disposed of during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

41. DISPOSAL OF SUBSIDIARIES OF A JOINTLY CONTROLLED ENTITY

On 12 September 2007, SBI E2 disposed of its entire interest in certain subsidiaries which were engaged in provision of brokerage services. The Group's interest in net assets of the disposed subsidiaries of SBI E2 at the date of disposal were as follows:

	2007 HK$'000
Net assets disposed of:	
Property, plant and equipment	2,790
Intangible assets	1
Available-for-sale investments	1,915
Other non-current assets	1,975
Trade and other receivables	90,791
Financial assets at fair value through profit or loss	22,258
Bank balances and cash	31,540
Trade and other payables	(105,410)
Taxation payable	(3,430)
	42,430
Loss on disposal	(4,818)
Total	37,612
Satisfied by:	
Cash	37,612
Net cash inflow arising on disposal:	
Cash consideration	37,612
Bank balances and cash disposed of	(31,540)
	6,072

During the year ended 31 December 2007, the disposed subsidiaries of SBI E2 contributed HK$85,938,000 to revenue, HK$13,342,000 to profit for the year, HK$109,664,000 to the Group's net operating cash flows, and paid HK$53,244,000 in respect of investing activities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

42. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of premises amounted to HK$1,790,000 (2007: HK$5,707,000).

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

	2008 **HK$'000**	2007 HK$'000
Within one year	–	4,776
In the second to fifth years inclusive	–	3,479
	–	8,255

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases were negotiated for an average term of 2 years and rentals were fixed for an average of 2 years.

The Group as lessor

Property rental income earned during the year ended 31 December 2007 was HK$18,000. The investment properties of the Group were vacant during the year.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 **HK$'000**	2007 HK$'000
Within one year	–	64
In the second to fifth years inclusive	–	38
	–	102

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

43. CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– capital investment in unlisted equity securities	**10,556**	11,892
– acquisition of properties for development	**–**	21,660
	10,556	33,552

44. RETIREMENT BENEFITS PLANS

The Group operates the MPF Scheme established under the Mandatory Provident Fund Ordinance in January 2007 and the ORSO Scheme established under the Occupational Retirement Scheme Ordinance in January 2007. The assets of the MPF and ORSO Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme. The Group contributes 10% of relevant payroll costs to the ORSO scheme, with a vesting scale of 0%-100%, according to the years of service of relevant employees.

45. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31 December 2008 are as follows:

	2008 HK$'000	2007 HK$'000
Total assets	**1,883,944**	2,083,309
Total liabilities	**1,331,078**	1,484,215
	552,866	599,094
Capital and reserves		
Share capital	**400,633**	400,633
Reserves (Note)	**152,233**	198,461
	552,866	599,094

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

45. BALANCE SHEET OF THE COMPANY (continued)

Note:

	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	2,184	293,182	295,366
Loss for the year	–	(56,841)	(56,841)
Dividends paid	–	(40,064)	(40,064)
At 31 December 2007	2,184	196,277	198,461
Loss for the year	–	(46,228)	(46,228)
At 31 December 2008	**2,184**	**150,049**	**152,233**

46. RELATED PARTY DISCLOSURES

(i) Transactions with related parties

During the current and prior years, the Group entered into the following transactions with related parties:

	Management fee income		Management fee expense		Advisory fee expense	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
CIAM Parent (After 8 April 2008, Note a)	**2,035**	–	**–**	–	**–**	–
SBI E2 (Prior to 8 April 2008, Note b)	**52**	1,428	**–**	816	**–**	–
SBI E2-Capital Asia (Prior to 31 March 2008, Note b)	**–**	–	**–**	–	**–**	25
	2,087	1,428	**–**	816	**–**	25

Notes:

(a) Being the date on which CIAM Parent became the ultimate holding company of the Company.

(b) Being the dates on which SBI E2 and SBI E-2 Capital Asia ceased to be related parties of the Group respectively following the completion of the disposals, as set out in note 2.

