



China Treasure (Greater China) Investments Limited

華寶(大中華)投資有限公司

Stock Code: 810





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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors:*

Li Ji Ning (*Chairman*)

Chu Wai Lim

Lau Shun Chi, Benjamin

#### *Independent Non-executive Directors:*

Chen Man Lung

Yin Ling

Shiu Kwok Keung

### Audit Committee

Shiu Kwok Keung (*Chairman*)

Chen Man Lung

Yin Ling

### Remuneration Committee

Li Ji Ning (*Chairman*)

Chen Man Lung

Yin Ling

Shiu Kwok Keung

### Company Secretary

Chui Yee Man

### Auditors

Lau & Au Yeung C.P.A. Limited

### Investment Manager

Success Talent Investments Limited

### Principal Banker

Standard Chartered Bank (Hong Kong) Limited

### Custodian

Standard Chartered Bank (Hong Kong) Limited

### Solicitors

*As to Hong Kong Law*

D.S. Cheung & Co.

*As to Bermuda Law*

Appleby Hunter Bailhache

### Registered Office

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

### Principal Place of Business in Hong Kong

Unit 1809, 18th Floor

Tower 2, Lippo Centre

89 Queensway

Hong Kong

### Registrars in Hong Kong

Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

### Stock Code on the Stock Exchange of Hong Kong Limited

810



## MANAGEMENT'S STATEMENT

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of China Treasure (Greater China) Investments Limited (the "Company") for the year ended 31 December 2006.

### MANAGEMENT DISCUSSION AND ANALYSIS

The year of 2006 has been a successful year for the Company, with new management team, investment models and strategies and record earnings with healthy growth.

#### 1. OPERATIONAL REVIEW FOR 2006

The Company was principally engaged in investment in both listed and unlisted equity securities. During the year, the Company has continued to diversify its investment portfolio in both listed and unlisted equity securities with the most appropriate models to forerun the market trend and industry cycles.

#### 2. INVESTMENT REVIEW

Despite being a period of significant volatility, the year of 2006 turned out to be an exceptionally rewarding year for our investors. With the new management team and new investment models concentrating mainly on alternative energy investments throughout the year, the Company has reported a profit attributed to shareholders of approximately HK\$10.01 million as compared to a loss of approximately HK\$0.90 million last year, which is the record earning of the Company and a significant turnaround situation for the Company. The Company will continue to focus on more listed equity securities and increase its transparency to the general public.

In the current year, the Company has reduced its risk profile by lightening up its holdings in investments which do not fully comply with the Company's current investment models, e.g. the previous investment in HengRong Guarantee Company Limited, which we have foreseen a much longer period to actually fully enter into the rational profit region with the unforeseeable new PRC local rules and regulations in the leasing industry.

#### 3. HUMAN RESOURCES

As at 31 December 2006, the Company had 4 Executive Directors, 3 Independent Non-executive Directors and 3 professional employees. We place high value on our staffs as they are our most valuable assets to grow with the Company. We encourage our staffs to be the best in their roles by providing training in diversified fields and address both personal development and work skills. We also provide workshops for staffs at different levels to build team spirit and morale. Our staffs are rewarded based on Company's performance as well as their performance and contribution to the Company,



## MANAGEMENT'S STATEMENT

### 4. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Company had cash and bank balances of approximately HK\$8.10 million. Invested assets increased by approximately HK\$30.56 million to approximately HK\$48.38 million, which indicated a 171.49% growth from the previous year.

As at 31 December 2006, the Company's net assets were approximately HK\$56.53 million, and increase of approximately 21.51% as compared to 2005.

There were no capital commitments as at 31 December 2006, which would require a substantial use of the Company's present cash resources or external funding.

Exchange risk of the Company is minimal as the assets of the Company comprised substantially of bank deposits denominated in Hong Kong Currency.

The Company's gearing ratio as at 31 December 2006 was nil (2005: nil) as there was no long term borrowing at the balance sheet date.

### 5. CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2006, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

### 6. PROSPECTS

While the fears of a more aggressive US Federal Policy has caused global equity markets to suffer sharp correction in May/June 2006, many stock markets ended the year strongly with the MSCI World Index rising by almost 18% and with both the European and Asian markets outperformed the US market. While the US economic growth has weakened during the second half of the year, strong economic data continued to emerge from both Europe and Asia. With attractive growth prospects, merger and acquisition activities have also increased, attracting more capital flows into these regions. The People's Republic of China (the "PRC"), in particular, was and will continuously be the star performer during 2006 and the coming fiscal year.

The Directors will take a cautious and prudent approach in managing the Company's investment portfolio and developing its investment strategies. The Company is open-minded and will continue to look for investment opportunities which offer outstanding returns and within the acceptable risk profile of the Company.

