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COL Capital Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00383)

MAJOR TRANSACTION

A letter from the board of directors of COL Capital Limited is set out on pages 3 to 5 of this circular.

27th February, 2009

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Announcement”	the announcement of the Company dated 16th February, 2009;
“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	board of Directors;
“Company”	COL Capital Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on Main Board of the Stock Exchange;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“connected persons”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	director(s) of the Company;
“Disposal”	the on market disposal of 38,000,000 shares in SHK&Co at a price of HK\$4.70 per share;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Last Practicable Date”	24th February, 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“SHK&Co”	Sun Hung Kai & Co. Limited (a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited with stock code 86);
“Vigor”	Vigor Online Offshore Limited, a controlling shareholder of the Company;
“Warrants”	outstanding warrants that are exercisable during the relevant subscription period in accordance with the terms of the Instrument constituting the warrants approved by Shareholders on 26th June 2008;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“%”	per cent.

LETTER FROM THE BOARD



COL Capital Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00383)

Executive Directors:

Ms. Chong Sok Un (Chairman)

Dato' Wong Peng Chong

Mr. Kong Muk Yin

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Independent Non-executive Directors:

Mr. Lo Wai On

Mr. Lau Siu Ki

Mr. Zhang Jian

Principal Place of Business

in Hong Kong:

47th Floor

China Online Centre

333 Lockhart Road

Wan Chai

Hong Kong

27th February, 2009

To the Shareholders and, for information only, holders of Warrants

Dear Sir or Madam,

MAJOR TRANSACTION

This circular is despatched to Shareholders and holders of Warrants for information purpose only as no general meeting will be convened for approving the Disposal as Vigor (the controlling shareholder of the Company holding approximately 57.0% of the issued share capital of the Company) has already provided a written approval of the Disposal.

THE DISPOSAL

On 16th February, 2009, the Company announced that it had on 13th February, 2009 disposed on market for cash, its long term investment, of 38,000,000 shares in SHK&Co at a price of HK\$4.70 per share. This price was determined by reference to the prevailing market price of the shares of SHK&Co.

LETTER FROM THE BOARD

These SHK&Co shares disposed represent approximately 2.2% of the issued share capital of SHK&Co. The Directors do not know the identity of the counterparty(ies) and so far as they are aware, the counterparty(ies) is/are third parties independent of the Company and is/are not connected persons (as that term is defined in the Listing Rules) of the Company.

REASONS AND EFFECTS OF THE DISPOSAL

Net proceeds from the Disposal is approximately HK\$178.2 million and the Directors believe it is in the interest of the Company to enter into the Disposal with the net proceeds therefrom to reduce borrowings thereby reducing the debt exposure of the Group and as such is in the interest of the Company and Shareholders as a whole. The book carrying value of these shares of SHK&Co was approximately HK\$242.8 million as at 30th June, 2008 (which includes an investment revaluation surplus), the net proceeds from the Disposal represents a deficit of approximately HK\$64.6 million under such book carrying value and the estimated gain from the Disposal is approximately HK\$113.3 million (subject to audit) i.e. HK\$178.2 million less HK\$64.9 million (being the acquisition cost). For the full financial year ended 31st December 2007, the Company received dividend income of approximately HK\$10.6 million and for the period ended 30th June, 2008, the Company was entitled to dividend income of approximately HK\$13.3 million from its entire holding of SHK&Co shares. The 38,000,000 SHK&Co shares had been acquired for approximately HK\$64.9 million and had been booked as long term investments in the Group's books. The Directors are of the view that the terms of the Disposal are fair and reasonable and the Disposal is in the interest of Shareholders as a whole.

As a result of the Disposal, the non-current assets and current liabilities of the Group have been reduced whilst the net asset value of the Group has been increased. The current liabilities of the Group have been reduced as the net proceeds from the Disposal have been used for repaying the short-term borrowings of the Group.

Based on the 2008 interim report of SHK&Co, its unaudited net asset value per share is approximately HK\$6.98, therefore the consideration under the Disposal represents a discount of approximately HK\$2.28 per share to such unaudited net asset value. Based on the market closing price of HK\$4.36 per share of SHK&Co on 12th February, 2009, the consideration under the Disposal represents a premium of approximately HK\$0.34 per share to such market closing price.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

The Disposal constitutes a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules. Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval has been obtained from Vigor, a Shareholder who as at the Latest Practicable Date and the date of the Announcement holds 314,258,374 Shares or approximately 57.0% in nominal value of the Shares giving the right to attend and vote at a general meeting of the Company to approve the Disposal, and such written shareholders' approval has been accepted by the Company in lieu of holding a general meeting. As no Shareholder has a material interest in the Disposal which is different from other shareholders of the Company, no Shareholder is required to abstain from voting in respect of the Disposal.

INFORMATION ON SHK&CO

The business of SHK&Co is investment holding. The principal business activities of its major subsidiaries are wealth management and brokerage, asset management, corporate finance, consumer finance as well as principal investments.

GENERAL

The principal business of the Company is investment holding and through its subsidiaries engages in securities trading and investments, provision of financial services, property investment and strategic investment.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
COL CAPITAL LIMITED
Chong Sok Un
Chairman

1. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated income statements and consolidated balance sheets of the Group for the last three years ended 31st December, 2007, as extracted from the relevant published annual reports of the Company for the last three years ended 31st December, 2007.

The auditors' reports from Deloitte Touche Tohmatsu in respect of the Group's audited consolidated financial statements for each of the three years ended 31st December, 2007, 2006 and 2005 did not contain any qualifications. There were no other exceptional items or extraordinary items of the Group during each of the three years ended 31st December, 2005, 2006 and 2007.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31st December,		
	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue (excluding securities trading)	55,315	30,589	41,286
Gross proceeds from sale of investments held for trading	<u>2,234,125</u>	<u>1,132,153</u>	<u>130,655</u>
Total	<u><u>2,289,440</u></u>	<u><u>1,162,742</u></u>	<u><u>171,941</u></u>
Continuing operations:			
Revenue (excluding securities trading)	55,315	30,589	41,286
Net gain on investments	1,560,870	801,269	61,970
Other income	24,943	22,297	14,950
Administrative and other expenses	(78,680)	(63,489)	(27,705)
Finance costs	(35,801)	(10,895)	(1,571)
Share of losses of associates	(4,094)	–	–
Gain on disposal of an associate	–	1,740	–
Gain on disposal of a subsidiary	–	–	3,544
Fair value changes on investment properties	37,351	6,856	11,360
Revaluation surplus on buildings	<u>144</u>	<u>387</u>	<u>773</u>
Profit before taxation	1,560,048	788,754	104,607
Taxation	<u>(175,873)</u>	<u>(11,432)</u>	<u>(99)</u>
Profit from continuing operations	1,384,175	777,322	104,508

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	For the year ended 31st December,		
	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Discontinued operation:			
Loss for the year from discontinued operation	<u>(1,528)</u>	<u>(4,805)</u>	<u>–</u>
Profit for the year	<u>1,382,647</u>	<u>772,517</u>	<u>104,508</u>
Attributable to:			
Equity holders of the Company	1,378,824	772,468	104,511
Minority interests	<u>3,823</u>	<u>49</u>	<u>(3)</u>
	<u>1,382,647</u>	<u>772,517</u>	<u>104,508</u>
Dividends recognised as distribution	<u>13,846</u>	<u>14,280</u>	<u>15,060</u>
Earnings per share			
From continuing and discontinued operations			
– Basic	<u>HK\$4.95</u>	<u>HK\$2.67</u>	<u>HK\$0.35</u>
From continuing operations			
– Basic	<u>HK\$4.96</u>	<u>HK\$2.69</u>	<u>HK\$0.35</u>
Dividends per share	<u>HK\$0.05</u>	<u>HK\$0.05</u>	<u>HK\$0.05</u>

CONSOLIDATED BALANCE SHEET

	At 31st December,		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Non-current assets			
Investment properties	110,925	81,589	136,526
Property, plant and equipment	3,796	4,712	51,825
Prepaid lease payments	1,001	2,424	2,483
Interests in associates	368,297	–	–
Available-for-sale investments	849,923	557,375	171,633
Loan notes	–	50,476	86,805
Convertible bonds	–	6,626	–
	<u>1,333,942</u>	<u>703,202</u>	<u>449,272</u>
Current assets			
Available-for-sale investments	9,801	–	–
Loan notes	52,401	–	–
Inventories held for sale – finished goods	–	1,471	1,495
Investments held for trading	3,617,216	1,690,510	886,464
Amount due from a minority shareholder	–	–	4,805
Debtors, deposits and prepayments	41,284	33,708	12,501
Loan receivables	174,015	123,598	74,429
Tax recoverable	4,050	3,543	–
Pledged bank deposits	10,718	–	10,526
Bank balances and cash	67,824	58,007	16,819
	<u>3,977,309</u>	<u>1,910,837</u>	<u>1,007,039</u>
Assets classified as held for sale	–	134,419	–
	<u>3,977,309</u>	<u>2,045,256</u>	<u>1,007,039</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	At 31st December,		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Current liabilities			
Creditors and accrued charges	97,995	55,480	41,176
Customers' deposits and receipts in advance	14,192	31,283	2,713
Other borrowings	918,838	170,100	100,986
Derivative financial instruments	4,874	–	–
Taxation payable	171,033	15,657	4,315
	<u>1,206,932</u>	<u>272,520</u>	<u>149,190</u>
Liabilities associated with assets classified as held for sale	<u>–</u>	<u>60,044</u>	<u>–</u>
	<u>1,206,932</u>	<u>332,564</u>	<u>149,190</u>
Net current assets	<u>2,770,377</u>	<u>1,712,692</u>	<u>857,849</u>
	<u><u>4,104,319</u></u>	<u><u>2,415,894</u></u>	<u><u>1,307,121</u></u>
Capital and reserves			
Share capital	2,762	2,829	2,975
Reserves	4,097,685	2,396,218	1,281,957
Equity attributable to equity holders of the Company	4,100,447	2,399,047	1,284,932
Minority interests	<u>3,872</u>	<u>16,847</u>	<u>16,798</u>
Total equity	4,104,319	2,415,894	1,301,730
Non current liability			
Deferred tax liability	<u>–</u>	<u>–</u>	<u>5,391</u>
	<u><u>4,104,319</u></u>	<u><u>2,415,894</u></u>	<u><u>1,307,121</u></u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31ST DECEMBER, 2007

