

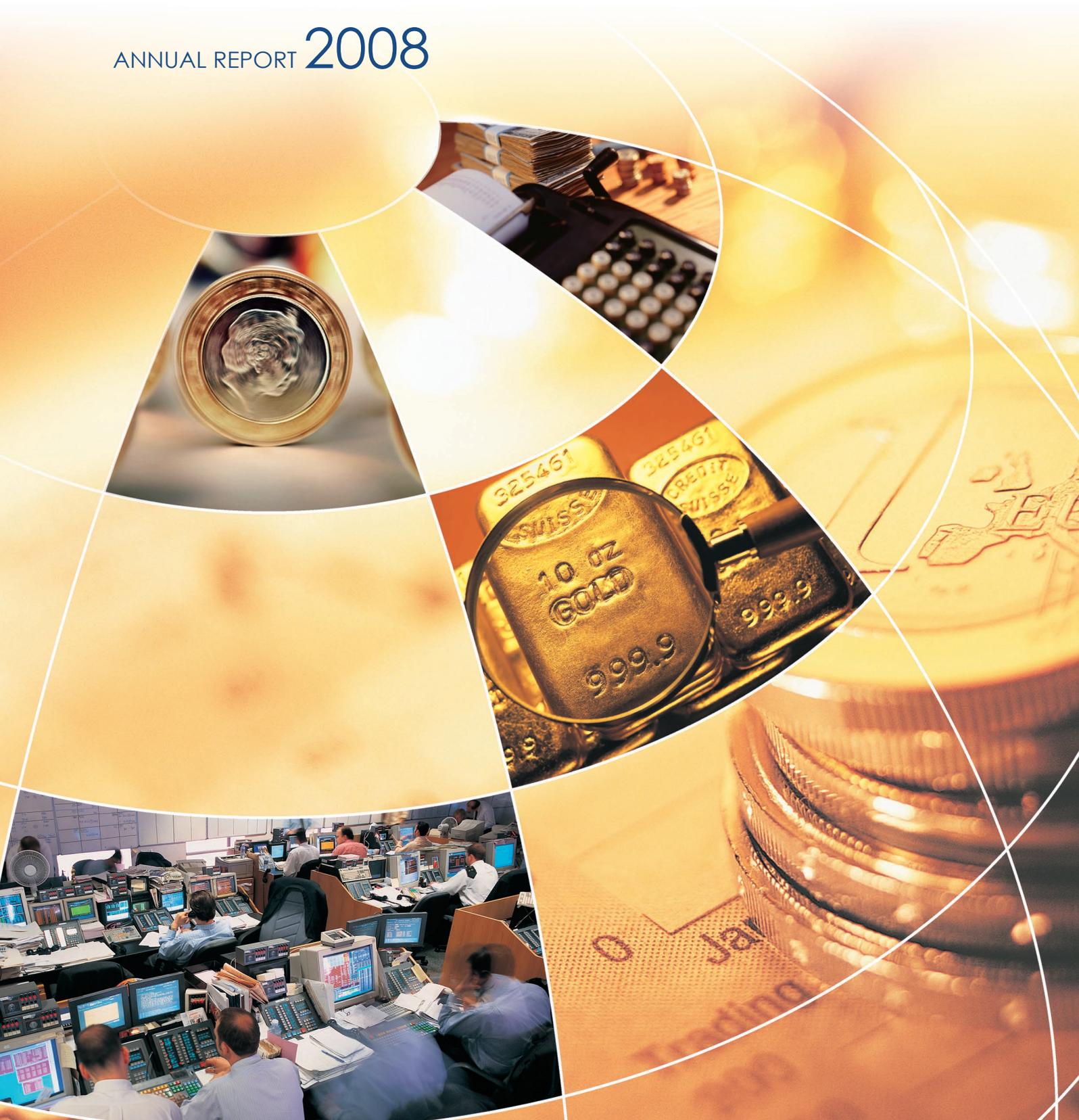
# Earnest

## Investments Holdings Limited

(Continued into Bermuda with limited liability)

(stock code: 339)

ANNUAL REPORT 2008



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. CHAN Chak Paul  
Mr. NGAI Wah Sang  
Mr. WANG Daming

### Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen  
Mr. Benny LUI  
Mr. Oliver Yeung Kam LAI

## COMPANY SECRETARY

Ms. CHUI Yee Man

## AUDITOR

Messrs. RSM Nelson Wheeler  
*Certified Public Accountants*

## REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

Units 801-802  
8/F., Ginza Square  
565-567 Nathan Road  
Kowloon, Hong Kong

## STOCK CODE

339

## INVESTMENT MANAGER

Success Talent Investments Limited

## DIRECTORS OF THE INVESTMENT MANAGER

Mr. CHOI Wai Yin  
Mr. LEE Kwok Leung

## AUDIT COMMITTEE

Mr. CHAN Francis Ping Kuen  
Mr. Benny LUI  
Mr. Oliver Yeung Kam LAI

## PRINCIPAL REGISTRARS

Appleby Management (Bermuda) Limited  
Argyle House  
41A Cedar Avenue  
PO Box HM 1179  
Hamilton HM12  
Bermuda

## BRANCH REGISTRARS

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

## PRINCIPAL BANKER

Hang Seng Bank

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Earnest Investments Holdings Limited (the "Company") for the year ended 31 December 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and Appropriations

For the year ended 31 December 2008, the Company has recorded a turnover of approximately HK\$0.8 million (2007: HK\$23 million) and net loss attributable to shareholders of approximately HK\$104 million (2007: net profit of HK\$97 million). The decrease in turnover was mainly due to the decrease in trading of listed securities. The net loss for the year was mainly due to net unrealised holding losses from Hong Kong listed securities, and impairment loss of unlisted investments.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Nil).