On behalf of the Board

**Chu Wai Lim**  
*Director*

Hong Kong, 17 April 2007



## BIOGRAPHICAL DETAILS OF DIRECTORS

### EXECUTIVE DIRECTORS

**Mr. Li Ji Ning**, aged 49, joined the Company as an Executive Director in June 2005. Mr. Li is also the Chairman of the Company. Mr. Li is the legal representative and the chairman of United Eagle Airlines Co., Ltd., a Chinese enterprise principally engaged in provision of airline services in the People's Republic of China.

**Mr. Lau Shun Chi, Benjamin**, aged 48, joined the Company as chief executive officer in October 2006 and became an Executive Director in November 2006. Mr. Lau has been a senior advisor to Culturecom Holdings Limited since 2002, a company whose shares are listed on the Stock Exchange. Mr. Lau has extensive experience in investment and publication industries. Mr. Lau was the executive vice president of Jing Tai Securities & Investment Limited from 2001 to 2002 and was the vice chairman of Televerse Publishing Limited from 1999 to 2001.

**Mr. Ma Kam Fook, Robert**, aged 55, joined the Company as an Executive Director in January 2002. Mr. Ma graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration in 1973. He has over 10 years of experience in banking and finance field in the Asia Pacific Region. From 1994 to 2001, he was an executive director of Sino-Pacific Light Industry Fund Management Limited responsible for managing a third party fund. In the 1990s, he served as a vice president of NMB Postbank Group N.V. responsible for the group's corporate finance activities, including but not limited to, arrangement of loan origination and syndication, merger and acquisition, structured and project finance. Mr. Ma was admitted as an associate member of the Canadian Institute of Chartered Accountants in 1984 and as a fellow member of Hong Kong Institute of Certified Public Accountants in 1987.

**Mr. Chu Wai Lim**, aged 29, joined the Company as an Executive Director in January 2005. He was a chief financial officer and company secretary of ViaGOLD Capital Limited, a listed company in Australia, in 2004. Prior to that, Mr. Chu had been working in Culturecom Holdings Limited, a company whose shares are listed on the Stock Exchange, as an executive assistant responsible for the group's administration, accounting, finance and information technology related management activities for 3 years. Mr. Chu holds a bachelor of arts degree in economics from San Francisco State University.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Yin Ling**, aged 52, joined the Company as an Independent Non-executive Director in January 2006. Ms. Yin had been a director and general manager of Shenzhen Huapeng Enterprise Co., Ltd, a Chinese enterprise principally engaged in real property development in Shenzhen, the People's Republic of China, from 1992 to 1997. Ms. Yin had also been a director and general manager of Tianbao Electronics Industrial (Shenzhen) Co., Ltd., a Chinese enterprise principally engaged in the trading of electrical products in the People's Republic of China, from 1991 to 1997.



## BIOGRAPHICAL DETAILS OF DIRECTORS

### INDEPENDENT NON-EXECUTIVE DIRECTORS – continued

**Mr. Shiu Kwok Keung**, aged 39, joined the Company as an Independent Non-executive Director in March 2006. Mr. Shiu is also an independent non-executive director of Q9 Technology Holdings Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Shiu was a member of the senior management of China Solar Energy Holdings Limited, a company whose shares are listed on the Stock Exchange, during 2006. Prior to that, Mr. Shiu worked as the vice president of Culturecom Holdings Limited, a company whose shares are listed on the Stock Exchange, from 2000 to 2005. Mr. Shiu has extensive experience in finance, accounting and management. Mr. Shiu holds a master of science degree in finance from the National University of Ireland, Dublin, a master of professional accounting degree from the Southern Cross University in Australia, and a bachelor of social science degree in China Studies (Economics) from the Hong Kong Baptist University. He is a Chartered Financial Analyst Charterholder and a Certified Practising Accountant of CPA Australia.

**Mr. Chen Man Lung**, aged 41, joined the Company as an Independent Non-executive Director in September 2006. Mr. Chen is the vice president of Culturecom Holdings Limited, a company whose shares are listed on the Stock Exchange and the Deputy CEO of ViaGOLD Capital Limited, a listed company in Australia. He is also a director of the Hong Kong Comics & Animation Federation Limited and a member of the Inbound Committee of the Travel Industry Council of Hong Kong. Mr. Chen was a non-executive director of Mobile Telecom Network (Holdings) Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange, from March 2002 to November 2004. Mr. Chen obtained his bachelor of arts degree in sociology from the Hong Kong Baptist College and master of arts degree in Chinese studies from the University of Science and Technology. Mr. Chen has worked as an economist in a consultant firm and a bank and has extensive experience in investment industry.



## REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report and the audited financial statements of the Company for the year ended 31 December 2006.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong, Taiwan, Australia and United States.

### RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2006 and the state of affairs at that date are set out in the financial statements on pages 19 to 20.

The Directors do not recommend the payment of a dividend.

### SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 20 to the financial statements.

### RESERVES

Details of the movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 21.

### DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. In accordance with Article 143 of the Company's Articles of Association, dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. The Company's reserves available for distribution amounted to HK\$44,166,724 as at 31 December 2006.



## REPORT OF THE DIRECTORS

### FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 50. This summary does not form part of the audited financial statements.

### PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

The Company has not purchased, sold or redeemed any of its own shares during the year.

### DIRECTORS

The Directors of the Company during the year and up to date of this report were as follows:

#### *Executive Directors:*

Mr. Li Ji Ning  
Mr. Ma Kam Fook, Robert\*  
Mr. Chu Wai Lim  
Mr. Lau Shun Chi, Benjamin (appointed on 9 November 2006)

#### *Independent Non-executive Directors:*

Ms. Yin Ling (appointed on 18 January 2006)  
Mr. Shiu Kwok Keung (appointed on 1 March 2006)  
Mr. Chen Man Lung (appointed on 29 September 2006)  
Ms. Li Pik Ha (resigned on 30 June 2006)  
Mr. Wong Chi Keung (resigned on 18 January 2006)  
Mr. Foo Chi Ming (resigned on 18 January 2006)

\* Subsequent to the year end, Mr. Ma Kam Fook, Robert resigned as Executive Director with effect from 1 April 2007.

In accordance with the Company's Bye-laws, Mr. Li Ji Ning, Mr. Chu Wai Lim, Mr. Lau Shun Chi, Benjamin and Mr. Chen Man Lung will retire at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.



## REPORT OF THE DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2006, the interests and short positions of each Director in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance "SFO"), as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

<b>Name of Director</b>	<b>Number of Issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Mr. Li Ji Ning	18,100,000 <sup>(L)</sup>	14.64

*(L) – Long position*

Save as disclosed above, as at 31 December 2006, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.



## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2006, the register of substantial shareholders maintained by the Company under Section 336 of Part XV of the SFO showed that the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of shareholder	Capacity	Note	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
First Pink Limited	beneficial	(1)	10,000,000	8.09%

Note:

(1) Mr. Chan Tak Hung is the director of First Pink Limited.

Save as disclosed above, as at 31 December 2006, no person, other than the Director whose interests are set out in the section "Directors' interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of Part XV of the SFO.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

### EVENTS AFTER THE BALANCE SHEET DATE

Details of the significant post balance sheet events of the Company are set out in note 27 to the financial statements.

### PRE-EMPTIVE RIGHTS

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



## REPORT OF THE DIRECTORS

### CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 25 to the financial statements.

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### MANAGEMENT CONTRACT

Except as detailed in note 25 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### AUDITORS

During the year, Grant Thornton resigned as auditors of the Company and Lau & Au Yeung C.P.A. Limited was appointed to fill the casual vacancy. In the past three years, the Company has another change of auditor on 17 January 2006 from Deloitte Touche Tohmatsu to Grant Thornton. Save as aforesaid, there have been no other changes of auditors in the past three years.

Lau & Au Yeung C.P.A. Limited will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Chu Wai Lim**

*Director*

Hong Kong  
17 April 2007



## CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining sound corporate governance standard and formulating and implementing procedures to ensure integrity, transparency and quality of disclosure in order to promote the ongoing development of the best long term interest of the Company and enhancing value for all of its shareholders.

The Board has reviewed the Code on Corporate Governance Practices (the "CG Code") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has adopted the same as the Company's own code of corporate governance practices. During the financial year ended 31 December 2006, the Company has complied with all of the provisions under the CG Code, except for the details stated in "The Chairman and Chief Executive Officer" on page 13.

### THE BOARD

The Board has overall responsibility for the management of the Company and the implementation of the investment policy of the Company, which includes, inter alia, the adoption of long term corporate strategies, assessment of investment projects, supervision of the management of the Company to ensure that the Company's investments are conducted in accordance with the objectives of the Company, and reviewing financial performance. The Company's investment portfolio is managed by United Gain Investment Limited as Investment Manager of the Company during the year ended 31 December 2006 in accordance with the terms and conditions of an investment management and administration agreement entered into between the Company and the Investment Manager.