The following is the audited financial statements and notes to the financial statements of the Group for the year ended 31st December, 2007 extracted from the annual report 2007 of the Company:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
Revenue (excluding securities trading)		55,315	30,589
Gross proceeds from sale of investments held for trading		2,234,125	1,132,153
Total		<u>2,289,440</u>	<u>1,162,742</u>
Continuing operations:			
Revenue (excluding securities trading)	6	55,315	30,589
Net gain on investments	8	1,560,870	801,269
Other income	9	24,943	22,297
Administrative and other expenses		(78,680)	(63,489)
Finance costs	10	(35,801)	(10,895)
Share of losses of associates		(4,094)	–
Gain on disposal of an associate		–	1,740
Fair value changes on investment properties		37,351	6,856
Revaluation surplus on buildings		144	387
Profit before taxation		1,560,048	788,754
Taxation	12	(175,873)	(11,432)
Profit from continuing operations		1,384,175	777,322
Discontinued operation:			
Loss for the year from discontinued operation	13	(1,528)	(4,805)
Profit for the year	14	<u>1,382,647</u>	<u>772,517</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	<i>NOTES</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		1,378,824	772,468
Minority interests		<u>3,823</u>	<u>49</u>
		<u>1,382,647</u>	<u>772,517</u>
Dividends recognised as distribution	15	<u>13,846</u>	<u>14,280</u>
Earnings per share	16		
From continuing and discontinued operations			
– Basic		<u>HK\$4.95</u>	<u>HK\$2.67</u>
From continuing operations			
– Basic		<u>HK\$4.96</u>	<u>HK\$2.69</u>

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Investment properties	17	110,925	81,589
Property, plant and equipment	18	3,796	4,712
Prepaid lease payments	19	1,001	2,424
Interests in associates	20	368,297	–
Available-for-sale investments	21	849,923	557,375
Loan notes	22	–	50,476
Convertible bonds	23	–	6,626
		<u>1,333,942</u>	<u>703,202</u>
Current assets			
Available-for-sale investments	21	9,801	–
Loan notes	22	52,401	–
Inventories held for sale-finished goods		–	1,471
Investments held for trading	24	3,617,216	1,690,510
Debtors, deposits and prepayments	25	41,284	33,708
Loan receivables	26	174,015	123,598
Tax recoverable		4,050	3,543
Pledged bank deposits	27	10,718	–
Bank balances and cash	27	67,824	58,007
		<u>3,977,309</u>	<u>1,910,837</u>
Assets classified as held for sale	28	<u>–</u>	<u>134,419</u>
		<u>3,977,309</u>	<u>2,045,256</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2007	2006
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Creditors and accrued charges	29	97,995	55,480
Customers' deposits and receipts in advance		14,192	31,283
Other borrowings	30	918,838	170,100
Derivative financial instruments	31	4,874	–
Taxation payable		<u>171,033</u>	<u>15,657</u>
		1,206,932	272,520
Liabilities associated with assets classified as held for sale	28	<u>–</u>	<u>60,044</u>
		<u>1,206,932</u>	<u>332,564</u>
Net current assets		<u>2,770,377</u>	<u>1,712,692</u>
		<u><u>4,104,319</u></u>	<u><u>2,415,894</u></u>
Capital and reserves			
Share capital	32	2,762	2,829
Reserves		<u>4,097,685</u>	<u>2,396,218</u>
Equity attributable to equity holders of the Company		4,100,447	2,399,047
Minority interests		<u>3,872</u>	<u>16,847</u>
		<u><u>4,104,319</u></u>	<u><u>2,415,894</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2007

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Buildings revaluation reserve HK\$'000 (Note)	Investments revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1st January, 2006	2,975	671,293	1,064	30,504	1,965	470	576,661	1,284,932	16,798	1,301,730
Fair value changes on available-for-sale investments	-	-	-	427,864	-	-	-	427,864	-	427,864
Surplus on revaluation of buildings	-	-	210	-	-	-	-	210	-	210
Exchange differences arising from translation of foreign operations	-	-	-	-	-	499	-	499	-	499
Net income recognised directly in equity	-	-	210	427,864	-	499	-	428,573	-	428,573
Transfer to profit or loss on disposal of available-for-sale investments	-	-	-	(26,268)	-	-	-	(26,268)	-	(26,268)
Profit for the year	-	-	-	-	-	-	772,468	772,468	49	772,517
Total recognised income for the year	-	-	210	401,596	-	499	772,468	1,174,773	49	1,174,822
Dividends paid	-	-	-	-	-	-	(14,280)	(14,280)	-	(14,280)
Repurchase of shares	(146)	(46,232)	-	-	146	-	(146)	(46,378)	-	(46,378)
At 31st December, 2006	2,829	625,061	1,274	432,100	2,111	969	1,334,703	2,399,047	16,847	2,415,894
Fair value changes on available-for-sale investments	-	-	-	288,183	-	-	-	288,183	-	288,183
Surplus on transfer from prepaid lease payments to investment properties at fair value	-	-	3,242	-	-	-	-	3,242	-	3,242
Surplus on revaluation of buildings	-	-	520	-	-	-	-	520	-	520
Share of changes in equity of associates	-	-	-	-	-	5,944	-	5,944	-	5,944
Exchange differences arising from translation of foreign operations	-	-	-	-	-	2,123	-	2,123	-	2,123
Net income recognised directly in equity	-	-	3,762	288,183	-	8,067	-	300,012	-	300,012
Transfer from profit or loss on disposal of available-for-sale investments	-	-	-	596	-	-	-	596	-	596
Profit for the year	-	-	-	-	-	-	1,378,824	1,378,824	3,823	1,382,647
Total recognised income for the year	-	-	3,762	288,779	-	8,067	1,378,824	1,679,432	3,823	1,683,255
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(16,798)	(16,798)
Reversed previously recognised changes in fair value of investments held for trading	-	-	-	-	-	-	68,265	68,265	-	68,265
Changes in equity of SAC (as defined in note 20) on previous held interest	-	-	-	-	-	-	(74)	(74)	-	(74)
Dividends paid	-	-	-	-	-	-	(13,846)	(13,846)	-	(13,846)
Repurchase of shares (note 32)	(67)	(32,310)	-	-	67	-	(67)	(32,377)	-	(32,377)
At 31st December, 2007	2,762	592,751	5,036	720,879	2,178	9,036	2,767,805	4,100,447	3,872	4,104,319

Note: At 31st December, 2007, the balance of building revaluation reserve included surplus of HK\$3,242,000, arising from revaluation of prepaid lease payments on transfer of buildings and prepaid lease payments to investment properties carried at fair value.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2007

<i>NOTES</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before taxation	1,558,547	784,044
Adjustments for:		
Interest income	(10,060)	(11,013)
Depreciation of property, plant and equipment	284	389
Loss on disposal of property, plant and equipment	293	–
(Reversal of) write-down of inventories	(571)	1,070
Interest expense	35,801	10,897
Amortisation of prepaid lease payments	25	59
Gain on disposal of an associate	–	(1,740)
Net loss (gain) on disposal of available-for-sale investments	596	(26,268)
Change in fair value of investments held for trading	(1,259,479)	(439,498)
Discount on early redemption of loan notes	–	3,962
Fair value changes on investment properties	(37,351)	(6,856)
Revaluation surplus on buildings	(144)	(387)
Share of losses of associates	4,094	–
Change in fair value of derivative financial instruments	4,874	–
	<hr/>	<hr/>
Operating cash flow before movements in working capital	296,909	314,659
Decrease (increase) in inventories held for sale	2,042	(1,046)
Increase in investments held for trading	(691,999)	(364,548)
Increase in debtors, deposits and prepayments	(7,576)	(21,822)
Increase in loan receivables	(50,417)	(49,169)
Increase in creditors and accrued charges	42,515	38,920
(Decrease) increase in customers' deposits and receipts in advance	(17,091)	58,597
	<hr/>	<hr/>
Cash used in operating activities	(425,617)	(24,409)
Interest paid	(35,801)	(10,897)
Tax paid	(21,031)	(3,718)
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(482,449)	(39,024)

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	<i>NOTES</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Disposal of a subsidiary	38	71,330	–
Interest received		8,135	3,877
Proceeds from redemption of convertible bonds		6,626	–
Proceeds from disposal of available-for-sale investments		1,434	42,122
Acquisition of associates		(273,484)	–
Purchases of available-for-sale investments		(15,600)	–
(Increase) decrease in pledged bank deposits		(10,718)	10,526
Purchases of property, plant and equipment		(95)	(101)
Net proceeds from redemption of loan notes		–	39,503
Proceeds on disposal of an associate		–	1,740
Purchase of investment property		–	(19,114)
Purchases of convertible bonds		–	(6,626)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		<u>(212,372)</u>	<u>71,927</u>
FINANCING ACTIVITIES			
New borrowings raised		4,447,322	1,451,630
Repayments of borrowings		(3,698,584)	(1,382,516)
Repurchase of shares		(32,377)	(46,378)
Dividends paid		(13,846)	(14,280)
NET CASH FROM FINANCING ACTIVITIES		<u>702,515</u>	<u>8,456</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,694	41,359
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES			
		2,123	(171)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>58,007</u>	<u>16,819</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		<u><u>67,824</u></u>	<u><u>58,007</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2007

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRS”)

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions ³
HK(IFRIC) – INT 12	Service concession arrangements ⁴
HK(IFRIC) – INT 13	Customer loyalty programmes ⁵
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ⁴

¹ Effective for accounting periods beginning on or after 1st January, 2009.

² Effective for accounting periods beginning on or after 1st July, 2009.

³ Effective for accounting periods beginning on or after 1st March, 2007.

⁴ Effective for accounting periods beginning on or after 1st January, 2008.

⁵ Effective for accounting periods beginning on or after 1st July, 2008.

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group except for the adoption of HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidation and Separate Financial Statements. HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. Significant accounting policies

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

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

Basis of consolidation

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

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

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

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

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

Revenue recognition

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

Trading of securities is recognised on trade date basis when the relevant contracts are executed.