### Business Review

Adverse economic condition and global financial market turmoil in 2008 had significantly affected the global economy. The carrying value of the Company's listed and unlisted investments had dropped significantly as at 31 December 2008 as compared to the last year. The Company had not made any new investment other than Hong Kong listed securities during the year.

The Company's portfolio of Hong Kong listed securities as at 31 December 2008, consisted of Sinocop Resources (Holdings) Limited, Shougang Concord International Enterprises Company Limited, Shougang Concord Century Holdings Limited, New Times Group Holdings Limited and APAC Resources Limited. During the year, the Company recorded net unrealised holding losses of approximately HK\$109 million. Hence, the carrying value of the Company's portfolio had decreased substantially to approximately HK\$16 million as at 31 December 2008.

During the year, the Company had provided for impairment loss of approximately HK\$7.7 million for its investments in unlisted companies due to the current adverse global economic situation. The Board will closely monitor the investment in unlisted companies and take further appropriate action if necessary.

As at 31 December 2008, approximately 63% (2007: 87%) of the Company's investments were in a portfolio of Hong Kong listed securities, 17% (2007: 8%) in the equity interests of unlisted companies, 4% (2007: 0%) in other assets and the remaining 16% (2007: 5%) in cash which was deposited with a bank in Hong Kong.

### Liquidity, Financial Resources and Funding

For the year under review, the Company generally financed its operations and investment activities by internal resources. As at 31 December 2008, the net asset value of the Company amounted to HK\$24,942,088 (2007: HK\$128,623,583) with net asset value per share of HK\$0.31 (2007: HK\$1.59).

## CHAIRMAN'S STATEMENT

The Company has no significant liabilities. The gearing ratio of the Company, calculated on the basis of the Company's total liabilities over total shareholders' funds, is 0.007 as at 31 December 2008 (2007: 0.112).

All the Company's cash and cash equivalents were denominated in Hong Kong dollars as at the balance sheet date. The directors believe that the Company has minimal exposure to foreign exchange risk.

### Employees

During the year, the Company did not employ any employees other than the directors of the Company, total staff costs for the year amounted to HK\$345,600 (2007: HK\$345,600). The Company's remuneration policies are in line with the prevailing market practice.

### Charges on the Company's Assets and Contingent Liabilities

As at 31 December 2008, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

### Prospects

Even though the state of the economy is tough and unstable in 2009, the Board will manage its existing investments in accordance with the Company's investment objectives and continue to identify and capture investment opportunities as and when they arise.

### Appreciation

On behalf of the Board, I would like to thank all our shareholders for their continued trust and support, and the Investment Manager for their dedicated efforts.

### Chan Chak Paul

*Chairman*

27 March 2009

# BIOGRAPHICAL DETAILS OF DIRECTORS

## Executive Directors

**Mr. CHAN Chak Paul**, aged 48, was appointed as an Executive Director on 19 November 2001 and as the Chairman of the Board on 30 December 2004. Mr. CHAN is responsible for general corporate management. He has extensive experience in trading industries and the PRC investments.

**Mr. NGAI Wah Sang**, aged 50, was appointed as an Executive Director on 2 January 2003, as the Chief Executive Officer on 22 August 2005 and as Deputy Chairman of the Board on 13 September 2007. Mr. NGAI is a fellow member of both The Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants. Mr. NGAI has extensive experience in dealing with business development and investment in both Hong Kong and the PRC.

**Mr. WANG Daming**, aged 48, was appointed as an Executive Director on 17 May 2002. Mr. WANG holds a Bachelor's Degree in Economics from the PRC and has extensive experience in finance. He has formerly worked for the Agricultural Bank of China and also has worked for a number of PRC enterprises and Sino-Foreign Joint Venture companies of various industries including financial services and information technology. Mr. WANG was qualified as Assistant Economist of the PRC in 1987, and then as Economist and Senior Economist in 1990 and 1996 respectively.

## Independent Non-executive Directors

**Mr. CHAN Francis Ping Kuen**, aged 50, was appointed as an Independent Non-executive Director on 7 February 2005. Mr. CHAN holds a Bachelor's Degree in Economics from Australia. He is an associate member of The Institute of Chartered Accountants in Australia and also an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. CHAN has over 20 years of experience in auditing, accounting and financial management.

**Mr. Benny LUI**, aged 51, was appointed as an Independent Non-executive Director on 30 November 2001. Mr. LUI is a practising solicitor in Australia and has extensive exposure in commercial law and advisory work for the banking industry.