The Board currently has six Directors of whom three are Executive Directors and three are Independent Non-executive Directors. During the period from 18 January 2006 to 28 February 2006 and the period from 30 June 2006 to 28 September 2006, the Company had only two Independent Non-executive Directors. To ensure the Company's compliance with the Listing Rules requirement that the Board should include at least three Independent Non-executive Directors, the Company appointed Mr. Shiu Kwok Keung on 1 March 2006 and Mr. Chen Man Lung on 29 September 2006 as Independent Non-executive Directors.

The Board held 22 meetings during the year ended 31 December 2006 and the attendance of each Director is set out below:

<b>Name of Director</b>	<b>Number of meetings attended</b>
<i>Executive Directors:</i>	
Mr. Li Ji Ning ( <i>Chairman</i> )	11
Mr. Ma Kam Fook, Robert *	13
Mr. Chu Wai Lim	22
Mr. Lau Shun Chi, Benjamin (appointed on 9 November 2006)	6



## CORPORATE GOVERNANCE REPORT

### THE BOARD – continued

<b>Name of Director</b>	<b>Number of meetings attended</b>
<i>Independent Non-executive Directors:</i>	
Ms. Yin Ling (appointed on 18 January 2006)	5
Mr. Shiu Kwok Keung (appointed on 1 March 2006)	13
Mr. Chen Man Lung (appointed on 29 September 2006)	5
Ms. Li Pik Ha (resigned on 30 June 2006)	5
Mr. Wong Chi Keung (resigned on 18 January 2006)	0
Mr. Foo Chi Ming (resigned on 18 January 2006)	0

\* Subsequent to the year end, Mr. Ma Kam Fook, Robert resigned as Executive Director with effect from 1 April 2007.

To the best knowledge of the Board, there is no financial, business or family relationship among members of the Board as at 31 December 2006. All of them are free to exercise their individual judgment.

Each of the Independent Non-executive Directors has given the Company an annual confirmation of his/her independence. The Company considers such Directors to be independent under the guidelines set out in rule 3.13 of the Listing Rules. Subject to the Bye-Laws of the Company, each Independent Non-executive Director has been appointed for a term of one year. All Directors are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Bye-laws of the Company.

### THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code A.2.1 stipulates the role of Chairman and Chief Executive Officer (the “CEO”) should be separate and should not be performed by the same individual.

The Board appointed Mr. Wu Siu Chung as the CEO of the Company starting January 2006 but due to personal reasons, he resigned on 31 May 2006. For the period from June to September 2006, Mr. Li Ji Ning was assigned by the Board to take up the role of CEO until October 2006 when the Board appointed Mr. Lau Shun Chi, Benjamin as the Company’s CEO. As such, for the period where Mr. Li Ji Ning was both the Chairman and CEO, the Company did not comply with the code provision of the CG Code to the fullest extent. During this period, the Board has taken steps to ensure that a balance of power and authority was maintained by holding regular meetings to discuss the issues affecting the management of the Company. The Board believed that the measure outlined above was necessary and beneficial to the Company and its business.



## CORPORATE GOVERNANCE REPORT

### THE BOARD COMMITTEES

#### AUDIT COMMITTEE

The Company established an Audit Committee on 25 January 2002 with its written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee currently consists three Independent Non-executive Directors: Ms. Yin Ling, Mr. Shiu Kwok Keung and Mr. Chen Man Lung. Mr. Shiu Kwok Keung was the chairman of the Audit Committee. During the year under review, the following members resigned due to personal reasons: Mr. Wong Chi Keung (resigned on 18 January 2006), Mr. Foo Chi Ming (resigned on 18 January 2006) and Ms. Li Pik Ha (resigned on 30 June 2006) and the following members were appointed to fill the vacancy: Ms. Yin Ling (appointed on 18 January 2006), Mr. Shiu Kwok Keung (appointed on 1 March 2006) and Mr. Chen Man Lung (appointed on 29 September 2006).

The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee met 3 times during the year to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system and internal control procedures, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Audit Committee is also responsible for reviewing the Company's interim and annual financial statements and making recommendations as to the approval of the Company's interim and annual financial statements by the Board. The attendance of each member is set out below:

<b>Name of Director</b>	<b>Number of meetings attended</b>
Ms. Yin Ling (appointed on 18 January 2006)	1
Mr. Shiu Kwok Keung (appointed on 1 March 2006)	3
Mr. Chen Man Lung (appointed on 29 September 2006)	1
Ms. Li Pik Ha (resigned on 30 June 2006)	1
Mr. Wong Chi Keung (resigned on 18 January 2006)	0
Mr. Foo Chi Ming (resigned on 18 January 2006)	0

#### REMUNERATION COMMITTEE

The Board established a Remuneration Committee on 30 August 2005 to review and make recommendations to the Board on matters relating to the remuneration of the Directors and the senior management of the Company. The Remuneration Committee currently consists one Executive Director and three Independent Non-executive Directors: Mr. Li Ji Ning (Executive Director), Ms. Yin Ling (Independent Non-executive Director), Mr. Shiu Kwok Keung (Independent Non-executive Director) and Mr. Chen Man Lung (Independent Non-executive Director). Mr. Li Ji Ning was the chairman of the Remuneration Committee. During the year under review, Ms. Li Pik Ha resigned due to personal reasons and Mr. Chen Man Lung was appointed to fill the vacancy.