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

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

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

Investment properties

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

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

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Interests in associates

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

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

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

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

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

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Prepaid lease payments

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

Financial instruments

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points 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.

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Available-for-sale financial assets

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

Impairment of financial assets

Financial assets, other than investments held for trading, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been 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;
- 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, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

A financial liability is classified as held for trading if:

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

Other financial liabilities

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

Equity instruments

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

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.

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.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment losses

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

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

Taxation

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

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

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

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

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

Borrowing costs

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

Leases

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

Retirement benefits scheme

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

Foreign currencies

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

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

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

4. Key sources of estimation uncertainty

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

Income taxes

As at 31st December, 2007, no deferred tax asset has been recognised in the Group's consolidated balance sheet in relation to the estimated unused tax losses and deductible temporary differences of approximately HK\$744 million (2006: HK\$1,235 million) and HK\$9.4 million (2006: HK\$34 million) respectively. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

5. Financial instruments***Capital risk management***

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

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

Categories of financial instruments

	2007 HK\$'000	2006 HK\$'000
Financial assets		
Investments held for trading	3,617,216	1,690,510
Loans and receivables (including cash and cash equivalents)	345,722	214,606
Available-for-sale financial assets	<u>859,724</u>	<u>557,375</u>
Financial liabilities		
Amortised cost	952,574	217,736
Financial liabilities held for trading	<u>4,874</u>	<u>–</u>

Financial risk management objectives and policies

The Group's major financial instruments include equity investments, loan notes, convertible bonds, loan receivables, debtors, creditors, other borrowings and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

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

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

	Assets		Liabilities	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
United States Dollars ("USD")	130,921	80,225	11,014	–
Renminbi ("RMB")	<u>107,221</u>	<u>81,512</u>	<u>–</u>	<u>–</u>

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against RMB and all other variables were held constant. 5% is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts its translation at the year end for a 5% change in RMB rates. A positive number below indicates an increase in profit for the year where RMB strengthen 5% against HKD. For a 5% weakening of RMB against HKD there would be an equal and opposite impact on the profit for the year.

	2007 HK\$'000	2006 HK\$'000
Increase in profit for the year	<u>5,361</u>	<u>4,075</u>

Price risk

(i) Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments and investments held for trading. The management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

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

- profit for the year ended 31st December, 2007 increase/decrease by HK\$180,861,000 (2006: increase/decrease by HK\$84,526,000) as a result of the changes in fair value of held-for-trading investments; and
- investment revaluation reserve would increase/decrease by HK\$41,088,000 (2006: increase/decrease by HK\$26,805,000) for the Group as a result of the changes in fair value of available-for-sale investments.

(ii) Foreign currencies risk on non-monetary items

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 15% of the Group's securities trading are denominated in currencies other than the functional currency of the group entity.

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	66,740	20,737
Australian Dollars	186,330	482,620
Malaysian Ringgit	97,483	57,701
New Taiwan Dollars	263,909	115,607
	<u>263,909</u>	<u>115,607</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis. As HKD is pegged to USD, the Group does not expect any significant movements in the USD/HKD exchange rate. 5% is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit for the year where foreign currencies strengthen 5% against HKD. For a 5% weakening of foreign currencies against HKD there would be an equal and opposite impact on the profit for the year and the investment revaluation reserve.

	2007 HK\$'000	2006 HK\$'000
Increase in profit for the year	14,191	27,016
Increase in investment revaluation reserve for the year	<u>13,195</u>	<u>5,780</u>

Interest rate risk

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

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

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 interest rate arising from the Group's variable-rate loan receivables and variable-rate other borrowings.

If the interest rate of loan receivables and other borrowings had been 100 basis point higher/lower, the Group's profit would decrease/increase by HK\$9,168,000 (2006: HK\$1,679,000). This is mainly attributable to the increase in loan receivables and other borrowings.

Credit risk

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

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at 31st December, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's bank balances are deposited with banks of high credit ratings in Hong Kong.

The Group has significant concentration of credit risk on loan notes, convertible bonds and loan receivables as the credit risk on loan rates, convertible bonds and loan receivables are mainly attributable from certain limited counterparties. Other than these, there is no significant concentration of credit risk in trade debtors as the exposure spread over a number of counter-parties and customers.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. For derivative financial instruments, the Group has approximately HK\$81,689,000 contractual cash outflow in return with listed securities within 1 year.

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

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at year end HK\$'000
As at 31st December, 2007							
Non-derivative financial liabilities							
Creditors	-	-	29,826	380	3,530	33,736	33,736
Other borrowings	prime rate						
- variable rates	plus spread	918,838	-	-	-	918,838	918,838
		<u>918,838</u>	<u>29,826</u>	<u>380</u>	<u>3,530</u>	<u>952,574</u>	<u>952,574</u>
As at 31st December, 2006							
Non-derivative financial liabilities							
Creditors	-	-	14,762	400	32,474	47,636	47,636
Other borrowings	prime rate						
- variable rates	plus spread	170,100	-	-	-	170,100	170,100
		<u>170,100</u>	<u>14,762</u>	<u>400</u>	<u>32,474</u>	<u>217,736</u>	<u>217,736</u>

Fair value

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and the fair values of the unit trusts have been determined by reference to the published price quotations;
- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates as input; and
- for the option derivative, the fair value is estimated using option pricing model (for example, the binomial model).

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

6. Revenue (excluding securities trading)

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from listed investments	36,512	17,717
Interest income from loan receivables	14,023	9,071
Rental income	4,780	3,801
	<u>55,315</u>	<u>30,589</u>

7. Business and geographical information***Business segments***

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

The Group was also involved in the business of mobile phone distribution which was discontinued on 31st March, 2007 (*see note 13*).

Segment information about these businesses is presented below:

For the year ended 31st December, 2007

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

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	Securities trading and investments	Financial services	Property investment	Consolidated			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>			
Consolidated balance sheet							
<i>Assets</i>							
Segment assets	4,564,299	174,253	115,722	4,854,274			
Interests in associates				368,297			
Unallocated corporate assets				<u>88,680</u>			
Consolidated total assets				<u><u>5,311,251</u></u>			
<i>Liabilities</i>							
Segment liabilities	955,935	15,861	2,301	974,097			
Unallocated corporate liabilities				<u>232,835</u>			
Consolidated total liabilities				<u><u>1,206,932</u></u>			
	<u>Continuing operations</u>			<u>Discontinued operation</u>			
	<u>Securities trading and investments</u>	<u>Financial services</u>	<u>Property investment</u>	<u>Total</u>	<u>Mobile phone distribution</u>	<u>Unallocated</u>	<u>Consolidated</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other information							
Capital expenditure	-	-	-	-	-	95	95
Depreciation	-	-	139	139	18	127	284
Loss on disposal of property, plant and equipment	-	-	-	-	293	-	293
Reversal of write-down of inventories	-	-	-	-	(571)	-	(571)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571)</u>	<u>-</u>	<u>(571)</u>

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For the year ended 31st December, 2006

	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Securities trading and investments	Financial services	Property investment	Total	Mobile phone distribution	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Gross proceeds from sale of investments held for trading	1,132,153	–	–	1,132,153	–	1,132,153
Revenue	17,717	9,071	3,801	30,589	67,098	97,687
<i>Result</i>						
Segment result	835,379	8,832	9,081	853,292	(4,856)	848,436
Gain on disposal of an associate				1,740	–	1,740
Revaluation surplus on buildings				387	–	387
Unallocated other income				2,322	148	2,470
Unallocated corporate expenses				(58,092)	–	(58,092)
Finance costs				(10,895)	(2)	(10,897)
Profit before taxation				788,754	(4,710)	784,044
Taxation				(11,432)	(95)	(11,527)
Profit for the year				777,322	(4,805)	772,517
	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Securities trading and investments	Financial services	Property investment	Total	Mobile phone distribution	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Consolidated balance sheet						
<i>Assets</i>						
Segment assets	2,332,833	127,585	88,529	2,548,947	10,232	2,559,179
Assets classified as held for sale	–	–	134,419	134,419	–	134,419
Unallocated corporate assets						54,860
Consolidated total assets						2,748,458
<i>Liabilities</i>						
Segment liabilities	215,280	2,658	11,138	229,076	5,083	234,159
Liabilities associated with assets classified as held for sale	–	–	60,044	60,044	–	60,044
Unallocated corporate liabilities						38,361
Consolidated total liabilities						332,564

	Continuing operations			Discontinued operation		Unallocated HK\$'000	Consolidated HK\$'000
	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Total HK\$'000	Mobile phone distribution HK\$'000		
Other information							
Capital expenditure	-	-	19,114	19,114	89	12	19,215
Depreciation	-	-	141	141	92	156	389
Write-down of inventories	-	-	-	-	1,070	-	1,070
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,070</u>	<u>-</u>	<u>1,070</u>

Geographical segments

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

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

The following table provides an analysis of the Group's revenue by geographical market:

	Revenue from continuing operations by geographical market	
	2007 HK\$'000	2006 HK\$'000
Hong Kong	52,754	28,651
The PRC	2,561	1,938
	<u>55,315</u>	<u>30,589</u>

Revenue from the Group's discontinued distribution of mobile phone was derived principally from Hong Kong (2007: HK\$7,681,000, 2006: HK\$67,098,000).

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

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	At	At	Year ended	Year ended
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,817,114	2,490,594	95	19,215
The PRC	37,160	68,585	–	–
	<u>4,854,274</u>	<u>2,559,179</u>	<u>95</u>	<u>19,215</u>

8. Net gain on investments

	2007	2006
	HK\$'000	HK\$'000
Change in fair value of investments held for trading (<i>Note a</i>)	1,579,182	777,369
Change in fair value of derivative financial instruments (<i>Note b</i>)	(17,716)	1,594
Net (loss) gain on disposal of available-for-sale investments	(596)	26,268
Discount on early redemption of loan notes (<i>Note c</i>)	–	(3,962)
	<u>1,560,870</u>	<u>801,269</u>

Notes:

- (a) Included in change in fair value of investments held for trading, approximately HK\$319,703,000 (2006: HK\$337,871,000) represented net realised gain on disposal of investments held for trading.
- (b) Included in change in fair value of derivative financial instruments, approximately HK\$12,842,000 (2006: gain of HK\$1,594,000) represented net realised loss on derivatives.
- (c) During the year ended 31st December, 2006, Allied Group Limited, the issuer of the loan notes, early redeemed all of the loan notes at HK\$43,465,000 with a discount on early redemption of HK\$3,962,000 at the request of the Group. The net redemption proceed was HK\$39,503,000.