In addition to the above, the Group had also entered into the following transactions with related parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

46. RELATED PARTY DISCLOSURES (continued)

(i) Transactions with related parties (continued)

For the year ended 31 December 2008:

(a) The Group has disposed of

(I) entities classified as discontinued operations to a company controlled by two directors of the Company (one of whom is no longer a director as at 31 December 2008) for a total consideration of approximately HK$71,975,000, as set out in note 2.

(II) other subsidiaries to a company controlled by a director of the Company for a consideration of approximately HK$50,000,000, as set out in note 39.

The former director resigned as a director of the Company on 31 May 2008.

(b) As set out in note 38, the Group has acquired certain subsidiaries from CIAM Parent for a total cash consideration of HK$10,037,000.

For the year ended 31 December 2007:

(a) On 20 June 2006, Goodwill Investment (BVI) Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with ebizal (Holdings) Limited, a wholly owned subsidiary of China Renji Medical Group Limited ("China Renji") (formerly known as Softbank Investment International (Strategic) Limited), which is a shareholder of SBI E2, of which one of the executive directors and Chairman, Dato' Wong, was also an executive director of the Company, in respect of the acquisition of 24% interest in Draco Investments Limited from China Renji for a cash consideration of approximately HK$1,250,000. The acquisition was completed in June 2007.

(b) On 15 January 2007, SBI E2-Capital Asia Limited ("SBI E2 Asia") gave its 2.24%, 0.53% and 0.13% interest in one of its subsidiaries with the fair value of these interest in the subsidiaries of HK$3,203,000, HK$758,000 and HK$186,000 to three of its directors, Dato' Wong, Mr. Ong Tiang Lock and Mr. Cheung Chung Wai, Billy as bonus without consideration. All of these three individuals were also directors of certain subsidiaries of the Company.

(c) On 31 October 2007, SBI E2 acquired 40% in the issued share capital of SIIS Investment from China Renji for a cash consideration of HK$3,276,000. The interest in SIIS Investment was accounted for as interest in an associate of SBI E2 which was proportionate consolidated by the Group as set out in note 22.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

46. RELATED PARTY DISCLOSURES (continued)

(i) Transactions with related parties (continued)

(d) Dato' Wong and Mr. Yu Kam Kee, Lawrence ("Mr. Yu"), a shareholder of China Renji, which is a shareholder of SBI E2, lent HK$5,000,000 and HK$10,800,000 to SBI E2 to finance guarantees of HK$78,000,000 provided by SBI E2 to a bank in respect of banking facilities granted to an independent third party. As the Group held 49% of SBI E2, guarantees of HK$38,220,000 were shared by the Group under proportionate consolidation as set out in note 23. The amounts of HK$2,450,000 and HK$5,292,000 lent by Dato' Wong and Mr. Yu were included in amounts due to related parties as set out in 46(iii)(c) below.

In addition, SBI E2 pledged bank deposit of HK$78,000,000 of which HK$38,220,000 was shared by the Group under proportionate consolidation to a bank to secure the banking facilities.

(ii) Key management compensation

The remuneration of directors and other key management compensation during the year was as follows:

	2008 HK$'000	2007 HK$'000
Short-term benefits	**5,784**	11,052
Retirement benefits scheme contributions	**40**	72
	5,824	11,124

(iii) Balances with related parties

	2008 HK$'000	2007 HK$'000
Loans to associates (note 22)	**–**	132
Amount due from immediate holding company (note 31)	**1,986**	–
Bank deposits with related parties (Note a, included in bank balances and cash)	**32,333**	–
Amount due from a related party (Note b, included in deposits placed with other financial institutions)	**–**	31,876
Loans from minority shareholders of subsidiaries (note 35)	**36,851**	36,709
Amounts due to related parties (Note c, included in trade and other payables)	**–**	15,337

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

46. RELATED PARTY DISCLOSURES (continued)

(iii) Balances with related parties (continued)

Notes:

(a) The balances as at 31 December 2008 represented deposits placed with two banking institutions, which are subsidiaries of CITIC Group, a substantial shareholder of the ultimate holding company of the Company.