## CORPORATE GOVERNANCE REPORT

### REMUNERATION COMMITTEE – continued

The Remuneration Committee has adopted terms of reference which are in line with the CG Code. Three meetings were held during the year ended 31 December 2006 to review the remuneration policy and remuneration packages of the Executive Directors. The attendance of each member is set out below:

<b>Name of Director</b>	<b>Number of meetings attended</b>
Mr. Li Ji Ning	2
Ms. Yin Ling (appointed on 18 January 2006)	3
Mr. Shiu Kwok Keung (appointed on 1 March 2006)	1
Ms. Li Pik Ha (resigned on 30 June 2006)	1
Mr. Chen Man Lung (appointed on 29 September 2006)	1

### NOMINATION PROCEDURES AND CRITERIA

The Company has yet to appoint a Nomination Committee, the establishment of which is a recommended best practice by the Stock Exchange.

Current Board practice of appointment of new Directors is that all valid nomination of candidates, accompanied with related details of their biographies, for directorships in the Company would be brought before the Board for consideration as soon as practicable. Consideration would be given to factors such as the candidate's experience and qualifications relevant to the Company's business. It is believed that members of the Board would collectively have the required professional knowledge and skills in discharging the Board's responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship.

In the year under review, the Board has adopted the aforesaid nomination policy in the nomination and appointment of Directors.

### MODEL CODE FOR SECURITIES TRANSACTIONS

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



## CORPORATE GOVERNANCE REPORT

On specific enquires made, all Directors have confirmed that, in respect of the year ended 31 December 2006, they have complied with the required standard as set out in the Model Code.

### INTERNAL CONTROLS

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

### DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, Lau & Au Yeung C.P.A. Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 17 to 18.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

### AUDITORS' REMUNERATION

For the year ended 31 December 2006, services provided to the Company by its newly appointed external auditors, Lau & Au Yeung C.P.A. Limited, and its predecessor auditor, Messrs. Grant Thornton and the fees paid/payable were:

	<u>HK\$</u>
Audit services	<u>241,000</u>

The Company continues to improve its corporate governance and believes it is fundamental for the development of the Company as well as for the benefits of the shareholders. The Board is pleased to confirm that the Company has complied with the Code applicable during the period.



## INDEPENDENT AUDITOR'S REPORT



### **Lau & Au Yeung C.P.A. Limited**

Room 2701, 27th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA TREASURE (GREATER CHINA) INVESTMENTS LIMITED**

*(continued into Bermuda with limited liability)*

We have audited the financial statements of China Treasure (Greater China) Investments Limited (the "Company") set out on pages 19 to 49, which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Directors' responsibility for the financial statements**

The Directors 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 disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, 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.



## INDEPENDENT AUDITOR'S REPORT

### **Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2006 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Lau & Au Yeung C.P.A. Limited**

*Certified Public Accountants*

Hong Kong, 17 April 2007

### **Au Yeung Tin Wah**

Practising Certificate Number P02343



## INCOME STATEMENT

For the year ended 31 December 2006

	Note	2006 HK\$	(Restated) 2005 HK\$
Turnover	6	<b>47,416,257</b>	65,415,622
Cost of sales	7	<b>(29,897,300)</b>	(62,771,923)
<b>Gross profit</b>		<b>17,518,957</b>	2,643,699
Other income	8	<b>889,602</b>	639,974
Other operating loss	9	<b>(825)</b>	(29,884)
Administrative expenses	10	<b>(4,287,263)</b>	(2,498,903)
Other operating expenses	10	<b>(4,094,794)</b>	(1,652,272)
<b>Profit/(Loss) before income tax</b>		<b>10,025,677</b>	(897,386)
Income tax expense	12	<b>(18,600)</b>	–
<b>Profit/(Loss) for the year</b>		<b>10,007,077</b>	(897,386)
<b>Attributable to:</b>			
Equity holders of the Company	13	<b>10,007,077</b>	(897,386)
<b>Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the year</b>	14		
– basic		<b>HK cents 8.10</b>	HK cents (0.77)
– diluted		<b>N/A</b>	N/A

The notes on pages 23 to 49 form an integral part of these financial statements.