9. Other income

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from:						
– Loan notes	4,036	9,287	–	–	4,036	9,287
– Bank deposits	982	1,264	47	148	1,029	1,412
– Others	4,995	314	–	–	4,995	314
	<u>10,013</u>	<u>10,865</u>	<u>47</u>	<u>148</u>	<u>10,060</u>	<u>11,013</u>
Net exchange gain	9,538	10,668	–	–	9,538	10,668
Others	5,392	764	539	–	5,931	764
	<u>24,943</u>	<u>22,297</u>	<u>586</u>	<u>148</u>	<u>25,529</u>	<u>22,445</u>

10. Finance costs

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

11. Directors' emoluments and five highest paid individuals

Directors' emoluments

The Directors' emoluments are analysed as follows:

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

For the year ended 31st December, 2006					
	Directors' fees	Salaries and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total emoluments
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors					
Ms. Chong Sok Un	–	455	42,000	12	42,467
Dato' Wong Peng Chong	–	1,300	200	12	1,512
Mr. Kong Muk Yin	–	920	160	12	1,092
Independent Non-executive Directors					
Mr. Lo Wai On	180	–	–	–	180
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Yu Qi Hao	80	–	–	–	80
Mr. Zhang Jian	–	–	–	–	–
	<u>440</u>	<u>2,675</u>	<u>42,360</u>	<u>36</u>	<u>45,511</u>

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

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

Five highest paid individuals

During the year, the five highest paid individuals included three Directors (2006: three), details of their emoluments are set out above. The emoluments for the remaining two (2006: two) highest paid individuals of the Group are as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	1,000	1,325
Retirement benefits scheme contributions	<u>24</u>	<u>24</u>
	<u><u>1,024</u></u>	<u><u>1,349</u></u>

The emoluments are within the following bands:

	2007	2006
	Number of employees	Number of employees
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>

12. Taxation

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:						
Profits Tax in Hong Kong	172,005	11,247	27	95	172,032	11,342
Enterprise income tax in the PRC	<u>3,868</u>	<u>185</u>	<u>–</u>	<u>–</u>	<u>3,868</u>	<u>185</u>
	<u>175,873</u>	<u>11,432</u>	<u>27</u>	<u>95</u>	<u>175,900</u>	<u>11,527</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

Enterprise income tax in the PRC is calculated at 33.3% of estimated assessable profit for both years except for the subsidiary which is eligible for certain tax holidays and concessions on the PRC income tax.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1st January, 2008.

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The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before taxation		
– Continuing operations	1,560,048	788,754
– Discontinued operation	<u>(1,501)</u>	<u>(4,710)</u>
	<u>1,558,547</u>	<u>784,044</u>
Tax at the income tax rate of 17.5%	272,746	137,208
Tax effect of share of losses of associates	716	–
Tax effect of expenses that are not deductible	12,885	10,479
Tax effect of income that is not taxable	(16,823)	(82,438)
Utilisation of tax losses/deductible temporary differences previously not recognised	(98,328)	(54,539)
Tax effect of tax losses not recognised	5,364	989
Effect of different tax rates of subsidiaries operating in other jurisdictions	119	83
Others	<u>(779)</u>	<u>(255)</u>
Taxation	<u>175,900</u>	<u>11,527</u>

13. Discontinued operation

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

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

	Period ended 31.3.2007 <i>HK\$'000</i>	Year ended 31.12.2006 <i>HK\$'000</i>
Turnover	7,681	67,098
Cost of sales	(7,501)	(64,423)
Other income	586	148
Distribution expenses	(1,050)	(4,655)
Administrative and other expenses	(1,217)	(2,876)
Finance costs	—	(2)
	<hr/>	<hr/>
Loss before taxation	(1,501)	(4,710)
Taxation	(27)	(95)
	<hr/>	<hr/>
Loss for the period/year	<u>(1,528)</u>	<u>(4,805)</u>

During the period from 1st January, 2007 to 31st March, 2007, the business operation of mobile phone distribution paid HK\$4,009,000 (1.1.2006 to 31.12.2006: HK\$5,123,000) to the Group's net operating cash flows, received HK\$47,000 (1.1.2006 to 31.12.2006: HK\$23,000) in respect of investing activities and paid HK\$11,397,000 (1.1.2006 to 31.12.2006: received HK\$8,003,000) in respect of financing activities.

14. Profit for the year

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging (crediting):						
Auditor's remuneration	1,402	1,020	-	-	1,402	1,020
Cost of inventories recognised as expenses	-	-	7,855	62,847	7,855	62,847
Amortisation of prepaid lease payments	25	59	-	-	25	59
Depreciation of property, plant and equipment	266	297	18	92	284	389
(Reversal of) write-down of inventories	-	-	(571)	1,070	(571)	1,070
Loss on disposal of property, plant and equipment	-	-	293	-	293	-
Staff costs, inclusive of directors' emoluments	61,784	48,948	944	3,612	62,728	52,560
Gross rental income from properties	(4,780)	(3,801)	-	-	(4,780)	(3,801)
Less: Direct operating expenses that generated rental income	1,423	1,535	-	-	1,423	1,535
Direct operating expenses that did not generate rental income	22	41	-	-	22	41
Net rental income	<u>(3,335)</u>	<u>(2,225)</u>	<u>-</u>	<u>-</u>	<u>(3,335)</u>	<u>(2,225)</u>

15. Dividends

	2007	2006
	HK\$'000	HK\$'000
Dividends recognised as distribution during the year:		
Interim dividend, paid – HK\$0.01 per share (2006: HK\$0.01)	2,762	2,855
2006 Final dividend paid – HK\$0.04 per share	11,084	-
2005 Final dividend paid – HK\$0.04 per share	-	11,425
	<u>13,846</u>	<u>14,280</u>

The final dividend of HK\$0.04 per share for the year ended 31st December, 2007 has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

16. Earnings per share

From continuing and discontinued operations

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic earnings per share (Profit for the year attributable to equity holders of the Company)	<u>1,378,824</u>	<u>772,468</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>278,496,620</u>	<u>289,070,361</u>

No diluted earnings per share have been presented as there were no potential ordinary shares issued in both years.

From continuing operations

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the year attributable to equity holders of the Company	1,378,824	772,468
<i>Add:</i> Loss for the period from discontinued operation	<u>1,528</u>	<u>4,805</u>
Earnings for the purposes of basic earnings per share from continuing operations	<u><u>1,380,352</u></u>	<u><u>777,273</u></u>

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

From discontinued operation

Basic loss per share for the discontinued operation is HK\$0.005 per share (2006: HK\$0.017 per share). The calculation of the basic loss per share was based on the loss for the period from the discontinued operation of HK\$1,528,000 (2006: loss for the year of HK\$4,805,000) attributable to the ordinary equity holders of the Company and the denominators detailed above for basic earnings per share.

17. Investment properties

HK\$'000

FAIR VALUE

At 1st January, 2006	136,526
Exchange adjustments	321
Addition	19,114
Investment property classified as held for sale (<i>note 28</i>)	(80,953)
Transfer from building	780
Transfer to building	(1,055)
Gain on fair value change for the year	<u>6,856</u>
At 31st December, 2006	81,589
Transfer from prepaid lease payments	4,640
Transfer from building	1,098
Gain on fair value change for the year	<u>23,598</u>
At 31st December, 2007	<u><u>110,925</u></u>

The Group's investment properties are analysed as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held under medium term leases:		
– in Hong Kong	73,765	53,559
– in the PRC	33,350	24,950
Properties situated in the PRC held under long leases	<u>3,810</u>	<u>3,080</u>
	<u><u>110,925</u></u>	<u><u>81,589</u></u>

The fair value of the Group's investment properties at 31st December, 2007 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the institute of valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

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

18. Property, plant and equipment

	Construction in progress <i>HK\$'000</i>	Buildings in Hong Kong under medium-term lease <i>HK\$'000</i>	Computer and electronic equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST OR VALUATION						
At 1st January, 2006	47,697	3,320	2,185	3,109	501	56,812
Exchange adjustment	349	–	–	–	–	349
Additions	–	–	100	1	–	101
Revaluation increase	–	510	–	–	–	510
Transfer from investment properties	–	1,055	–	–	–	1,055
Transfer to investment properties	–	(780)	–	–	–	(780)
Assets as held for sale (<i>note 28</i>)	(48,046)	–	–	–	–	(48,046)
At 1st January, 2007	–	4,105	2,285	3,110	501	10,001
Additions	–	–	35	60	–	95
Disposals	–	–	(1,571)	(1,491)	–	(3,062)
Revaluation increase	–	579	–	–	–	579
Transfer to investment properties	–	(1,098)	–	–	–	(1,098)
At 31st December, 2007	–	3,586	749	1,679	501	6,515
Comprising:						
At cost	–	–	749	1,679	501	2,929
At valuation – 2007	–	3,586	–	–	–	3,586
	–	3,586	749	1,679	501	6,515
DEPRECIATION						
At 1st January, 2006	–	–	1,945	2,541	501	4,987
Provided for the year	–	87	139	163	–	389
Eliminated on revaluation	–	(87)	–	–	–	(87)
At 1st January, 2007	–	–	2,084	2,704	501	5,289
Provided for the year	–	85	67	132	–	284
Eliminated on disposals	–	–	(1,455)	(1,314)	–	(2,769)
Eliminated on revaluation	–	(85)	–	–	–	(85)
At 31st December, 2007	–	–	696	1,522	501	2,719
CARRYING VALUES						
At 31st December, 2007	–	3,586	53	157	–	3,796
At 31st December, 2006	–	4,105	201	406	–	4,712

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

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

The buildings of the Group were valued on 31st December, 2007 by DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers, on a market value basis. DTZ Debenham Tie Leung Limited is not connected with the Group. The revaluation surplus on buildings of HK\$664,000 (2006: HK\$597,000) has been credited to the consolidated income statement and to the building revaluation reserve of HK\$144,000 (2006: HK\$387,000) and HK\$520,000 (2006: HK\$210,000) respectively.