(b) The balance as at 31 December 2007 represented amount placed with a financial institution in which a former director of the Company has beneficial interest. The balance was unsecured, non-interest bearing and was repayable on demand.

The financial institution ceased to be a related party of the Company upon the resignation of Dato' Wong as a director of the Company during the year.

(c) The balances as at 31 December 2007 represented amounts of HK$10,045,000 and HK$5,292,000 due to Dato' Wong and Mr. Yu. The balances were unsecured, non-interest bearing and were repayable on demand.

47. CONTINGENT LIABILITIES

At the balance sheet date, the Group has the following contingent liabilities:

(a) Contingent liabilities of the Company and its subsidiaries

(i) The Group provides corporate guarantees given to financial institutions for banking facilities of associates and loan facilities of independent third parties in addition to collateral provided by these companies. The aggregate amount of such facilities utilised by these companies at 31 December 2008 was as follows:

	2008 **HK$'000**	2007 HK$'000
Guarantees given to banks in respect of banking facilities utilised by:		
Associates	–	4,250
Independent third parties	–	128,000
	–	132,250

(ii) The Company provided a corporate guarantee of S$13,020,000 (equivalent to approximately HK$70,555,000) in respect of banking facilities for SBI E2-Capital Securities Pte Limited.

Included in S$13,020,000 was a guarantee for a maximum of S$12,000,000 (equivalent to approximately HK$65,028,000) plus any overdue interest and expense incurred by the bank in enforcing the corporate guarantee under a guarantee to be provided by the bank in favour of the Monetary Authority of Singapore ("MAS") for SBI E2-Capital Asia to comply with regulatory requirements of the MAS.

The guarantees were released during the year upon the disposal of SBI E2.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

47. CONTINGENT LIABILITIES (continued)

(b) Contingent liabilities arising from the Group's interest in SBI E2

(i) The Group provided a guarantee of HK$143,000,000 to a bank in respect of banking facilities for certain subsidiaries of SBI E2. During the year ended 31 December 2007, those subsidiaries were disposed of by SBI E2 and became independent third parties to the Group. Therefore, the guarantee was classified as the guarantee for the independent third parties. None of these facilities was utilised by the independent third parties.

(ii) SBI E2 provided a guarantee of HK$78,000,000 to a bank in respect of banking facilities for an independent third party. As the Group holds 49% of SBI E2, guarantee of HK$38,220,000 was shared by the Group under proportionate consolidation.

Share of these contingent liabilities of SBI E2 were released upon the disposal of SBI E2 by the Group during the year.

48. MAJOR NON-CASH TRANSACTION

On 15 January 2007, SBI E2 Asia, a subsidiary of SBI E2, gave its 2.9% interest in one of its subsidiaries with the fair value of HK$4,147,000 to its three directors as bonus without consideration as set out in note 46(i)(b). The amount of HK$4,147,000 was accounted for as employee benefits expense. As the Group holds 49% of SBI E2 Asia through SBI E2, HK$2,032,000 was shared by the Group under proportionate consolidation.

49. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 34, and equity attributable to equity holders of the Company, comprising issued share capital, various reserves and retained profits.

The management reviews the capital structure regularly. As part of this review, the management of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues or share buy-backs, as well as the issue of new debt or the redemption of existing debt.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

50. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 **HK$'000**	2007 HK$'000
Financial assets		
Fair value through profit or loss		
– Held-for-trading, including conversion options embedded in convertible notes	**10,584**	57,707
– Designated at fair value through profit or loss	**–**	5,708
Loans and receivables (including cash and cash equivalents)	**334,221**	328,663
Available-for-sale investments	**–**	73,222
Financial liabilities		
Amortised cost	**213,568**	267,648
Financial guarantee liability	**–**	568

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, conversion options embedded in convertible notes, financial assets at fair value through profit or loss, trade and other receivables, mortgage loans receivable, other loan receivable, amount due from immediate holding company, loans to associates, pledged bank deposits, deposits placed with other financial institutions, bank balances and cash, trade and other payables, secured bank and other borrowings and loans from minority shareholders of subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (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. There has been no change to the policies on how to mitigate these risks.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

50. FINANCIAL INSTRUMENTS (continued)

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

Market risk

(i) Currency risk

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars, the functional currency of the relevant group entities.