## BALANCE SHEET

As at 31 December 2006

	Note	2006 HK\$	2005 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale financial asset	15	4,000,000	–
Deposit paid	16	–	3,000,001
		<b>4,000,000</b>	3,000,001
<b>Current assets</b>			
Financial assets at fair value through profit or loss	17	44,384,892	17,822,844
Other receivable, prepayments and deposits	19	345,878	194,155
Tax recoverable		–	423,123
Bank balances and cash		8,091,531	25,892,172
		<b>52,822,301</b>	44,332,294
<b>Total assets</b>		<b>56,822,301</b>	47,332,295
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Ordinary shares	20	12,360,000	12,360,000
Share premium	20	86,489,636	86,489,636
Accumulated losses		(42,322,912)	(52,329,989)
<b>Total equity</b>		<b>56,526,724</b>	46,519,647
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accrued charges		276,977	812,648
Current income tax liabilities		18,600	–
<b>Total liabilities</b>		<b>295,577</b>	812,648
<b>Total equity and liabilities</b>		<b>56,822,301</b>	47,332,295
<b>Net current assets</b>		<b>52,526,724</b>	43,519,646
<b>Total assets less current liabilities</b>		<b>56,526,724</b>	46,519,647

Lau Shun Chi, Benjamin  
Director

Chu Wai Lim  
Director

The notes on pages 23 to 49 form an integral part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Note	Attributable to equity holders of the Company			Total HK\$
		Share capital HK\$	Share premium HK\$	Accumulated losses HK\$	
At 1.1.2005		10,300,000	85,871,636	(51,432,603)	44,739,033
Issuance of ordinary shares	20	2,060,000	618,000	–	2,678,000
Loss for the year		–	–	(897,386)	(897,386)
At 31.12.2005 and at 1.1.2006		12,360,000	86,489,636	(52,329,989)	46,519,647
Profit for the year		–	–	10,007,077	10,007,077
<b>At 31.12.2006</b>		<b>12,360,000</b>	<b>86,489,636</b>	<b>(42,322,912)</b>	<b>56,526,724</b>

The notes on pages 23 to 49 form an integral part of these financial statements.



## CASH FLOW STATEMENT

For the year ended 31 December 2006

	Note	2006 HK\$	2005 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in)/generated from operations	22	(15,113,366)	8,518,467
Income tax paid		–	(423,123)
Income tax refunded		423,123	–
		<hr/>	<hr/>
<b>Net cash (used in)/generated from operating activities</b>		<b>(14,690,243)</b>	8,095,344
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Deposits paid		–	(3,000,001)
Dividend received		69,984	–
Interest received		819,618	622,704
Proceeds from sales of available-for-sale financial assets		–	2,500,000
Acquisition of available-for-sale financial asset	15	(4,000,000)	–
		<hr/>	<hr/>
<b>Net cash (used in)/generated from investing activities</b>		<b>(3,110,398)</b>	122,703
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of ordinary shares	20	–	2,678,000
		<hr/>	<hr/>
<b>Net cash generated from financing activities</b>		–	2,678,000
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(17,800,641)</b>	10,896,047
Cash and cash equivalents at beginning of the year		25,892,172	14,996,125
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>		<b>8,091,531</b>	25,892,172
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>Analysis of balances of cash and cash equivalents</b>			
Bank balance and cash		8,091,531	25,892,172
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The notes on pages 23 to 49 form an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 1. GENERAL INFORMATION

China Treasure (Greater China) Investments Limited (the "Company") is principally engaged in investment in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong, Australia, Taiwan, and United States ("US"), which have substantial operations in the PRC, in order to achieve medium to long term capital appreciation.

The Company was formerly a limited liability company incorporated and domiciled in the Cayman Islands. On 6 February 2007, the Company de-registered from the Cayman Islands and duly continued into Bermuda as an exempted company under the laws of Bermuda. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business has been changed to Unit 1809, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong with effect from 21 June 2006.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in units of Hong Kong dollars, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors (the "Board") on 17 April 2007.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### (a) Basis of preparation – continued

##### (i) *Amendment to published standard effective in 2006*

HKAS 39 (Amendment), The Fair Value Option, is mandatory for accounting periods beginning on or after 1 January 2006. This amendment does not have any impact on the classification and valuation of the Company's financial instruments classified as at fair value through profit or loss prior to 1 January 2006 as the Company is able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss.

##### (ii) *Standards and interpretation that are not yet effective and have not been early adopted by the Company*

The following standards and interpretation have been published that are mandatory for the Company's accounting periods beginning on or after 1 November 2006 or later periods that the Company has not early adopted:

- HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective for accounting periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The Company will apply HKFRS 7 and the complementary Amendment to HKAS 1 from 1 January 2007, but it is not expected to have any impact on the classification and valuation of the Company's financial instruments.
- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Company will apply HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any impact on the Company's financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### (b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### (i) Sales of equity securities

The Company invested in equity securities. Sale of listed and unlisted securities is recognised when instructions for sales are given to securities brokers/purchasers and properly executed.