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK\$1,360,000 (2006: HK\$2,156,000).

19. Prepaid lease payments

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

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

20. Interests in associates

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cost of investments in associates		
Listed in Hong Kong	184,640	–
Unlisted	181,807	–
Share of post-acquisition losses and reserves, net of dividends received	1,850	–
	<u>368,297</u>	<u>–</u>
Fair value of listed investments	<u>534,218</u>	<u>–</u>

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

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

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

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

On 20th September, 2007, the Group further acquired 0.14% equity interest in SAC in open market at a consideration of approximately HK\$3,914,000. At the balance sheet date, the total number of SAC shares held by the Group was 197,858,680.

Included in the cost of interests in associates is goodwill of HK\$228,509,000 arising on acquisitions of associates during the year.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Total assets	1,284,974	–
Total liabilities	<u>(838,021)</u>	<u>–</u>
Net assets	<u>446,953</u>	<u>–</u>
Group's share of net assets of associates	<u>140,538</u>	<u>–</u>
Revenue	<u>434,300</u>	<u>–</u>
Losses since acquisition dates of relevant associates	<u>(16,569)</u>	<u>–</u>
Group's share of losses of associates for the year	<u>(4,094)</u>	<u>–</u>

21. Available-for-sale investments

Available-for-sale investments comprise:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Listed investments:		
– Equity securities listed in Hong Kong	557,853	420,503
– Equity securities listed elsewhere (<i>Note</i>)	<u>263,909</u>	<u>115,607</u>
	<u>821,762</u>	<u>536,110</u>
Unlisted investments:		
– Unit trusts	37,284	20,737
– Club debentures	<u>678</u>	<u>528</u>
	<u>37,962</u>	<u>21,265</u>
Total	<u><u>859,724</u></u>	<u><u>557,375</u></u>
Analysed for reporting purposes as:		
Current assets	9,801	–
Non-current assets	<u>849,923</u>	<u>557,375</u>
	<u><u>859,724</u></u>	<u><u>557,375</u></u>

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

22. Loan notes

The loan notes were issued by Sun Hung Kai & Co. Limited (“SHK”). The loan notes bear interest at 4% per annum (effective interest rate: 7.9%) with maturity date on 7th March, 2008 and are redeemable by SHK if specifically agreed by both parties.

23. Convertible bonds

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Unlisted debt securities	–	6,626

During the year ended 31st December, 2007, the bonds issuer redeemed all of its bonds.

24. Investments held for trading

Investments held for trading include:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Listed securities:		
– Equity securities listed in Hong Kong	3,294,145	1,150,189
– Equity securities listed elsewhere (<i>Note</i>)	323,071	540,321
	<u>3,617,216</u>	<u>1,690,510</u>

As at 31st December, 2007, particulars of the Group's investments in the equity securities which exceed 10% of the assets of the Group disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of incorporation	Class of shares	Number of shares held by the Group	Percentage of issued share capital held by the Group
Allied Properties (H.K.) Limited	Hong Kong	Ordinary	336,664,000	6.0%
Allied Group Limited	Hong Kong	Ordinary	14,246,494	5.8%
Sun Hung Kai & Co. Limited	Hong Kong	Ordinary	93,997,265	5.6%
APAC Resources Limited	Hong Kong	Ordinary	598,120,000	12.7%

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

25. Debtors, deposits and prepayments

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

The following is an aged analysis of trade debtors:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 90 days	1,992	6,150
91 – 180 days	–	992
181 – 360 days	–	258
	<u>1,992</u>	<u>7,400</u>
Other debtors, deposits and prepayments	39,292	26,308
	<u>41,284</u>	<u>33,708</u>

There is no allowance for doubtful debts in both years.

26. Loan receivables

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Fixed-rate loan	172,015	121,380
Variable-rate loan	2,000	2,218
	<u>174,015</u>	<u>123,598</u>

In determining the recoverability of the loan receivables, the Group considers each loan receivable based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

The average interest rate for the fixed-rate loan receivables was approximately 10% (2006: 11%) per annum.

The contracted interest rates of the variable-rate loan receivables denominated in Hong Kong dollars range from The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) prime rate to HSBC prime rate plus 2% with effective interest rate of 8% (2006: 10%). Interest is normally repriced every six months.

The loan receivables with a carrying amount of HK\$143,415,000 (2006: HK\$82,102,000) are secured by certain deposits and unlisted securities which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

27. Pledged bank deposits and bank balances

Bank balances carry interest at market rates which range from 2% to 5.25% (2006: 2.75% to 4.60%).

The pledged bank deposits represent deposit pledged to banks to secure banking facilities granted to the Group and carry fixed interest rate range from 1% to 3.40%.

28. Disposal group classified as held for sale

On 23rd March, 2006, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose of and the independent third party agreed to purchase the entire 75% equity interest in 深圳市天利安實業發展有限(「天利安」), a non-wholly owned subsidiary of the Company, together with the amount due from a minority shareholder at an aggregate consideration of RMB99,900,000 (equivalent to HK\$99,900,000). The consideration was finalised to RMB102,550,000 (equivalent to HK\$101,357,000). The assets and liabilities related to 天利安, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet as at 31st December, 2006. The transaction was completed on 3rd April, 2007.

The major classes of assets and liabilities associated with the disposal group classified as held for sale are as follows:

	31.12.2006
	<i>HK\$'000</i>
Investment property	80,953
Property, plant and equipment	48,046
Debtors, deposits and prepayments	615
Amount due from a minority shareholder	<u>4,805</u>
Total assets classified as held for sale	<u><u>134,419</u></u>
Creditors and accrued charges	24,616
Deposit received	30,027
Deferred tax liability	5,391
Taxation payable	<u>10</u>
Liabilities associated with assets classified as held for sale	<u><u>60,044</u></u>

29. Creditors and accrued charges

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

An aged analysis of trade creditors is as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors due within 90 days	29,778	14,684
Other creditors and accrued charges	<u>68,217</u>	<u>40,796</u>
	<u><u>97,995</u></u>	<u><u>55,480</u></u>

30. Other borrowings

Other borrowings represent securities margin financing received from stock broking, futures and options broking house and were secured by certain collateral of the Group as disclosed in note 34. Additional funds or collateral are required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the broking house. The collateral can be sold at the broking house's discretion to settle any outstanding borrowings owed by the Group. The entire borrowings are secured by the Group's marketable securities, repayable on demand and bear variable interest ranging from 3.4% to 8.0% (2006: 4.35% to 8.25%).

31. Derivative financial instruments

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

The fair value of derivative financial instruments is determined based on market values provided by the counterparty financial institutions.

32. Share capital

	Number of shares		Value	
	2007	2006	2007 HK\$'000	2006 HK\$'000
Ordinary shares of HK\$0.01 each				
<i>Authorised:</i>				
At beginning and end of the year	<u>30,000,000,000</u>	<u>30,000,000,000</u>	<u>300,000</u>	<u>300,000</u>
<i>Issued and fully paid:</i>				
At beginning of the year	282,883,547	297,479,547	2,829	2,975
Repurchase of shares	<u>(6,700,000)</u>	<u>(14,596,000)</u>	<u>(67)</u>	<u>(146)</u>
At end of the year	<u>276,183,547</u>	<u>282,883,547</u>	<u>2,762</u>	<u>2,829</u>

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During the year, the Company repurchased its own shares through the Stock Exchange as follows:

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

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

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

33. Deferred taxation

	Revaluation of properties	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2006	322	(322)	–
Charge (credit) to consolidated income statement for the year	95	(95)	–
At 31st December, 2006	417	(417)	–
Charge (credit) to consolidated income statement for the year	2,672	(2,672)	–
At 31st December, 2007	3,089	(3,089)	–

At 31st December, 2007, the Group has estimated unused tax losses of approximately HK\$744 million (2006: HK\$1,235 million), for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$17.6 million (2006: HK\$2.4 million) of such losses. No deferred tax asset has been recognised in respect of remaining estimated tax losses of HK\$726.4 million (2006: HK\$1,232.6 million) due to the unpredictability of future profit streams. These estimated tax losses may be carried forward indefinitely.

The Group has deductible temporary differences of approximately HK\$9.4 million (2006: HK\$34 million). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

34. Pledge of assets

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Investment properties	33,300	26,640
Investments held for trading	3,121,898	1,210,235
Available-for-sale investments	460,628	115,607
Securities brokers house deposits	–	196
Pledged bank deposits	10,718	–
	<u>3,626,544</u>	<u>1,352,678</u>

35. Lease commitments*The Group as lessee*

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Minimum lease payments paid under operating leases in respect of premises	<u>1,920</u>	<u>1,951</u>

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within one year	1,966	875
In the second to fifth year inclusive	<u>4,587</u>	–
	<u>6,553</u>	<u>875</u>

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

The Group as lessor

Property rental income earned during the year was approximately HK\$4,780,000 (2006: HK\$3,801,000). The properties held have committed tenants for a lease term of two years.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within one year	3,293	3,778
In the second to fifth year inclusive	472	2,739
	<u>3,765</u>	<u>6,517</u>

36. Retirement benefits schemes

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

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

As at 31st December, 2007, forfeited contributions was HK\$419,000 (2006: Nil), which arose upon employees leaving the scheme and which were available to reduce the contributions payable by the Group in future years.

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

During the year, the retirement benefits scheme contributions charged to consolidated income statement were HK\$157,000 (2006: HK\$270,000).

37. Related party transactions

Compensation of key management personnel

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term employee benefits	60,315	46,800
Retirement benefits costs	60	60
	<u>60,375</u>	<u>46,860</u>

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

38. Disposal of a subsidiary

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

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

The assets and liabilities related to this subsidiary have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet as at 31st December, 2006.