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

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
US dollars	**284,959**	90,972	**39**	–
Singapore dollars	**5,642**	34,178	**–**	–
Others	**2,965**	4,484	**46**	15
	293,566	129,634	**85**	15

Sensitivity analysis

For the year ended 31 December 2007, the Group was mainly exposed to the Singapore dollars. With the discontinuation of the broking services, investment banking and securities trading businesses in Singapore, exposure to the Singapore dollars is minimal for the year ended 31 December 2008.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items, other than the items denominated in US dollars, as the Directors consider that the Group's exposure to US dollars is insignificant on the grounds that Hong Kong dollars is pegged to US dollars. The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the other relevant foreign currencies. 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 adjusts their translation at the year end for a 5% change in foreign currency rates. A negative number below indicates an increase in loss/a decrease in profit where Hong Kong dollars strengthen 5% against the relevant foreign currency. For a 5% weakening of Hong Kong dollars against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss.

	Singapore dollars	
	2008	2007
	HK$'000	HK$'000
(Loss) profit for the year	**(282)**	(1,709)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

50. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, deposits placed with other financial institutions and bank balances (see note 32 for details of these deposits) and bank and other borrowings (see note 34 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates of variable-rate pledged bank deposits, deposits placed with other financial institutions and bank balances and bank and other borrowings. The analysis is prepared assuming the amount of the outstanding at the balance sheet date was outstanding for the whole year. An increase or decrease of 10 basis points for pledged bank deposits, deposits placed with other financial institutions and bank balances and 50 basis points for bank and other borrowings respectively 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.

If interest rates had been 10 or 50 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would increase/decrease by HK$581,000 (2007: profit for the year would decrease/increase by HK$613,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in financial assets at fair value through profit or loss and available-for-sale investments and conversion options embedded in convertible notes. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted on the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

50. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. In management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

If the prices of the respective equity instruments had been 5% higher/lower, loss for the year ended 31 December 2008 would decrease/increase by HK$529,000 (2007: profit for the year would increase/decrease by HK$2,898,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

The Group was also exposed to equity price risk through its available-for-sale investments. If the market prices of the equity investments had been increased/decreased by 5%, the Group's reserve would increase/decrease by approximately HK$2,543,000 for the year ended 31 December 2007. There was no balance of available-for-sale investments at 31 December 2008.

Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 47.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risk as the whole amount of each of other loan receivable and amount due from immediate holding company is due from a single entity. In order to minimize the credit risk, the management of the Group has monitored the repayment ability of these entities continuously. In addition, the Group has concentration of credit risk on liquid funds which are deposited with several banks and other financial institutions with good reputation. Other than the above, the Group does not have any other significant concentration of credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

50. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

The Group has net current assets amounting to approximately HK$132,456,000 at 31 December 2008 (2007: HK$116,475,000). The Group has sufficient funds to finance its current working capital requirements.

In management of the liquidity risk, the management of the Group monitors and maintains a level of cash and cash equivalents considered 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 relies on bank borrowings as a significant source of liquidity, details of which are set out in note 34.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table for non-derivative financial liabilities has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 December 2008 HK$'000
2008							
Non-derivative financial liabilities							
Other payables	–	4,072	–	–	–	4,072	4,072
Bank and other borrowings – variable rate	3.1%	4	4	177,859	241	178,108	172,645
Loans from minority shareholders of subsidiaries	–	36,851	–	–	–	36,851	36,851
		40,927	4	177,859	241	219,031	213,568