**Mr. Oliver Yeung Kam LAI**, aged 57, was appointed as an Independent Non-executive Director on 27 September 2004. Mr. LAI holds a Bachelor's Degree in Social Science from Hong Kong, and a Graduate Diploma in financial management from Australia. Mr. LAI is also an associate member of The Institute of Chartered Accountants in Australia, CPA Australia, and the Hong Kong Institute of Certified Public Accountants. He is also a practising accountant in Australia and is the proprietor of Oliver Lai & Co., a public accounting practice in Australia.

## **REPORT OF THE DIRECTORS**

The directors submit herewith their report together with the audited financial statements of Earnest Investments Holdings Limited (the "Company") for the year ended 31 December 2008.

### **PRINCIPAL ACTIVITY**

The Company is an investment company engaged principally in investment in and trading of listed and unlisted companies.

No segment information is presented as all of the turnover and revenue, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong and the People's Republic of China (the "PRC").

### **MAJOR CUSTOMERS AND SUPPLIERS**

The Company's turnover is derived from the Company's investments in listed securities and the disclosure of information regarding customers and suppliers would not be meaningful.

### **RESULTS AND APPROPRIATIONS**

The results of the Company for the year ended 31 December 2008 and the state of the Company's affairs as at that date are set out in the financial statements on pages 18 and 19 respectively.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2008 (2007: Nil).

### **RESERVES**

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity as set out in the financial statements on page 20.

At 31 December 2008, the reserve available for distribution to shareholders pursuant to the Companies Act 1981 of Bermuda amounted to HK\$17,562,088 (2007: HK\$121,243,583).

# REPORT OF THE DIRECTORS

## FINANCIAL SUMMARY

The following tables summarise the results, assets and liabilities of the Company for each of the five years ended 31 December 2008:

### Results

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	<b>813,482</b>	23,433,835	198,691	1,108,358	541,814
(Loss)/profit before tax	<b>(118,052,760)</b>	111,515,381	(2,574,681)	(2,800,571)	(6,142,836)
Income tax credit/(expense)	<b>14,371,265</b>	(14,371,265)	–	–	–
(Loss)/profit for the year attributable to equity holders of the Company	<b>(103,681,495)</b>	97,144,116	(2,574,681)	(2,800,571)	(6,142,836)

### Assets and liabilities

	As at 31 December				
	2008	2007	2006	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$
Total assets	<b>25,134,288</b>	143,256,649	31,662,188	27,187,819	29,867,095
Total liabilities	<b>(192,200)</b>	(14,633,066)	(182,721)	(333,671)	(212,376)
Total equity	<b>24,942,088</b>	128,623,583	31,479,467	26,854,148	29,654,719

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 15 and 16 to the financial statements respectively.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved by shareholders at the annual general meeting held on 26 May 2006 (the "Adoption Date"). The Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Scheme is valid and effective for a period of 10 years commencing on the Adoption Date and the purpose of the Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. Pursuant to the Scheme the Board may at its discretion, subject always to any limits and restrictions specified in the Listing Rules, offer to grant an option to any participant; impose terms and conditions; and determine such number of shares to be subscribed for at the option price.

The minimum option price for any option granted under the Scheme shall not be less than the higher of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the aggregate of the shares in issue as at the Adoption Date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed 30% of the shares in issue from time to time.

During the year, no option was granted, exercised, cancelled or lapsed under the Scheme and there was no outstanding option as at 31 December 2008.

# REPORT OF THE DIRECTORS

## DIRECTORS

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

### Executive Directors

Mr. CHAN Chak Paul (*Chairman*)

Mr. NGAI Wah Sang (*Deputy Chairman and Chief Executive Officer*)

Mr. WANG Daming

### Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen

Mr. Benny LUI

Mr. Oliver Yeung Kam LAI

In accordance with Section 99 of the Company's Bye-Laws, Mr. CHAN Chak Paul and Mr. NGAI Wah Sang will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company 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.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 31 December 2008, no share option was granted to directors under the Scheme.

As at 31 December 2008, none of the directors of the Company or their associates had any interest and short position in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

At no time during the year was the Company a party to any arrangements to enable the directors or chief executives of the Company or any of their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following shareholders had an interest of 5% or more in the shares and underlying shares of the Company:

Name	Number of shares held	Percentage of total shares in issue as at 31 December 2008
Winsome Worldwide Limited ( <i>note 1</i> )	22,275,000*	27.50%
SIU Kwan ( <i>note 1</i> )	22,275,000#	27.50%
YAU Mei Han	14,051,250*	17.35%
Supreme Zone Investments Limited ( <i>note 2</i> )	11,812,500*	14.58%
KEUNG Kwai Yung ( <i>note 2</i> )	11,812,500#	14.58%

\* Beneficial owner

# Interest of controlled corporation

Notes:

- (1) The 22,275,000 shares were held by Winsome Worldwide Limited which was wholly owned by Ms. SIU Kwan. By virtue of the SFO, Ms. SIU Kwan was deemed to be interested in the 22,275,000 shares.
- (2) The 11,812,500 shares were held by Supreme Zone Investments Limited which was wholly owned by Ms. KEUNG Kwai Yung. By virtue of the SFO, Ms. KEUNG Kwai Yung was deemed to be interested in the 11,812,500 shares.

## REPORT OF THE DIRECTORS

### **SUBSTANTIAL SHAREHOLDERS (CONTINUED)**

All the interests disclosed above represent long position in the ordinary shares of the Company.