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

39. Particulars of principal subsidiaries

Particulars of the principal subsidiaries as at 31st December, 2007 are as follows:

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

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Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Forepower Limited	The British Virgin Islands	Ordinary US\$1	100%	Property investment in Hong Kong
Future Rise Investments Limited	The British Virgin Islands	Ordinary US\$1	100%	Securities trading in overseas
Genwo Limited	Hong Kong	Ordinary HK\$200,000	100%	Property investment
Gold Chopsticks Limited	The British Virgin Islands	Ordinary US\$1	100%	Investment holding
Honest Opportunity Limited	The British Virgin Islands	Ordinary US\$1	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK\$2	100%	Money lending
Keetime Investments Limited	The British Virgin Islands	Ordinary US\$2	50%	Securities trading in Hong Kong
Kintic Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Konnix Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Rich Investments Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Sinway Limited	Hong Kong	Ordinary HK\$2	100%	Mobile handsets distribution
Sparkling Summer Limited	The British Virgin Islands	Ordinary US\$6,500,000	100%	Securities trading in Hong Kong and overseas
Star Charter Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Star Telecom (China Investment) Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding

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Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Star Telecom Holding Limited	Hong Kong	Ordinary HK\$200 Deferred# HK\$4,000,000	100%	Investment holding
Star Telecom Limited	Hong Kong	Ordinary HK\$3,000,000	100%	Mobile handsets distribution
Star Telecom Properties Limited	Hong Kong	Ordinary HK\$200	100%	Investment and property holding
Taskwell Limited	The British Virgin Islands	Ordinary US\$1	100%	Investment holding
Tricom Tianchi Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Vinka Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Widerich Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
星電電子技術發展(深圳) 有限公司*	The PRC	Registered HK\$1,000,000	100%	Research and development for computer software and relevant technical consultancy services

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

* *Wholly foreign-owned enterprise.*

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

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

None of the subsidiaries had any debts securities subsisting at 31st December, 2007 or at any time during the year.

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTH ENDED 30TH JUNE, 2008

The following is the unaudited condensed consolidated financial statements and notes to the financial statements of the Group for the six months ended 30th June, 2008 extracted from the 2008 interim report of the Company:

The unaudited condensed consolidated financial statements have not been audited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Company's Audit Committee. There were no other exceptional items or extraordinary items of the Group for the six months period ended 30th June, 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended	
		30.6.2008 <i>HK\$'000</i> (unaudited)	30.6.2007 <i>HK\$'000</i> (unaudited)
Revenue (excluding securities trading)		13,939	15,561
Gross proceeds from sales of investments held for trading		169,423	1,100,144
Total		183,362	1,115,705
Rental income		2,056	2,294
Dividend income from listed investments		4,192	6,770
Interest income from loan receivables		7,691	6,497
Net (loss) gain on investments	4	(1,504,066)	572,584
Other income		5,375	15,494
Administrative expenses		(9,187)	(8,223)
Finance costs	5	(25,265)	(8,994)
Fair value changes on investment properties	17	–	14,707
Share of (losses) profits of associates		(6,243)	609
(Loss) profit before taxation		(1,525,447)	601,738
Taxation	6	(1,413)	(62,769)
(Loss) profit from continuing operations		(1,526,860)	538,969
Discontinued operation: Loss for the period from discontinued operation	7	–	(1,548)
(Loss) profit for the period	8	(1,526,860)	537,421

	<i>Notes</i>	Six months ended	
		30.6.2008	30.6.2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Attributable to:			
Equity holders of the Company		(1,528,615)	528,424
Minority interests		1,755	8,997
		<u>(1,526,860)</u>	<u>537,421</u>
Dividends recognised as distribution	9	<u>11,047</u>	<u>11,084</u>
(Loss) earnings per share	10		
From continuing and discontinued operations			
– Basic		<u>(HK\$5.54)</u>	<u>HK\$1.88</u>
From continuing operations			
– Basic		<u>(HK\$5.54)</u>	<u>HK\$1.89</u>
Dividends per share		<u>–</u>	<u>HK\$0.01</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30.6.2008 <i>HK\$'000</i> (unaudited)	As at 31.12.2007 <i>HK\$'000</i> (audited)
Non-current assets			
Investment properties	<i>11</i>	113,299	110,925
Property, plant and equipment	<i>11</i>	2,998	3,796
Prepaid lease payments		55	1,001
Interest in associates		371,407	368,297
Available-for-sale investments		588,245	849,923
		<u>1,076,004</u>	<u>1,333,942</u>
Current assets			
Available-for-sale investments		–	9,801
Loan notes		–	52,401
Investments held for trading		2,241,189	3,617,216
Debtors, deposits and prepayments	<i>12</i>	71,356	41,284
Loan receivables		164,877	174,015
Tax recoverable		4,050	4,050
Pledged bank deposits		8,845	10,718
Bank balances and cash		48,769	67,824
		<u>2,539,086</u>	<u>3,977,309</u>
Current liabilities			
Creditors and accrued charges	<i>13</i>	99,786	97,995
Customers' deposits and receipts in advance		34,934	14,192
Other borrowings	<i>14</i>	1,000,116	918,838
Derivative financial instruments		25,702	4,874
Taxation payable		170,974	171,033
		<u>1,331,512</u>	<u>1,206,932</u>
Net current assets		<u>1,207,574</u>	<u>2,770,377</u>
Total assets less current liabilities		<u><u>2,283,578</u></u>	<u><u>4,104,319</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		As at 30.6.2008	As at 31.12.2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Capital and reserves			
Share capital	<i>15</i>	2,760	2,762
Reserves		<u>2,275,191</u>	<u>4,097,685</u>
Equity attributable to equity holders of the Company		2,277,951	4,100,447
Minority interests		<u>5,627</u>	<u>3,872</u>
Total equity		<u><u>2,283,578</u></u>	<u><u>4,104,319</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2008

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Buildings revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2007 (audited)	2,829	625,061	1,274	432,100	2,111	969	1,334,703	2,399,047	16,847	2,415,894
Fair value changes on available-for-sale investments	-	-	-	32,111	-	-	-	32,111	-	32,111
Exchange difference arising from translation of foreign operations	-	-	-	-	-	1,462	-	1,462	-	1,462
Net income recognised directly in equity	-	-	-	32,111	-	1,462	-	33,573	-	33,573
Realised upon disposal of available-for-sale investments	-	-	-	596	-	-	-	596	-	596
Profit for the period	-	-	-	-	-	-	528,424	528,424	8,997	537,421
Total recognised income and expense for the period	-	-	-	32,707	-	1,462	528,424	562,593	8,997	571,590
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(16,798)	(16,798)
Reversed previously recognised changes in fair value of investments held for trading	-	-	-	-	-	-	68,266	68,266	-	68,266
Changes in equity of an associate on previously held interest	-	-	-	-	-	-	(74)	(74)	-	(74)
Repurchase of shares	(63)	(29,027)	-	-	63	-	(63)	(29,090)	-	(29,090)
Dividends paid	-	-	-	-	-	-	(11,084)	(11,084)	-	(11,084)
At 30th June, 2007 (unaudited)	2,766	596,034	1,274	464,807	2,174	2,431	1,920,172	2,989,658	9,046	2,998,704
At 1st January, 2008 (audited)	2,762	592,751	5,036	720,879	2,178	9,036	2,767,805	4,100,447	3,872	4,104,319
Fair value changes on available-for-sale investments	-	-	-	(292,814)	-	-	-	(292,814)	-	(292,814)
Share of changes in equity of associates	-	-	-	-	-	9,353	-	9,353	-	9,353
Exchange difference arising from translation of foreign operations	-	-	-	-	-	3,712	-	3,712	-	3,712
Net income and expenses recognised directly in equity	-	-	-	(292,814)	-	13,065	-	(279,749)	-	(279,749)
Realised upon disposal of available-for-sale investments	-	-	-	(2,104)	-	-	-	(2,104)	-	(2,104)
(Loss) profit for the period	-	-	-	-	-	-	(1,528,615)	(1,528,615)	1,755	(1,526,860)
Total recognised income and expense for the period	-	-	-	(294,918)	-	13,065	(1,528,615)	(1,810,468)	1,755	(1,808,713)
Repurchase of shares	(2)	(981)	-	-	2	-	-	(981)	-	(981)
Dividends paid	-	-	-	-	-	-	(11,047)	(11,047)	-	(11,047)
At 30th June, 2008 (unaudited)	2,760	591,770	5,036	425,961	2,180	22,101	1,228,143	2,277,951	5,627	2,283,578

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2008

	Six months ended	
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
NET CASH USED IN		
OPERATING ACTIVITIES	<u>(139,416)</u>	<u>(265,928)</u>
INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale investments	9,864	1,434
Dividends received	4,192	6,770
Purchases of available-for-sale investments	(31,199)	–
Proceeds from redemption of loan notes	52,401	–
Other investing activities	<u>1,094</u>	<u>6,216</u>
NET CASH FROM INVESTING ACTIVITIES	<u>36,352</u>	<u>14,420</u>
FINANCING ACTIVITIES		
New other borrowings raised	1,153,111	1,721,041
Repayments of other borrowings	(1,071,833)	(1,446,805)
Repurchase of shares	<u>(981)</u>	<u>(29,090)</u>
NET CASH FROM FINANCING ACTIVITIES	<u>80,297</u>	<u>245,146</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,767)	(6,362)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	67,824	58,007
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	<u>3,712</u>	<u>1,462</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>48,769</u></u>	<u><u>53,107</u></u>

NOTES:-**1. Basis of preparation**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2008.

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 these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

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

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 13	Customer loyalty programmes ³
HK(IFRIC) – INT 15	Agreements for the construction of real estate ¹
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation ⁴

¹ Effective for accounting periods beginning on or after 1st January, 2009.

² Effective for accounting periods beginning on or after 1st July, 2009.

³ Effective for accounting periods beginning on or after 1st July, 2008.

⁴ Effective for accounting periods beginning on or after 1st October, 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new, revised and amended standards or interpretation will have no material impact on the results and financial position of the Group.

3. Business information

Business segments

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

The Group was engaged in mobile phone distribution. This operation was discontinued in the year 2007 (*see note 7*).