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

50. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 December 2007 HK$'000
2007							
Non-derivative financial liabilities							
Trade and other payables	–	56,392	–	–	–	56,392	56,392
Bank and other borrowings							
– variable rate	6.3%	6	1,124	183,338	1,073	185,541	174,547
Loans from minority shareholders of subsidiaries	–	36,709	–	–	–	36,709	36,709
		93,107	1,124	183,338	1,073	278,642	267,648

(c) Fair value of financial instruments

Save as mentioned elsewhere in the consolidated financial statements, the fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of the equity-linked notes are based on fair values quoted by the respective issuing banks or financial institutions with reference to the fair values of the underlying equity securities at the balance sheet date; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the Black Scholes pricing model).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2008 and 31 December 2007 are as follows:

Name of subsidiary	Place/country of incorporation/ operations	Class of share capital	Paid up issued/ registered ordinary share capital	Proportion ownership interest held by the Company (Note i) 2008 %	2007 %	Principal activities
Access Way Investment Limited	Hong Kong	Ordinary	HK$2	**100**	100	Property development
Active Way International Limited	Hong Kong	Ordinary	HK$2	**100**	100	Property development
Bowen Limited	Hong Kong	Ordinary	HK$2	**100**	100	Investment holding
Capital Guru Group Limited	British Virgin Islands/Singapore	Ordinary	US$1	**100**	100	Investment holding
Cash Level Investments Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	**100**	100	Investment holding
Cheung Wah Ho Dyestuffs Company Limited	Hong Kong	Ordinary Non-voting deferred shares (Note ii)	HK$1,000 HK$800,100	**–**	70	Trading of dyestuffs
Elite Way International Development Limited	Hong Kong	Ordinary	HK$1,000,000	**75**	75	Property development
Fair Winner Ltd	British Virgin Islands/Hong Kong	Ordinary	US$1	**–**	100	Investment holding
Full Success Investments Limited	Hong Kong	Ordinary	HK$2	**100**	100	Property holding
Goodwill Investment (BVI) Limited	British Virgin Islands/Hong Kong	Ordinary	US$100	**100**	100	Investment holding
Goodwill Properties (Holdings) Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	**100**	100	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place/country of incorporation/ operations	Class of share capital	Paid up issued/ registered ordinary share capital	Proportion ownership interest held by the Company (Note i) 2008 %	2007 %	Principal activities
Goodwill Properties Limited	Hong Kong	Ordinary	HK$2	**100**	100	Investment holding
Oceanpass Holdings Limited	British Virgin Islands/Hong Kong	Ordinary	US$1,000	**75**	75	Property development
Paper Rich Investments Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	**–**	100	Investment holding
Profit Union Investments Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	**100**	100	Investment holding
Right Max Development Limited	Hong Kong	Ordinary	HK$1,000,000	**75**	75	Property development
Right Way Holdings Limited	Hong Kong	Ordinary	HK$10	**70**	70	Property development
Sinojet Properties Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	**–**	100	Property development
Timely Era Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	**100**	–	Direct investment
Winslow Investment Management Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	**–**	100	Investment holding
YBN	The PRC	Ordinary	RMB10,000,000	**100**	–	Investment consultancy services

Notes:

(i) The Company directly holds the interest in Goodwill Investment (BVI) Limited. All other interest shown are indirectly held by the Company.

(ii) The non-voting deferred shares were not owned by the Company. These non-voting deferred shares carry no voting rights and holders are not entitled to participate in the profits of the company.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

52. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to the balance sheet date:

(i) On 19 January 2009, Bowen Limited, a wholly owned subsidiary of the Company, entered into share transfer agreement and joint venture agreement with respective independent third parties, pursuant to which the Group has committed to contribute an aggregate sum of RMB84,030,000 (equivalent to approximately HK$95,240,000), being 45% of the registered capital of a Sino-foreign enterprise which was principally engaged in the business of direct investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity as well as provision of consultancy and related services in respect of electricity projects.

Up to the date of this report, the entire amount of the committed contribution has already been paid by the Group.