Save as disclosed above, no other person had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year, the Company neither purchased, sold nor redeemed any of its own listed securities.

### **PRE-EMPTIVE RIGHTS**

There are no provisions of pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Bye-Laws and there is no restriction against such rights under the laws of Bermuda.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of its Board, as at the date of this annual report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

### **AUDITOR**

A resolution to re-appoint the retiring auditor, Messrs. RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

On behalf of the Board

**CHAN Chak Paul**

*Chairman*

Hong Kong, 27 March 2009

## CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) has always valued transparency and accountability as the keys for achieving a high standard of corporate governance, and is committed to comply with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008.

### THE BOARD

The Board is responsible for the leadership, control and overall strategic development of the Company, as well as to oversee internal control and financial performance. The Board makes investment decision, taking into account of the advice from the Company’s Investment Manager, which is in accordance with the Company’s investment objectives.

The Board comprises three Executive Directors and three Independent Non-executive Directors. The brief biographical details of the Directors are set out in the “Biographical Details of Directors” section on page 5. More than one-third of the Board is Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

Each of the Independent Non-executive Directors has made an annual confirmation of independence, and the Company considers that all of the Independent Non-executive Directors are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

Regular board meetings are scheduled to be held at approximately quarterly intervals. During the year, the number of Board meetings and the attendance by each director is set out below:

<b>Name of Directors</b>	<b>Number of attendance/ Number of board meetings held</b>
CHAN Chak Paul	19/19
NGAI Wah Sang	19/19
WANG Daming	6/19
CHAN Francis Ping Kuen	6/19
Benny LUI	6/19
Oliver Yeung Kam LAI	6/19

### ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company, Mr. CHAN Chak Paul, is primarily responsible for the leadership of the Board, ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner; and the Directors receive accurate, timely and clear information.

The Chief Executive Officer and Deputy Chairman of the Company, Mr. NGAI Wah Sang, is responsible for the day-to-day management of the Company’s business.

# CORPORATE GOVERNANCE REPORT

## NOMINATION OF DIRECTORS

Directors shall identify and recommend proposed candidates for directorships of the Company to the Board for approval based on their appropriate experiences and personal skills and time commitments.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board shall select and appoint the candidates for directorships of the Company based on their appropriate experiences, personal skills and time commitments.

All Independent Non-executive Directors (“INEDs”) of the Company were appointed for a specific term, but subject to the relevant provisions of the Bye-laws of the Company, or any other applicable laws whereby the Directors shall vacate or retire from their office. The term of appointment of the INEDs has been renewed for one year commencing from 31 December 2008.

According to the Bye-laws of the Company, at each annual general meeting of the Company (“AGM”), one-third of the Directors for the time being shall retire from office by rotation. Every Director shall be subject to retirement by rotation at least once every three years.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, Mr. CHAN Chak Paul (Chairman of the Remuneration Committee) and two INEDs, Mr. Benny LUI and Mr. Oliver Yeung Kam LAI. One meeting was held during the year and all members had attended the meeting.

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

- to make recommendations to the Board on the Company’s policy and structure for the remuneration of the directors;
- to review and recommend the remuneration packages of all executive directors for approval by the Board; and
- to review and approve compensation payable to directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of Directors.

The Committee has the right to access to professional advice relating to remuneration proposal if considered necessary.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The Audit Committee comprises three INEDs, Mr. CHAN Francis Ping Kuen (Chairman of the Audit Committee), Mr. Benny LUI and Mr. Oliver Yeung Kam LAI. Two meetings were held during the year and all three INEDs had attended the meetings.

The major roles and functions of the Audit Committee include:

- to review the Company's interim and annual financial statements before submission to the Board;
- to discuss with external auditor any matters arising from the audit of the Company's financial statements;
- to review financial controls, internal controls, and risk management system; and
- to review the Company's financial and accounting policies and practices.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if considered necessary.

## AUDITOR'S REMUNERATION

For the year ended 31 December 2008, the remuneration payable to the Company's external auditor is HK\$180,000 for audit service and HK\$12,000 for tax compliance service.

## CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its Code of Conduct regarding securities transactions by the Directors.

All Directors have confirmed in writing that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2008.

# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall responsibility to review the effectiveness of the Company's internal control system and risk management. During the year, the Board had reviewed and ensured the internal control process had been properly carried out in making investment or divestment decision with the Investment Manager; documents and records were properly maintained; and the investment or divestment was in compliance with relevant laws and regulations.

During the year, the Company was exposed to market risk for its available-for-sale financial assets which included investment in unlisted companies, as it might not be able to liquidate such investments in time to meet its cashflow requirements. In order to circumvent this situation, the Board has maintained a portfolio of listed securities and kept cash on hand.

The portfolio of listed securities, classified as financial assets at fair value through profit or loss in the balance sheet, may be exposed to market price risk. The Board will diversify the portfolio to minimise such risk.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of financial statements of the Company and ensure that the Company's financial statements for the year ended 31 December 2008 were prepared in accordance with statutory requirements and applicable accounting standards.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board considers that general meetings of the Company are key opportunities for shareholders to exchange views with the Board. Separate resolutions were proposed for shareholders' consideration and approvals at any general meeting during the year. The Chairman of the Board as well as the Chairman and/or other members of the Audit Committee and Remuneration Committee will normally attend the Annual General Meetings and other shareholders' meetings of the Company to answer any questions raised.