Segment information about these business is presented below:

For the six months ended 30th June, 2008

	Continuing operations			Consolidated <i>HK\$'000</i>
	Securities trading and investments <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	
Gross proceeds from sales of investments held for trading	<u>169,423</u>	<u>–</u>	<u>–</u>	<u>169,423</u>
Revenue	<u>4,192</u>	<u>7,691</u>	<u>2,056</u>	<u>13,939</u>
Segment result	<u>(1,500,311)</u>	<u>7,669</u>	<u>1,489</u>	(1,491,153)
Unallocated other income				4,940
Unallocated corporate expenses				(7,726)
Share of losses of associates				(6,243)
Finance costs				<u>(25,265)</u>
Loss before taxation				(1,525,447)
Taxation				<u>(1,413)</u>
Loss for the period				<u>(1,526,860)</u>

For the six months ended 30th June, 2007

	Continuing operations			Discontinued operation		Consolidated HK\$'000
	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Total HK\$'000	Mobile phone distribution HK\$'000	
Gross proceeds from sales of investments held for trading	1,100,144	–	–	1,100,144	–	1,100,144
Revenue	6,770	6,497	2,294	15,561	7,681	23,242
Segment result	582,157	6,492	16,354	605,003	(3,199)	601,804
Unallocated other income				12,929	1,678	14,607
Unallocated corporate expenses				(7,809)	–	(7,809)
Share of profits of an associate				609	–	609
Finance costs				(8,994)	–	(8,994)
Profit before taxation				601,738	(1,521)	600,217
Taxation				(62,769)	(27)	(62,796)
Profit for the period				538,969	(1,548)	537,421

4. Net (loss) gain on investments

	Six months ended	
	30.6.2008 HK\$'000	30.6.2007 HK\$'000
Change in fair value of investments held for trading (<i>Note a</i>)	(1,485,787)	580,546
Change in fair value of derivative financial instruments (<i>Note b</i>)	(20,383)	(7,366)
Net realised gain (loss) on disposal of available-for-sale investments	2,104	(596)
	<u>(1,504,066)</u>	<u>572,584</u>

Notes:

- (a) Included in change in fair value of investments held for trading, approximately HK\$3,939,000 (2007: gain of HK\$117,368,000) represented net realised loss on disposal of investments held for trading.
- (b) Included in change in fair value of derivative financial instruments, approximately HK\$425,000 (2007: loss of HK\$7,366,000) represented net realised gain on derivative financial instruments.

5. Finance costs

The finance costs represent interest on bank and other borrowings wholly repayable within five years.

6. Taxation

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The current tax comprises:						
Hong Kong Profits Tax	1,295	61,034	-	27	1,295	61,061
Enterprise income tax in the People's Republic of China (the "PRC")	118	1,735	-	-	118	1,735
	<u>1,413</u>	<u>62,769</u>	<u>-</u>	<u>27</u>	<u>1,413</u>	<u>62,796</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the six months ended 30th June, 2008. In June, 2008, the Hong Kong Profits Tax rate was decreased from 17.5% to 16.5% with effect from the year of assessment 2008/09. Deferred tax balances brought forward from the preceding year have been adjusted to reflect such decrease.

Enterprise income tax in the PRC is calculated at 25% (2007: 33%) of estimated assessable profit except for the subsidiary which is eligible for certain tax holidays and concessions on the PRC income tax. On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for subsidiaries incorporated in PRC from 1st January, 2008.

7. Discontinued operation

The results of the discontinued operation representing the mobile phone distribution operation, which was ceased in the year 2007, for the six months ended 30th June, 2007 were as follows:

	Six months ended 30.6.2007 HK\$'000
Turnover	7,681
Cost of sales	(8,072)
Other income	1,678
Distribution expenses	(1,050)
Administrative and other expenses	<u>(1,758)</u>
Loss before taxation	(1,521)
Taxation	<u>(27)</u>
Loss for the period	<u><u>(1,548)</u></u>

8. (Loss) Profit for the period

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit for the period has been arrived at after charging (crediting):						
Staff costs including						
directors' emoluments	3,644	3,021	-	945	3,644	3,966
Reversal of inventories	-	-	-	(1,117)	-	(1,117)
Depreciation and						
amortisation	149	144	-	311	149	455
Interest income	(1,039)	(4,974)	-	(33)	(1,039)	(5,007)
Net foreign exchange gain	(3,901)	(6,954)	-	-	(3,901)	(6,954)
	<u><u>(3,901)</u></u>	<u><u>(6,954)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(3,901)</u></u>	<u><u>(6,954)</u></u>

9. Dividends

	Six months ended	
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend recognised as distribution		
– HK\$0.04 per share (2007: HK\$0.04)	<u>11,047</u>	<u>11,084</u>
Interim dividend, proposed		
– Nil (2007: HK\$0.01)	<u>–</u>	<u>2,762</u>

10. (Loss) earnings per share

From continuing and discontinued operations

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

	Six months ended	
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) earnings for the purpose of basic (loss) earnings per share attributable to the equity holders of the Company	<u>(1,528,615)</u>	<u>528,424</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>276,168,323</u>	<u>280,790,340</u>

From continuing operations

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

	Six months ended	
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) earnings for the period attributable to equity holders of the Company	(1,528,615)	528,424
<i>Add:</i> Loss for the period from discontinued operation	—	1,548
	<u> </u>	<u> </u>
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	<u> </u> <u> </u>	<u> </u> <u> </u>

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

From discontinued operation

For the six months period ended 30th June, 2007, basic loss per share for the discontinued operation is HK\$0.006 per share. The calculation of the basic loss per share was based on the loss for the period from the discontinued operation of HK\$1,548,000 attributable to the ordinary equity holders of the Company and the denominators detailed above for basic earnings per share.

11. Movements in investment properties, property, plant and equipment

The Group's investment properties and buildings were fair valued by the directors.

The directors consider that the fair values of the investment properties and buildings included in property, plant and equipment at 30th June, 2008 are not materially different from the professional valuation made at 31st December, 2007 and, accordingly, no fair value changes have been recognised in the current period.

12. Debtors, deposits and prepayments

The Group has a policy of allowing credit periods of 30 to 90 days to its trade debtors. An aged analysis of trade debtors is as follows:

	30.6.2008	31.12.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors within 90 days	4,456	1,992
Other debtors, deposits and prepayments	<u>66,900</u>	<u>39,292</u>
	<u><u>71,356</u></u>	<u><u>41,284</u></u>

13. Creditors and accrued charges

An aged analysis of trade creditors is as follows:

	30.6.2008	31.12.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors due within 90 days	13,688	29,778
Other creditors and accrued charges	<u>86,098</u>	<u>68,217</u>
	<u><u>99,786</u></u>	<u><u>97,995</u></u>

14. Other borrowings

Other borrowings represent securities margin financing received from stock broking, futures and options broking houses. The entire borrowings are secured by the Group's marketable securities, repayable on demand and bear interest at prevailing market rates.

15. Share capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 30th June, 2008 and 31st December, 2007	<u>30,000,000,000</u>	<u>300,000</u>
<i>Issued and fully paid:</i>		
At 1st January, 2007	282,883,547	2,829
Repurchase of shares	<u>(6,700,000)</u>	<u>(67)</u>
At 31st December, 2007	276,183,547	2,762
Repurchase of shares	<u>(235,000)</u>	<u>(2)</u>
At 30th June, 2008	<u>275,948,547</u>	<u>2,760</u>

16. Pledge of assets

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

	30.6.2008	31.12.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	33,300	33,300
Investments held for trading	1,922,193	3,121,898
Available-for-sale investments	244,455	460,628
Pledged bank deposits	8,845	10,718
	<u>2,208,793</u>	<u>3,626,544</u>

17. Disposal of a subsidiary

During the period ended 30th June, 2007, the net assets of the non-wholly owned subsidiary at the date of disposal were as follows:

	2007
	<i>HK\$'000</i>
Net assets disposed of	118,155
Minority interest	<u>(16,798)</u>
	<u>101,357</u>
Total consideration satisfied by:	
Deposits received in advance	30,027
Deferred consideration included in debtors, deposits and prepayment	<u>71,330</u>
	<u>101,357</u>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	<u>1</u>

The net assets disposed of are mainly investment properties. The fair value gain of HK\$14,707,000 on these investment properties upon the disposal was recognised in the condensed consolidated income statement during the period ended 30th June, 2007.

18. Related party transactions

The remuneration of directors and other members of key management of the Group during the period was as follows:

	Six months ended	
	30.6.2008	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term employee benefits	2,262	2,400
Retirement benefit costs	<u>30</u>	<u>30</u>
	<u>2,292</u>	<u>2,430</u>

4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's existing cash and bank balances, the present available margin loan facilities, the expected internally generated funds and the proceeds from the Disposal, the Group has sufficient working capital for its present requirement for the next twelve months from the date of this circular.

5. STATEMENT OF INDEBTEDNESS

As at the close of business on 31st December, 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$854,682,000 comprising unsecured term loan of HK\$300,000,000, secured term loan of HK\$65,000,000 and securities margin loans of approximately HK\$489,682,000. The securities margin loans were secured by the Group's pledged marketable securities.

As at 31st December, 2008, the Group's investments held for trading, available-for-sale investments and securities brokers house deposit with respective carrying values of HK\$773,077,000, HK\$108,323,000 and HK\$1,167,000 were pledged to securities brokers houses to secure short term credit facilities granted to the Group.

Save as otherwise disclosed herein above, the Group did not have any debt securities issued and outstanding, or authorized or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantee at the close of business of 31st December, 2008.

6. CONTINGENT LIABILITIES

- (a) In respect of the disposal of a subsidiary in prior years, the Group has given an indemnity to the purchaser against all liabilities, losses, costs and expenses suffered and/or incurred by the purchaser in relation to or arising out of the assignment of certain of the subsidiary's business contracts.

- (b) In 1997, the Group had given a counter-indemnity to a former substantial shareholder and the ex-chairman of PCCW Limited (formerly known as Tricom Holdings Limited (“Tricom”)), and Chambord Investment Inc. in respect of certain indemnities given to Tricom at the time of and to facilitate the listing of Tricom’s shares on the Stock Exchange. These indemnities related to the use of the Tricom tradename, the infringement of the permitted use of properties, the guarantees granted to Tricom to secure banking facilities and tax liabilities.

The Directors consider it is not possible to estimate the financial effect of the indemnities and warranty given.

7. LITIGATION

As at 31st December, 2008, the material litigations/claims of the Group are disclosed in the paragraph headed “Litigation” in Appendix II. Save as aforesaid, the Group had no other material litigation as at 31st December, 2008.