##### (ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

##### (iii) Dividend income

Dividend income is recognised when the right to receive payment is established.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### (c) Employee benefits

##### (i) Employee entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

##### (ii) Pension obligations

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ relevant income and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### (d) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### (e) Foreign currency translation

##### (i) *Functional and presentation currency*

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

##### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### (f) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. The fair values of quoted investments are based on current bid prices. Assets in this category are classified as current assets.

##### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2(g)).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### (f) Financial assets – continued

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost, less provision for impairment. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently stated at cost less impairment loss while financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement as cost of sales in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Company's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Company's right to receive payments is established.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### (f) Financial assets – continued

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2(g).

#### (g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

#### (h) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### (i) Related parties

A party is related to the Company if:

- (i) directly or indirectly through one or more intermediaries, the party:
  - (a) controls, is controlled by, or is under common control with, the entity;
  - (b) has an interest in the Company that gives it significant influence over the Company; or
  - (c) has joint control over the entity;
- (ii) the party is a member of the key management personnel of the Company;
- (iii) the party is a close member of the family of any individual referred to in (i) or (ii);
- (iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (ii) or (iii);
- (v) any investment manager, investment adviser or custodian (or any connected person thereof) under the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") Chapter 21.13.

#### (j) Share capital

Ordinary shares are classified as equity.

#### (k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### (l) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### (m) Comparatives

The Company previously disclosed gain or loss on securities within “fair value gains on financial assets at fair value through profit or loss”. The Board believes that the current disclosures as “sales” and “cost of sales” is a fairer presentation of the Company’s activities.

### 3. FINANCIAL RISK MANAGEMENT

#### (a) Financial risk factors

The Company does not have written risk management policies and guidelines. However, the Board meets periodically to analyse and formulate measures to manage the Company’s exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Company employs a conservative strategy regarding its risk management. As the Company’s exposure to market risk 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.

As at 31 December 2006, the Company’s financial assets and liabilities mainly consisted of financial assets at fair value through profit or loss, available-for-sale financial assets, bank balances and cash, other receivables and deposits and other payables and accrued charges.

##### (i) Foreign currency risk

The Company has no significant foreign currency risk due to limited foreign currency transactions.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 3. FINANCIAL RISK MANAGEMENT – continued

#### (a) Financial risk factors – continued

##### (ii) Price risk

The Company is exposed to equity securities price risk because investments held by the Company are classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

##### (iii) Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

##### (iv) Credit risk

The Company's bank balances are all deposited with banks in Hong Kong.

The carrying amounts of financial assets at fair value through profit or loss, available-for-sale, other receivable and deposits in the balance sheet represent the Company's maximum exposure to credit risk in relation to the Company's financial assets. No other financial assets carry a significant exposure to credit risk.

##### (v) Liquidity risk

The Company has no significant liquidity risk. The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure sufficient cash flows to meet all financial commitment and to capitalise on opportunities for business expansion.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 3. FINANCIAL RISK MANAGEMENT – continued

#### (b) Fair value estimation

The fair value of financial instruments traded in active markets such as trading securities is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as estimated discounted cash flows and market approach – guideline publicly traded company method.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

### 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 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Income taxes

The Company is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – continued

#### (ii) Impairment of available-for-sale financial asset

The Company follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### 5. SEGMENT INFORMATION

The Company is principally engaged in investment in listed and unlisted companies in the PRC, Hong Kong, Australia and the US during the year.

All of the activities of the Company are based in Hong Kong and all of the Company's revenue and operating profit/loss are derived from Hong Kong.

Accordingly, no segment information has been presented.

### 6. TURNOVER

The Company is engaged in investment in equity securities. Revenues recognised during the year are as follows:

	2006	(Restated) 2005
	<i>HK\$</i>	<i>HK\$</i>
Sales of equity securities	<b>47,416,257</b>	65,415,622



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 7. COST OF SALES

	2006 HK\$	(Restated) 2005 HK\$
Cost of equity securities disposed of	29,363,130	59,174,252
Unrealised fair value loss on financial assets at fair value through profit or loss	534,170	3,597,671
	<b>29,897,300</b>	<b>62,771,923</b>

### 8. OTHER INCOME

	2006 HK\$	2005 HK\$
Bank interest income	819,618	622,704
Other interest income	–	2,746
Dividend income	69,984	14,524
	<b>889,602</b>	<b>639,974</b>

