



Grant Thornton
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Reports and Financial Statements

Crossroads Foundation Limited

國際十字路協會有限公司

For the year ended 31 December 2007

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Expressed in Hong Kong dollars ("HK\$")

Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements of Crossroads Foundation Limited (the "Company") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is a registered non-profit organisation based in Hong Kong. Its principal activities are :

- a. Through Crossroads Global Distribution the organisation receives Hong Kong's quality superseded goods and redistributes them to people in need, locally and internationally.
- b. Through Global Hand the organisation is linking for-profit and non-profit organisations to combat global need.
- c. Through Global Handicrafts fairly traded goods are purchased from around the world and are made available for sale.
- d. Through Crossroads Global Village the organisation offers a themed, immersive environment where people can experience global need first hand.

The Company conducts its operations under the following registrations :

- Crossroads International
- Crossroads Central Asia
- Global Hand
- P3 International

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2007 and the state of its affairs at that date are set out in the financial statements on pages 5 to 20.

In accordance with the Company's memorandum of association, no dividend shall be paid to the members of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company are set out in note 8 to the financial statements.

DIRECTORS

The directors of the Company during the year were as follows :

David Lewis De Groen
Jane Rosemarie Henderson
Judy Joanne Butler
Malcolm Bruce Begbie
Sally Linda Begbie

In accordance with the Company's articles of association, all directors shall hold office for three years and be eligible for re-election.

DIRECTORS' INTERESTS

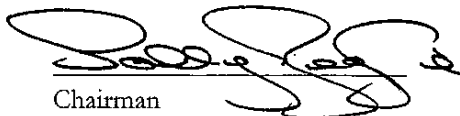
No contract of significance to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company a party to any arrangements to enable the directors of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated companies.

AUDITORS

The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board



Chairman

22 December 2008

Independent auditors' report

**To the members of Crossroads Foundation Limited 國際十字路協會有限公司
(incorporated in Hong Kong as a Company limited by guarantee and not having
share capital)**

We have audited the financial statements of Crossroads Foundation Limited 國際十字路協會有限公司 (the "Company") set out on pages 5 to 20, which comprise the balance sheet as at 31 December 2007, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Auditors' responsibility (Continued)

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2007 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Grant Thornton

Grant Thornton

Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

22 December 2008

Income and expenditure account for the year ended 31 December 2007

	Notes	2007 HK\$	2006 HK\$
Income	5	16,071,574	9,514,592
Global handicrafts inventory expenses		(351,454)	(185,724)
Provision for obsolete stock		-	-
Depreciation		(1,373,642)	(1,251,192)
Other operating expenses		(9,353,449)	(9,025,977)
Surplus/(Deficit) for the year	6	4,993,029	(948,301)

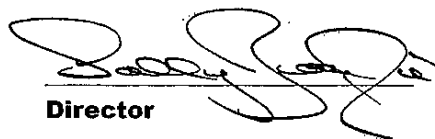
Balance sheet as at 31 December 2007

	Notes	2007 HK\$	2006 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	1,952,339	2,666,647
Current assets			
Inventories	13	391,942	204,405
Trade and other receivables	9	359,516	690,077
Cash and cash equivalents		5,818,126	597,067
		6,569,584	1,491,549
Current liabilities			
Other payables	10	333,649	583,656
Amounts due to directors	11	425,068	842,659
		758,717	1,426,315
Net current assets		5,810,867	65,234
Net assets		7,763,206	2,731,881
EQUITY			
Accumulated surplus		7,752,434	2,759,405
Translation reserve		10,772	(27,524)
Total equity		7,763,206	2,731,881

Director



Director



Cash flow statement for the year ended 31 December 2007

	2007 HK\$	2006 HK\$
Cash flows from operating activities		
Surplus/(deficit) for the year	4,993,029	(948,301)
Adjustments for :		
Depreciation of property, plant and equipment	1,373,642	1,251,193
Loss on write off of property, plant and equipment	-	16,422
Interest income	(9,988)	(5,836)
Exchange translation difference	25,312	(23,995)
Operating surplus before working capital changes	6,381,995	289,483
Increase in inventories	(187,537)	(119,748)
Decrease/(increase) in trade and other receivables	330,561	(303,507)
Decrease in other payables	(250,007)	(73,578)
(Decrease)/increase in amounts due to directors	(417,591)	100,098
<i>Net cash generated from/(used in) operating activities</i>	5,857,421	(107,252)
Cash flows from investing activities		
Interest received	9,988	5,836
Purchase of property, plant and equipment	(646,350)	(538,008)
<i>Net cash used in investing activities</i>	(636,362)	(532,172)
Net increase/(decrease) in cash and cash equivalents	5,221,059	(639,424)
Cash and cash equivalents at 1 January	597,067	1,236,491
Cash and cash equivalents at 31 December	5,818,126	597,067