## VOTING BY POLL

The voting procedures for demanding a poll by shareholders were written in the 2008 AGM circular, and the voting procedures were explained in the AGM.

## INDEPENDENT AUDITOR'S REPORT

### RSM! Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

29th Floor Caroline Centre  
Lee Gardens Two  
28 Yun Ping Road  
Hong Kong

#### TO THE SHAREHOLDERS OF EARNEST INVESTMENTS HOLDINGS LIMITED

*(Continued into Bermuda with limited liability)*

We have audited the financial statements of Earnest Investments Holdings Limited (the "Company") set out on pages 18 to 40, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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 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.

# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 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 financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2008 and of its results 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.

### **RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong

27 March 2009

# INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK\$	2007 HK\$
<b>Turnover</b>	6	<b>813,482</b>	23,433,835
Revenue	6	<b>142,482</b>	437,525
Realised gains on disposals of financial assets at fair value through profit or loss		<b>15,500</b>	18,398,210
Net unrealised holding (losses)/gain from financial assets at fair value through profit or loss		<b>(108,599,365)</b>	97,497,670
Impairment of available-for-sale financial assets		<b>(7,650,000)</b>	(2,700,000)
Administrative and other operating expenses		<b>(1,961,377)</b>	(2,118,024)
<b>(Loss)/profit before tax</b>		<b>(118,052,760)</b>	111,515,381
Income tax credit/(expense)	8	<b>14,371,265</b>	(14,371,265)
<b>(Loss)/profit for the year attributable to equity holders of the Company</b>	9	<b>(103,681,495)</b>	97,144,116
Dividend	10	–	–
<b>(Loss)/earnings per share</b>			
Basic	11	<b>(1.280)</b>	1.199

## BALANCE SHEET

At 31 December 2008

	Note	2008 HK\$	2007 HK\$
<b>Non-current assets</b>			
Available-for-sale financial assets	12	4,150,000	11,800,000
<b>Current assets</b>			
Financial assets at fair value through profit or loss	13	15,736,705	124,336,070
Prepayments, deposits and other receivables		238,540	63,149
Current tax assets		970,784	–
Bank and cash balances		4,038,259	7,057,430
		<b>20,984,288</b>	131,456,649
<b>Current liabilities</b>			
Accruals and other payables		192,200	261,801
		<b>20,792,088</b>	131,194,848
<b>Total assets less current liabilities</b>		<b>24,942,088</b>	142,994,848
<b>Non-current liabilities</b>			
Deferred tax liabilities	14	–	14,371,265
<b>NET ASSETS</b>		<b>24,942,088</b>	128,623,583
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	15	1,620,000	1,620,000
Reserves	17	23,322,088	127,003,583
<b>TOTAL EQUITY</b>		<b>24,942,088</b>	128,623,583
<b>Net asset value per share</b>	18	<b>0.31</b>	1.59

**CHAN Chak Paul**  
Executive director

**WANG Daming**  
Executive director

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital HK\$ (note 15)	Share premium account HK\$ (note 17)	Contributed surplus account HK\$ (note 17)	(Accumulated losses)/Retained profits HK\$	Total equity HK\$
At 1 January 2007	1,620,000	5,760,000	28,040,011	(3,940,544)	31,479,467
Profit for the year and total recognised income and expense for the year	–	–	–	97,144,116	97,144,116
At 31 December 2007 and 1 January 2008	1,620,000	5,760,000	28,040,011	93,203,572	128,623,583
Loss for the year and total recognised income and expense for the year	–	–	–	(103,681,495)	(103,681,495)
At 31 December 2008	1,620,000	5,760,000	28,040,011	(10,477,923)	24,942,088

## CASH FLOW STATEMENT

For the year ended 31 December 2008

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	<b>(118,052,760)</b>	111,515,381
Adjustments for:		
Net unrealised holding losses/(gains) from financial assets at fair value through profit or loss	<b>108,599,365</b>	(97,497,670)
Impairment of available-for-sale financial assets	<b>7,650,000</b>	2,700,000
Realised gain on disposal of financial assets at fair value through profit or loss	<b>(15,500)</b>	(18,398,210)
Operating loss before working capital changes	<b>(1,818,895)</b>	(1,680,499)
(Increase)/decrease in prepayments, deposits and other receivables	<b>(175,391)</b>	140,481
(Decrease)/increase in accruals and other payables	<b>(69,601)</b>	79,080
Purchase of financial assets at fair value through profit or loss	<b>(655,500)</b>	(21,524,680)
Proceeds from disposal of financial assets at fair value through profit or loss	<b>671,000</b>	22,996,310
Cash (used in)/generated from operations	<b>(2,048,387)</b>	10,692
Hong Kong Profits Tax paid	<b>(970,784)</b>	–
<b>Net cash (used in)/generated from operating activities</b>	<b>(3,019,171)</b>	10,692
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,019,171)</b>	10,692
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>7,057,430</b>	7,046,738
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		
Representing bank and cash balances	<b>4,038,259</b>	7,057,430

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 1. CORPORATE INFORMATION

The Company was continued into Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business is Units 801-802, 8/F., Ginza Square, 565-567 Nathan Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment and trading of listed and unlisted companies.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Company's accounting policies and amounts reported for the current year and prior years.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the 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.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

#### (ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

### (b) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Company transfers substantially all the risks and rewards of ownership of the assets; or the Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the 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 the income statement.