8. FUTURE PROSPECTS OF THE GROUP

Prospects

The outlook for the global financial markets remains gloomy given the lack of confidence of consumers and investors due to the mounting concerns over the well-being of the global financial system, tight credit market, the economic downturn and recession in US and other developed countries and the growth alert for China. As the performance of the Group’s investment portfolio is measured by the mark-to-market accounting standards, the Group’s overall performance in the second half of 2008 will be adversely affected under the prevailing turbulent financial market environment. Although the situation will be difficult and volatile, the Group however believes that there will be attractive investment opportunities available as companies and businesses become grossly undervalued. The Group will seek to take advantage of the investment and business opportunities as they arise to enhance value for its shareholders.

9. MATERIAL CHANGE

As at the Latest Practicable Date, save as disclosed in the interim report 2008 of the Group and that the performance of the Group’s investment portfolio is measured by the mark-to-market accounting standards, and therefore the Group’s overall performance in the second half of 2008 will be adversely affected under the prevailing turbulent financial market environment, there are no material change in the financial or trading position or outlook of the Group since 31st December, 2007, being the date of which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

Long Position

Name of Director	Number of Shares			Total	Percentage over all issued Shares
	Personal interests	Corporate interests	Other interests		
Ms. Chong Sok Un	–	335,555,254	–	335,555,254	60.87%
		(Note 1)			

Note:

- Vigor Online Offshore Limited (“Vigor”), a wholly-owned subsidiary of China Spirit Limited (“China Spirit”), owns (i) 314,258,374 Shares; and (ii) 21,296,880 units of Warrants giving rise to an interest in 21,296,880 underlying shares of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 335,555,254 ordinary shares of the Company.

(b) Substantial Shareholders' interests

Save as disclosed below, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

Long Position

Name	Capacity	Number of Shares or underlying shares held	Percentage of issued Shares
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation (<i>Note 1</i>)	335,555,254	60.87%
China Spirit Limited ("China Spirit")	Held by controlled corporation (<i>Note 1</i>)	335,555,254	60.87%
Vigor Online Offshore Limited ("Vigor")	Beneficial owner (<i>Note 1</i>)	335,555,254	60.87%
Ma Hongyi ("Mr. Ma")	Beneficial owner (<i>Note 2</i>)	266,666,666	48.37%
Lee and Lee Trust ("LL Trust")	Held by controlled corporation (<i>Note 3</i>)	333,333,332	60.46%
Allied Group Limited ("Allied Group")	Held by controlled corporation (<i>Note 4</i>)	333,333,332	60.46%
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporation (<i>Note 5</i>)	333,333,332	60.46%
AP Jade Limited ("AP Jade")	Held by controlled corporation (<i>Note 5</i>)	333,333,332	60.46%

Name	Capacity	Number of Shares or underlying shares held	Percentage of issued Shares
AP Emerald Limited ("AP Emerald")	Held by controlled corporation (<i>Note 5</i>)	333,333,332	60.46%
Sun Hung Kai & Co. Limited ("SHK & Co.")	Held by controlled corporation (<i>Note 6</i>)	333,333,332	60.46%
Sun Hung Kai Securities Limited ("SHK Securities")	Held by controlled corporation (<i>Note 7</i>)	333,333,332	60.46%
Sun Hung Kai Structured Finance Limited ("SHK Structured Finance")	Held as security interest and beneficial owner (<i>Note 8</i>)	333,333,332	60.46%

Notes:

- Vigor Online Offshore Limited ("Vigor"), a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), owns (i) 314,258,374 Shares; and (ii) 21,296,880 unites of Warrants giving rise to an interest in 21,296,880 underlying shares of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 335,555,254 ordinary shares of the Company.
- Mr. Ma has beneficial interest in HK\$200,000,000 convertible bonds of the Company convertible into 266,666,666 Shares.
- Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of LL Trust, being a discretionary trust. They together own approximately 44.52% interest in the issued share capital of Allied Group and are therefore deemed to have the same interest held by Allied Group.
- Allied Group owns approximately 73.93% interest in the issued share capital of Allied Properties and is therefore deemed to have the same interest held by Allied Properties.
- Through AP Jade and AP Emerald, direct and indirect wholly-owned subsidiaries of Allied Properties respectively, Allied Properties owns approximately 63.45% interest in the issued share capital of SHK & Co. and is therefore deemed to have the same interest held by SHK & Co.
- SHK & Co. is deemed to have interest in HK\$250,000,000 convertible bonds of the Company convertible into 333,333,332 Shares through its 100% interest in SHK Securities.

7. SHK Securities is deemed to have interest in HK\$250,000,000 convertible bonds of the Company convertible into 333,333,332 Shares through its 100% interest in SHK Structured Finance.
8. SHK Structured Finance owns HK\$250,000,000 convertible bonds of the Company convertible into an aggregate of 333,333,332 Shares in which (i) HK\$200,000,000 convertible bonds convertible into 266,666,666 Shares are held as security interest; and (ii) HK\$50,000,000 convertible bonds convertible to 66,666,666 Shares are held as beneficial interest.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates were considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st December 2007 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

- (a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).
- (b) There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are continuous contracts with a notice period of 12 months or more.
- (c) There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are fixed term contracts with more than 12 months to run irrespective of the notice period.

6. LITIGATION

- (a) In November 1998, a writ was issued against the Company's subsidiaries, Hongkong Digital Television Limited ("Digital TV", formerly Star Interactive Television Limited) and Star Telecom Services Limited ("STSL", formerly Hong Kong Star Internet Limited) by nCube Corporation ("nCube"), claiming the sum of approximately US\$1,980,000 (equivalent to approximately HK\$15,305,000) plus interest in relation to the alleged purchase of two MediaCube 3000 systems by Digital TV from nCube. The claim of nCube against STSL was on the basis of a chop of STSL on the contract between Digital TV and nCube. STSL had taken legal advice and had been advised that it was very unlikely that STSL would be held liable to the claim of nCube. Digital TV was also opposing the claim of nCube and had taken legal advice.

As advised by its lawyers, Digital TV had reasonable grounds in defending the claim and, accordingly, had not made any provision in the consolidated financial statements in connection with the claim. Digital TV filed a defence in this section on 14 December 1998 and nCube had failed to take further action since that date. There was no progress since then in respect of the litigation.

- (b) Stellar One Corporation ("Stellar One") served a statutory demand under Section 178 of the Companies Ordinance for the sum of approximately US\$1,152,000 (equivalent to approximately HK\$8,983,000) upon Digital TV in November 1998. Stellar One filed a winding up petition against Digital TV in December 1998 which was vigorously opposed by Digital TV. Digital TV applied for an order for security for the costs against Stellar One. On 4th May, 1999, the Court ordered Stellar One to pay HK\$200,000 to the court as security for the costs of Digital TV on or before 7th May, 1999. Stellar One failed to pay that amount to the court.

The petition was dismissed in November 1999 and Stellar One was to pay Digital TV its cost of the petition, which amounted to HK\$254,000. Stellar One had indicated that it would proceed to arbitration in Honolulu to recover the alleged amount. Digital TV took legal advice and was advised that the arbitration proceedings had not commenced as of the date of this document. As advised by its lawyers, Digital TV had reasonable grounds in defending the claims and, accordingly, had not made any provision in the consolidated financial statements in connection with the claims.

Save and except for the matters specified above, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

7. MATERIAL CONTRACTS

The following contract (not being a contract entered into in the ordinary course of business) has been entered into by members of the Group within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date and is or may be material:

- (a) an agreement dated 9th May, 2007 entered into between Taskwell Limited (“Taskwell”) and Sun Hung Kai Investment Services Limited in respect of the conditional acquisition of 399,485,640 shares in Shanghai Allied Cement Limited by Taskwell for an aggregate consideration of HK\$87,762,812;
- (b) a sale and purchase agreement dated 11th July, 2007 entered into among Famous Mount Investments Limited, Printronics Group Limited and Shougang Concord Technology Holdings Limited in respect of the acquisition of 40% of the entire issued share capital of Printronics Electronics Limited for an aggregate consideration of HK\$181,806,698;
- (c) a subscription agreement dated 14th November, 2007 entered into by Mission Time Holdings Limited (“Mission Time”) in respect of the subscription for the limited partnership interests in SHK Asian Opportunities Fund, L. P. by Mission Time at an aggregate commitment of up to US\$20 million;
- (d) an underwriting agreement dated 22nd November, 2007 entered into between the Company and Vigor in relation to the proposed open offer of 276,183,547 Shares;
- (e) an underwriting agreement dated 23rd November, 2008 entered into between the Company and Vigor in relation to the proposed rights issue; and
- (f) a placing agreement dated 23rd November, 2008 entered into between the Company and Sun Hung Kai International Limited in relation to the placing of the convertible bonds.

Save as disclosed above, there are no other contracts (not being contracts in the ordinary course of business) being entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date, which are or may be material.

8. MATERIAL CHANGE

As at the Latest Practicable Date, save as disclosed in the interim report 2008 of the Group and that the performance of the Group's investment portfolio is measured by the mark-to-market accounting standards, and therefore the Group's overall performance in the second half of 2008 will be adversely affected under the prevailing turbulent financial market environment, there are no material change in the financial or trading position or outlook of the Group since 31st December 2007, being the date of which the latest published audited financial statements of the Group were made up.

9. GENERAL

- (a) The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (b) The head office and principal place of business in Hong Kong of the Company is 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms. Fung Ching Man, Ada, an associate member of the Institute of Chartered Secretaries and Administrators.
- (d) The qualified accountant of the Company is Mr. Kong Muk Yin. He graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst.
- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal office of the Company at 47/F., China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong, and will also be available on the websites of the Company at <http://www.irasia.com/listco/hk/colcapital/> during normal business hours on any business day from the date of this circular up to and including 16th March, 2009:–

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the material contracts referred to under the paragraph headed “Material Contracts” in this Appendix;
- (c) the annual reports of the Company for the two financial years ended 31st December, 2006 and 31st December, 2007;
- (d) the unaudited consolidated financial statements of the Company for the six months ended 30th June, 2008; and
- (e) this circular.