Statement of changes in equity for the year ended 31 December 2007

	Translation reserve HK\$	Accumulated surplus HK\$	Total HK\$
Balance at 1 January 2006	(5,766)	3,707,706	3,701,940
Translation adjustments	(21,758)	-	(21,758)
Deficit for the year	-	(948,301)	(948,301)
Balance at 31 December 2006 and 1 January 2007	(27,524)	2,759,405	2,731,881
Translation adjustments	38,296	-	38,296
Surplus for the year	-	4,993,029	4,993,029
Balance at 31 December 2007	10,772	7,752,434	7,763,206

Notes to the financial statements for the year ended 31 December 2007

1. GENERAL INFORMATION

Crossroads Foundation Limited (the "Company") is a registered non-profit organisation based in Hong Kong. The Company is a company limited by guarantee incorporated in Hong Kong. The address of the Company's registered office is 2 Castle Peak Road, Tuen Mun, HKSAR, China.

The Company conducts its operations under the following registrations :

- Crossroads International
- Crossroads Central Asia
- Global Hand
- P3 International

Its principal activities are :

- a. Through Crossroads Global Distribution the organisation receives Hong Kong's quality superseded goods and redistributes them to people in need, locally and internationally.
- b. Through Global Hand the organisation is linking for-profit and non-profit organisations to combat global need.
- c. Through Global Handicrafts fairly traded goods are purchased from around the world and are made available for sale.
- d. Through Crossroads Global Village the organisation offers a themed, immersive environment where people can experience global need first hand.

The financial statements on pages 5 to 20 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance.

The financial statements for the year ended 31 December 2007 were approved by the board of directors on [Date].

2. **ADOPTION OF NEW AND AMENDED HKFRSs**

In the current year, the Company has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are relevant and effective for the Company's financial period beginning on 1 January 2007.

HKAS 1 (Amendment) - Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Company now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in HKAS 1 are set out in note 17.

HKFRS 7 - Financial Instruments : Disclosures

HKFRS 7 - Financial Instruments : Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 – Financial Instruments: Presentation and Disclosures and has been adopted by the Company in its financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements.

The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

The adoption of other new and amended HKFRSs did not result in significant changes to the Company's accounting policies. The specific transitional provisions contained in some of these new and amended HKFRSs have been considered. The adoption of these new and amended HKFRSs did not result in any changes to the amounts or disclosures in these financial statements.

New and amended HKFRSs that have been issued but not yet effective

The Company has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Company's financial statements.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁵
HKFRS 2 (Amendment)	Share-based payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ⁵
HKFRS 8	Operating Segments ¹
HK(IFRIC) Int-11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) Int-12	Service Concession Arrangements ³
HK(IFRIC) Int-13	Customer Loyalty Programmes ⁴
HK(IFRIC) Int-14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

Notes

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 July 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for the land and buildings which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK\$), which is also the functional currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency translation (Continued)

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from the translation of the net investment in foreign operation in Asia are taken to the foreign currency translation reserve. This exchange difference will remain a part of equity, only being recognized in the income statement should the branch ever be sold in the future.

(c) Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Company's assets yielding interest, royalties and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Donations are recognised as income in the period in which they are received or receivable.

Revenue from global handicrafts is recognised when the goods are delivered to the customers.

Interest income is recognised on a time proportion basis by reference to the principal outstanding and the interest rate applicable.

(d) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The gain or loss arising on retirement or disposal is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economics benefits associated with the item will flow to the Company and the cost of them can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Office equipment	20%
Computer equipment	20%
Warehouse equipment	20%
Photographic equipment	20%
Motor vehicle	20%
Leasehold improvements	20%-50%

The assets' residual values and useful lives are reviewed, and depreciation rates are adjusted if appropriate, at each balance sheet date.