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 is recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### (e) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents.

### (f) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### (g) Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Equity instruments

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

### (i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

- (i) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholders' rights to receive payment are established;
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method.

### (j) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Taxation (continued)

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, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### (k) Related parties

A party is related to the Company if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Company; has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (m) Provisions and contingent liabilities

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

#### Available-for-sale financial assets

The Company's investments in unlisted securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any impairment losses.

#### Key sources of estimation uncertainty

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 are discussed below.

#### Impairment of available-for-sale financial assets

The directors estimate the fair value of the Company's available-for-sale financial assets. An impairment loss of HK\$7,650,000 (2007: HK\$2,700,000) was made during the year, details of which are set out in note 12 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 5. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: price risk, credit risk, liquidity risk and interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

### (a) Price risk

The Company's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Company is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

At 31 December 2008, if the quoted market price of the Company's listed securities had been 10% higher/lower, then loss (2007: profit) after tax for the year would have been HK\$1,573,671 (2007: HK\$10,382,062) lower/higher (2007: higher/lower), the effect of which will be classified as unrealised holding gains/losses from financial assets at fair value through profit or loss.

As at the date of approval of these financial statements, the unrealised holding gains from financial assets at fair value through profit or loss held as at 31 December 2008 amounted to HK\$4,764,005.

### (b) Credit risk

The Company has no significant concentrations of credit risk.

### (c) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

### (d) Interest rate risk

The Company's exposure to interest rate risk arises from its bank deposit. This deposit bears interest at variable rates varied with the then prevailing market condition. The changes in interest rates are not significant to the financial statements.

### (e) Fair values

The carrying amounts of the Company's financial assets and financial liabilities as reflected in the balance sheet approximate their respective fair values.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 6. REVENUE AND TURNOVER

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
Dividend income from listed investments	<b>93,640</b>	62,974
Bank interest income	<b>48,842</b>	374,551
Revenue	<b>142,482</b>	437,525
Proceeds from disposal of financial assets at fair value through profit or loss	<b>671,000</b>	22,996,310
Turnover	<b>813,482</b>	23,433,835

No segment information is presented as all of the turnover and revenue, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong and the People's Republic of China (the "PRC").

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director for the year ended 31 December 2008 were as follows:

	<b>Fees</b>	
	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
<b>Executive directors</b>		
Mr. CHAN Chak Paul	<b>57,600</b>	57,600
Mr. NGAI Wah Sang	<b>57,600</b>	57,600
Mr. WANG Daming	<b>57,600</b>	57,600
<b>Independent Non-executive directors</b>		
Mr. CHAN Francis Ping Kuen	<b>57,600</b>	57,600
Mr. Benny LUI	<b>57,600</b>	57,600
Mr. Oliver Yeung Kam LAI	<b>57,600</b>	57,600
	<b>345,600</b>	345,600

During the year, there were no arrangements under which a director waived or agreed to waive any emoluments. No emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office.

The Company did not employ any employees other than the directors of the Company for the current and prior years.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

### 8. INCOME TAX (CREDIT)/EXPENSE

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
Current tax – Hong Kong Profits Tax		
Provision for the year	–	–
Deferred tax (note 14)	<b>(14,371,265)</b>	14,371,265
	<b>(14,371,265)</b>	14,371,265

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2008 as the Company has no assessable profit for the year (2007: Nil).

The reconciliation between the income tax (credit)/expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
(Loss)/profit before tax	<b>(118,052,760)</b>	111,515,381
Tax at 16.5% (2007: 17.5%)	<b>(19,478,705)</b>	19,515,192
Tax effect of income that is not taxable	<b>(23,510)</b>	(76,566)
Tax effect of expenses that are not deductible	<b>1,262,250</b>	472,500
Tax effect of other temporary differences not recognised	<b>3,868,700</b>	(1,533)
Tax effect of utilisation of tax losses not previously recognised	–	(4,667,342)
Tax effect of temporary differences arising from the change of Hong Kong Profits Tax rate from 17.5% to 16.5% for the year of assessment 2008/2009	–	(870,986)
Income tax (credit)/expense	<b>(14,371,265)</b>	14,371,265

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 9. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Company's (loss)/profit for the year attributable to equity holders of the Company is stated after charging the following:

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
Auditor's remuneration	<b>180,000</b>	180,000
Total staff costs (note 7)	<b>345,600</b>	345,600
Investment management fee	<b>360,000</b>	360,000

## 10. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2008 (2007: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of HK\$103,681,495 (2007: profit of HK\$97,144,116) and the number of ordinary shares of 81,000,000 (2007: 81,000,000) in issue during the year.

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary shares during two years ended 31 December 2008.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
Unlisted securities, at cost		
Equity securities – Hong Kong	<b>4,000,000</b>	4,000,000
Equity securities – outside Hong Kong	<b>10,500,000</b>	10,500,000
	<b>14,500,000</b>	14,500,000
Less: Impairment	<b>(10,350,000)</b>	(2,700,000)
	<b>4,150,000</b>	11,800,000

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

### 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

The unlisted securities are stated at cost as they do not have a quoted market price in an active market and their fair values cannot be reliably measured.