(ii) On 25 February 2009, YBN, an indirect wholly-owned subsidiary of the Company, entered into a consultancy agreement with CITIC Trust Company Limited, a company established under the laws of the PRC, pursuant to which YBN agreed to act as an investment consultant for a trust plan. The consultancy agreement stipulates that YBN shall enter into a trust agreement, under which YBN is required to subscribe for certain units in the trust plan of value amounting to approximately RMB50,000,000 (equivalent to approximately HK$56,670,000). Up to the date of this report, no unit in the trust plan has been subscribed by YBN.

(iii) On 16 March 2009, the Company entered into a sale and purchase agreement with Pioneer Wealth Limited, an independent third party, pursuant to which the Company has agreed to purchase 90,600,000 shares of Beijing Enterprises Water Group Limited ("BEWGL"), a company listed on the Stock Exchange. The purchase price is HK$0.87 per share and the total consideration is HK$78,822,000.

On the same day, the Company also entered into a legally binding Memorandum of Understanding with BEWGL, whereby both parties have agreed to cooperate and work together in good faith for a period of three years to explore opportunities and develop a strategic alliance in respect of water project investments.

(iv) On 16 March 2009, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent procured, on a best-effort basis, the placing of 44,000,000 new shares at HK$1.78 per placing share. The placing of new shares has been completed on 23 March 2009. The net proceeds from the placing of new shares amounted to approximately HK$75,970,000.

Financial Summary

RESULTS

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Continuing operations					
Revenue	354,530	98,693	144,600	8,060	**9,504**
(Loss) profit before taxation from continuing operations	71,630	49,525	57,314	17,739	**(22,962)**
Income tax expense	(1,965)	(2)	(78)	(8,934)	**(1,129)**
(Loss) profit for the year from continuing operations	69,665	49,523	57,236	8,805	**(24,091)**
Discontinued operations					
(Loss) profit for the year from discontinued operations	–	–	(3,452)	18,229	**(46,204)**
(Loss) profit for the year	69,665	49,523	53,784	27,034	**(70,295)**
Attributable to:					
Equity holders of the Company	67,062	50,511	53,986	27,046	**(70,289)**
Minority interests	2,603	(988)	(202)	(12)	**(6)**
	69,665	49,523	53,784	27,034	**(70,295)**

ASSETS AND LIABILITIES

	At 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	623,682	871,002	862,385	864,223	**698,731**
Total liabilities	(55,805)	(276,192)	(286,422)	(277,899)	**(216,042)**
	567,877	594,810	575,963	586,324	**482,689**
Equity attributable to equity holders of the Company	566,751	593,675	575,030	585,403	**479,833**
Minority interests	1,126	1,135	933	921	**2,856**
	567,877	594,810	575,963	586,324	**482,689**

Particulars of Major Properties

At 31 December 2008

PROPERTIES HELD FOR DEVELOPMENT

Property	Type	Lease expiry	Gross floor area	Effective % held	Stage of completion	Anticipated completion
Lot Nos. 3250 B6B, B6RP, B7, B9RP & B13 and 4643 in DD 104 Yuen Long	Residential	2047	1,205.5 sq.m	100%	10%	2011
No. 21 Grampian Road (The Remaining Portion of New Kowloon Inland Lot No. 1418 and The Extension Thereto), Kowloon Tong, Kowloon	Residential	2047	1,108.80 sq. m	75%	10%	2011
No. 23 & 25 Grampian Road (Section A New Kowloon Inland Lot No. 1418 and The Extension Thereto), Kowloon Tong, Kowloon	Residential	2047	950.40 sq. m	69.4%	10%	2011

PROPERTIES HELD FOR INVESTMENT

Location	Type	Lease term
Unit 201, Jiangnanxinyuan, No. 12 Shiquan Street Xingang Road West, Haizhu District, Guangzhou City, Guangdong Province, PRC	Commercial	Long-term lease
Unit 206, Jiangnanxinyuan, No. 12 Shiquan Street Xingang Road West, Haizhu District, Guangzhou City, Guangdong Province, PRC	Commercial	Long-term lease

CIAM Group Limited
事安集團有限公司

Subsidiary of CITIC International Assets Management Limited