(e) Impairment of assets

Property, plant and equipment are subject to impairment testing.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Company's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Given the Company is a not-for-profit entity, the return on investment concept being implied through HKAS 36 Impairment of Assets rules becomes less relevant. As such impairment reviews for the property, plant and equipment recorded in the balance sheet has been limited to ensuring sufficient use will be made of those assets over their remaining useful life in the fulfilment of the Company's primary operating objectives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Operating leases

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognized in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

(g) Inventories

Inventories comprise purchased goods which are stated on weighted-average-cost basis. At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

(h) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

(i) Financial Assets

The Company's financial assets include trade and other receivables.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

Trade and other receivables are provided against when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(j) Financial liabilities

The Company's financial liabilities primarily comprise of other payables and amounts due to directors.

Other payables are recognised initially at their nominal value and subsequently measured at amortised cost using the effective interest rate method, less settlement payments.

Amounts due to directors are recognised initially at their nominal value and subsequently measured at amortised cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Related parties

A party is considered to be related to the Company if:

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company did not use critical accounting estimates and judgements in the preparation of the financial statements.

5. REVENUE AND TURNOVER

	2007 HK\$	2006 HK\$
Revenue/ Turnover		
Donations received	15,491,815	9,133,543
Other income		
Interest income	9,988	5,836
Sale of goods – Global handicrafts	569,771	360,213
Written back of provision for stock	-	15,000
	579,759	381,049
Total income	16,071,574	9,514,592

6. SURPLUS/(DEFICIT) FOR THE YEAR

	2007 HK\$	2006 HK\$
Surplus/(deficit) for the year is arrived at after charging :		
Auditors' remuneration		
Depreciation	1,373,642	1,251,192
Operating lease rentals for office, warehouse and volunteer facilities	600,000	600,000

7. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the Company is a charitable organisation within the meaning of Section 88 of the Hong Kong Inland Revenue Ordinance ("IRO") and accordingly, it is exempted from payments of all taxes that are levied under the IRO.

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Office equipment HK\$	Computer equipment HK\$	Motor vehicles HK\$	Warehouse equipment HK\$	Photographic equipment HK\$	Total HK\$
At 31 December 2005							
Cost	3,861,531	58,862	390,779	244,000	736,590	41,800	5,333,562
Accumulated depreciation	(1,007,470)	(36,574)	(263,454)	(154,237)	(449,363)	(28,447)	(1,939,545)
Net book amount	2,854,061	22,288	127,325	89,763	287,227	13,353	3,394,017
Year ended 31 December 2006							
Opening net book amount	2,854,061	22,288	127,325	89,763	287,227	13,353	3,394,017
Exchange differences	1,752	162	279	42	-	-	2,235
Additions	231,405	51,663	109,851	129,090	16,000	-	538,009
Written off	-	-	(16,422)	-	-	-	(16,422)
Depreciation	(1,009,484)	(14,515)	(49,147)	(70,053)	(103,496)	(4,497)	(1,251,192)
Closing net book amount	2,077,734	59,598	171,886	148,842	199,731	8,856	2,666,647
At 31 December 2006							
Cost	4,094,465	110,708	464,493	373,090	752,590	41,800	5,857,146
Accumulated depreciation	(2,016,731)	(51,110)	(312,607)	(224,246)	(552,859)	(32,944)	(3,190,499)
Net book amount	2,077,734	59,598	171,886	148,842	199,731	8,856	2,666,647
Year ended 31 December 2007							
Opening net book amount	2,077,734	59,598	171,886	148,842	199,731	8,856	2,666,647
Exchange differences	9,226	487	1,423	1,848	-	-	12,984
Additions	502,892	13,171	80,897	-	49,390	-	646,350
Written off	-	-	-	-	-	-	-
Depreciation	(1,162,274)	(20,457)	(59,985)	(38,945)	(89,862)	(2,119)	(1,373,642)
Closing net book amount	1,427,578	52,799	194,221	111,745	159,259	6,737	1,952,339
At 31 December 2007							
Cost	4,609,410	124,893	567,603	375,452	801,980	41,800	6,521,128
Accumulated depreciation	(3,181,832)	(72,084)	(373,382)	(263,707)	(642,721)	(35,063)	(4,568,789)
Net book amount	1,427,578	52,799	194,221	111,745	159,259	6,737	1,952,339

9. TRADE AND OTHER RECEIVABLES

	2007 HK\$	2006 HK\$
Trade receivables	145,761	471,566
Deposits	152,100	162,100
Prepayments	22,780	50,540
Other receivables	38,875	5,871
	359,516	690,077

9. TRADE AND OTHER RECEIVABLES

Trade receivables were neither past due nor impaired, as all trade receivables have been fully settled after the year end.