In the absence of quoted market price in an active market, the directors estimate the fair value of the Company's investments in unlisted securities by considering information from a variety of sources, including the latest management financial information and the performance of the investee companies. Due to the changes in market condition of the business of the investee companies, an impairment of HK\$7,650,000 (2007: HK\$2,700,000) was made against the available-for-sale financial assets during the year.

Particulars of the Company's available-for-sale financial assets as at 31 December 2008 are as follows:

Name of investee company	Place of incorporation	Particulars of issued shares/ registered capital	Proportion of investee's capital owned	Principal activities	Impairment		Carrying amount	Dividend	Dividend cover	Net assets
					Cost	loss		received during the year		attributable to the Company
					HK\$	HK\$	HK\$	HK\$		HK\$
北京大明潤誠投資顧問有限公司 ("北京大明潤誠") (a)(b)	PRC	RMB2,000,000	25.5%	Provision of investment and business management consulting services	5,500,000	(2,700,000)	2,800,000	-	N/A	3,116,912
Artronic Productions (Australia) Pty Limited (c)	Australia	100 ordinary shares of AUD1 each	15%	Manufacturing and trading of printed circuit board	5,000,000	(4,300,000)	700,000	-	N/A	683,923
Ocean Pharmaceutical (HK) Limited (a)(d)	Hong Kong	1,000 ordinary shares of HK\$1 each	20%	Sourcing and trading of pharmaceutical products	4,000,000	(3,350,000)	650,000	-	N/A	1,258,178
					14,500,000	(10,350,000)	4,150,000			

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

- (a) The Company's investments in 北京大明潤誠 and Ocean Pharmaceutical (HK) Limited with attributable equity interests held between 20% to 25.5% are classified as available-for-sale financial assets. These companies are not treated as associates because the Company is not in a position to exercise any significant influence over the financial and operating policies of these companies or to participate in their operations.
- (b) The Company's investment in 北京大明潤誠 is held through two intermediate holding companies which act as investment vehicles for the sole purpose of investing in 北京大明潤誠. These intermediate holding companies have no other activities.
- (c) The Company's investment in Artronic Productions (Australia) Pty Limited is held through two intermediate holding companies which act as investment vehicles for the sole purpose of investing in Artronic Productions (Australia) Pty Limited. These intermediate holding companies have no other activities.
- (d) The Company's investment in Ocean Pharmaceutical (HK) Limited is held through an intermediate holding company which act as an investment vehicle for the sole purpose of investing in Ocean Pharmaceutical (HK) Limited. This intermediate holding company has no other activities.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
Equity securities listed in Hong Kong, at cost	<b>29,899,957</b>	29,899,957
Net unrealised holding (losses)/gains	<b>(14,163,252)</b>	94,436,113
Fair value as at 31 December	<b>15,736,705</b>	124,336,070

The fair values of the listed securities are based on quoted market prices.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Particulars of the Company's financial assets at fair value through profit or loss as at 31 December 2008 are as follows:

Equity securities listed on the Stock Exchange:

Name of investee company	Place of incorporation	Number of shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised holding gains/(losses)	Dividend	Dividend cover	Net assets
							received during the year		attributable to the Company
				HK\$	HK\$	HK\$	HK\$		HK\$
(a) APAC Resources Limited ("APAC Resources")	Bermuda	220,000	Less than 1%	363,400	74,800	(288,600)	–	N/A	247,959
(b) Sinocop Resources (Holdings) Limited ("Sinocop Resources")	Bermuda	54,375,000	4.3%	6,233,372	9,950,625	3,717,253	–	N/A	5,941,639
(c) New Times Group Holdings Limited ("New Times Group")	Bermuda	13,000,000	1.7%	20,150,000	4,160,000	(15,990,000)	–	N/A	5,666,381
(d) Shougang Concord International Enterprises Company Limited ("Shougang International")	Hong Kong	74,000	Less than 1%	46,620	63,640	17,020	7,400	15.9%	77,224
(e) Shougang Concord Century Holdings Limited ("Shougang Century")	Hong Kong	4,312,000	Less than 1%	3,106,565	1,487,640	(1,618,925)	86,240	2.78%	4,523,647
				29,899,957	15,736,705	(14,163,252)	93,640		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

A brief description of the business and financial information of the listed investee companies, based on their published annual and interim reports, is as follows:

- (a) APAC Resources is principally engaged in (i) trading in base metals and commodities trading portfolio primarily focused on natural resources and related sectors; and (ii) trading in fabric products and other merchandises and (iii) trading and investment of listed securities in the resources and related industries. The audited consolidated profit attributable to equity holders of APAC Resources for the year ended 31 December 2007 was approximately HK\$345,313,000. As at 31 December 2007, the audited consolidated net asset value attributable to equity holders of APAC Resources was approximately HK\$4,738,296,000. The unaudited consolidated profit attributable to equity holders of APAC Resources for the six months ended 30 June 2008 was approximately HK\$258,502,000 (2007: HK\$142,137,000). As at 30 June 2008, the unaudited consolidated net asset value attributable to equity holders of APAC Resources was approximately HK\$5,329,605,000 (2007: HK\$1,367,670,000).
- (b) Sinocop Resources is principally engaged in investment holding, metals and minerals trading and processing of raw ores. The audited consolidated loss attributable to equity holders of Sinocop Resources for the year ended 31 March 2008 was approximately HK\$44,000,000 (2007: HK\$14,440,000). As at 31 March 2008, the audited consolidated net asset value attributable to equity holders of Sinocop Resources was approximately HK\$168,465,000 (2007: HK\$21,544,000). The unaudited consolidated loss attributable to equity holders of Sinocop Resources for the six months ended 30 September 2008 was approximately HK\$12,328,000 (2007: HK\$25,073,000). As at 30 September 2008, the unaudited consolidated net asset value attributable to equity holders of Sinocop Resources was approximately HK\$137,496,000 (2007: HK\$138,920,000).
- (c) New Times Group is principally engaged in the business of trading of non-ferrous metal, property investments and development and provision of financial services. The audited consolidated loss attributable to equity holders of New Times Group for year ended 31 December 2007 was approximately HK\$59,737,000. As at 31 December 2007, the audited consolidated net asset value attributable to equity holders of New Times Group was approximately HK\$355,008,000. The unaudited consolidated loss attributable to equity holders of New Times Group for the six months ended 30 June 2008 was approximately HK\$14,761,000 (2007: HK\$14,084,000). As at 30 June 2008, the unaudited consolidated net asset value attributable to equity holders of New Times Group was approximately HK\$340,842,000 (2007: HK\$229,680,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

- (d) Shougang International is principally engaged in manufacture of steel cord for radial tyres, processing and trading of copper and brass products and conducts chartering services. The audited consolidated profit attributable to equity holders of Shougang International for the year ended 31 December 2007 was approximately HK\$1,404,196,000. As at 31 December 2007, the audited consolidated net asset value attributable to equity holders of Shougang International was approximately HK\$6,814,731,000. The unaudited consolidated profit attributable to equity holders of Shougang International for the six months ended 30 June 2008 was approximately HK\$1,092,279,000 (2007: HK\$464,673,000). As at 30 June 2008, the unaudited consolidated net asset value attributable to equity holders of Shougang International was approximately HK\$7,487,981,000 (2007: HK\$3,611,346,000).
- (e) Shougang Century is principally engaged in processing and trading of copper and brass products, manufacturing of steel cords, property development and investment, provision of management and information technology services. The audited consolidated profit attributable to equity holders of Shougang Century for the year ended 31 December 2007 was approximately HK\$105,762,000. As at 31 December 2007, the audited consolidated net asset value attributable to equity holders of Shougang Century was approximately HK\$1,499,089,000. The unaudited consolidated profit attributable to equity holders of Shougang Century for the six months ended 30 June 2008 was approximately HK\$30,658,000 (2007: HK\$24,004,000). As at 30 June 2008, the unaudited consolidated net asset value attributable to equity holders of Shougang Century was approximately HK\$1,959,411,000 (2007: HK\$1,001,845,000).

## 14. DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognised by the Company in relation to unrealised holding gains on financial assets at fair value through profit or loss as follows:

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
At 1 January	<b>14,371,265</b>	–
(Credit)/charge to income statement for the year (note 8)	<b>(14,371,265)</b>	14,371,265
At 31 December	–	14,371,265

At the balance sheet date the Company has unused tax losses of HK\$12,346,371 (2007: HK\$Nil) available for offset against future profits which are subject to the approval of the Inland Revenue Department. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 14. DEFERRED TAX LIABILITIES (CONTINUED)

At the balance sheet date the Company has temporary differences arising from net unrealised holding losses from financial assets at fair value through profit or loss of HK\$11,101,695 (2007: HK\$Nil). No deferred tax assets has been recognised because it is not probable that taxable profits will be available against which deductible temporary differences can be utilised in the foreseeable future.

## 15. SHARE CAPITAL

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
<b>Authorised:</b>		
1,000,000,000 ordinary shares of HK\$0.02 each	<b>20,000,000</b>	20,000,000
<b>Issued and fully paid:</b>		
81,000,000 ordinary shares of HK\$0.02 each	<b>1,620,000</b>	1,620,000

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

## 16. SHARE OPTIONS

During the year ended 31 December 2008, no option was granted, exercised, cancelled or lapsed under the share option scheme of the Company. There were no outstanding share options as at 31 December 2008 (2007: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 17. RESERVES

The amounts of the Company's reserves and the movements therein for the two years ended 31 December 2008 are presented in the statement of changes in equity.

### Nature and purpose of reserves

#### (a) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

#### (b) Contributed surplus account

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## 18. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Company as at 31 December 2008 of HK\$24,942,088 (2007: HK\$128,623,583) and the number of ordinary shares of 81,000,000 (2007: 81,000,000) in issue as at that date.

## 19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. In prior years, the cost of financial assets at fair value through profit or loss disposed of was presented as "cost of sales" on the face of the income statement. In the current year, the Company revised the presentation in order to conform to the market practices. The proceeds from disposals of financial assets at fair value through profit or loss are offset against the cost of financial assets at fair value through profit or loss and presented as a separate item on the face of the income statement.

## 20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2009.