10. OTHER PAYABLES

	2007 HK\$	2006 HK\$
Other payables	329,325	390,974
Accruals	4,324	192,682
	333,649	583,656

11. AMOUNTS DUE TO DIRECTORS

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

12. SHARE CAPITAL

The Company has no share capital and is a Company limited by guarantee. At the balance sheet date, the Company had five members (2006: five members). Each member of the Company has an obligation to contribute to the assets of the Company in the event of it being wound up, as may be required, for an amount not exceeding one hundred dollars.

13. INVENTORIES

	2007 HK\$	2006 HK\$
Finished goods	391,942	204,405

14. OPERATING LEASE COMMITMENTS

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable by the Company as follows :

	2007 HK\$	2006 HK\$
Within one year	525,000	600,000
In the second to fifth years	-	525,000
	525,000	1,125,000

The Company leases its warehouse space, office premises, volunteer accommodation and external container storage facility under operating leases. The leases run for an initial period of one to five years, with an option to renew the lease terms at the expiry date or at dates mutually agreed between the Company and the respective landlords. None of the leases include contingent rentals.

15. DIRECTORS' REMUNERATION

Remuneration of the directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows :

	2007 HK\$	2006 HK\$
Fees	NIL	NIL
Other emoluments	NIL	NIL

16. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Company's exposure to market risk, including principally changes in interest rates, currency exchange rates, credit risk and liquidity risk. Generally, the Company employs a conservative strategy regarding its risk management. As the Company's exposure to market risks is kept at a minimum level, the Company has not used any derivatives or other instruments for hedging purposes. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, other payables and amounts due to directors. The most significant financial risks to which the Company is exposed are described below.

Interest rate risk

The Company does not have material exposure to interest rate risk, as the Company has no financial assets and liabilities of material amounts with floating interest rates.

Foreign currency risk

The Company engages in minimal foreign currency transactions. The Company reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

Credit risk

The Company's exposure to credit risk is mainly limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2007 HK\$	2006 HK\$
Classes of financial assets		
Trade and other receivables	359,516	690,077
Cash and cash equivalents	5,818,126	597,067
	6,177,642	1,287,144

Fair values

The fair values of the Company's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

16. RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk

The Company's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Company will raise funds from the realisation of its assets if required.

As at 31 December 2007 and 31 December 2006, the remaining contractual maturity of the Company's financial liabilities which are based on undiscounted cash flows are summarised below:

	On demand HK\$	Less than 3 months HK\$
At 31 December 2007		
- Other payables	-	333,649
- Amount due to directors	425,068	-
	425,068	333,649
At 31 December 2006		
- Other payables	-	583,656
- Amount due to directors	842,659	-
	842,659	583,656

The carrying amounts of the Company's financial assets and liabilities recognised at the balance sheet dates may also be categorised as follows. See notes 3(i) and 3(j) for explanations on how the category of financial instruments affects their subsequent measurement.

Financial assets

	2007 HK\$	2006 HK\$
Loans and receivables:		
- Trade receivables	145,761	471,566
- Other receivables	38,875	5,871
- Cash and cash equivalents	5,818,126	597,067
	6,002,762	1,074,504

Financial liabilities

	2007 HK\$	2006 HK\$
Financial liabilities measured at amortised cost		
- Other payables	333,649	583,656
- Amount due to directors	425,068	842,659
	758,717	1,426,315

17. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- (a) To safeguard the Company's ability to continue as a going concern, so that it continues, consistent with its objectives, to provide benefits for all its stakeholders;
- (b) To support the Company's stability and growth; and
- (c) To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital. The amount of capital as at 31 December 2007 and 2006 amounted to approximately HK\$7,763,206 and HK\$2,731,881 respectively which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.