### 9. OTHER OPERATING LOSS

	2006 HK\$	2005 HK\$
Net foreign exchange loss	825	29,884



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 10. EXPENSES BY NATURE

	<i>Note</i>	<b>2006</b> <b>HK\$</b>	2005 <i>HK\$</i>
Auditors' remuneration		<b>200,000</b>	180,000
Operating lease payments		<b>398,916</b>	64,770
Provision for impairment loss on other receivable		<b>3,000,001</b>	–
Employee benefit expense	<i>11</i>	<b>2,461,587</b>	1,252,384

### 11. EMPLOYEE BENEFIT EXPENSE

	<b>2006</b> <b>HK\$</b>	2005 <i>HK\$</i>
Directors' remuneration		
– fee	<b>479,032</b>	422,217
– salaries	<b>1,261,600</b>	445,800
– mandatory provident fund contributions	<b>27,580</b>	10,290
	<b>1,768,212</b>	878,307
Wages and salaries	<b>672,500</b>	364,183
Mandatory provident fund contributions	<b>20,875</b>	9,894
	<b>693,375</b>	374,077
	<b>2,461,587</b>	1,252,384



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 11. EMPLOYEE BENEFIT EXPENSE – continued

#### Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Fees HK\$	Salaries, allowances and benefits in kind HK\$	Employer's mandatory provident fund contributions HK\$	Total HK\$
<i>Executive Directors</i>				
Ma Kam Fook, Robert (a)	–	–	–	–
Chu Wai Lim	–	171,600	8,580	180,180
Li Ji Ning	–	720,000	12,000	732,000
Lau Shun Chi, Benjamin (b)	–	370,000	7,000	377,000
<i>Independent Non-executive Directors</i>				
Li Pik Ha (c)	120,000	–	–	120,000
Yin Ling (d)	229,032	–	–	229,032
Shiu Kwok Keung (e)	100,000	–	–	100,000
Chen Man Lung (f)	30,000	–	–	30,000
	479,032	1,261,600	27,580	1,768,212



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 11. EMPLOYEE BENEFIT EXPENSE – continued

#### Directors' and senior management's emoluments – continued

The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name of Director	Fees HK\$	Salaries, allowances and benefits in kind HK\$	Employer's mandatory provident fund contributions HK\$	Total HK\$
<i>Executive Directors</i>				
Ma Kam Fook, Robert	–	–	–	–
Pang Bang Xuan	91,068	–	–	91,068
Chu Wai Lim	–	85,800	4,290	90,090
Li Ji Ning	–	360,000	6,000	366,000
<i>Independent Non-executive Directors</i>				
Foo Chi Ming	75,574	–	–	75,574
Li Pik Ha	60,000	–	–	60,000
Wong Chi Keung	151,148	–	–	151,148
Fung Choi On	44,427	–	–	44,427
	422,217	445,800	10,290	878,307

Notes:

- (a) Resigned on 1 April 2007
- (b) Appointed on 9 November 2006
- (c) Resigned on 30 June 2006
- (d) Appointed on 18 January 2006
- (e) Appointed on 1 March 2006
- (f) Appointed on 29 September 2006



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 11. EMPLOYEE BENEFIT EXPENSE – continued

#### Directors' and senior management's emoluments – continued

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Company to the Directors as an inducement to join, or upon joining the Company, or as compensation for loss of office (2005: Nil).

#### Five highest paid individuals

The five individuals whose emoluments were the highest in the Company for the year include four (2005: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: one) individuals during the year are as follows:

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Wages and salaries	<b>200,000</b>	120,000
Mandatory provident fund contributions	<b>5,000</b>	6,000
	<b>205,000</b>	126,000

The emoluments of the above (2005: one) highest paid employee during the year were within the emoluments band ranging from nil to HK\$1,000,000.

### 12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year (2005: Nil).

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Hong Kong profits tax	<b>18,600</b>	–



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 12. INCOME TAX EXPENSE – continued

The taxation on the profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006 HK\$	2005 HK\$
Profit/(Loss) before tax	<b>10,025,677</b>	(897,386)
Tax at the statutory rate of 17.5% (2005: 17.5%)	<b>1,754,493</b>	(157,043)
Tax effect on non-taxable income	<b>(187,302)</b>	(111,992)
Tax effect on non-deductible expenses	<b>563,264</b>	288,820
Tax effect of prior year's unrecognised tax losses utilised this year	<b>(2,111,855)</b>	(19,785)
	<b>18,600</b>	–

### 13. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit/(loss) attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$10,007,077 (2005: Loss of HK\$897,386).

### 14. EARNINGS/(LOSS) PER SHARE

#### (a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006 HK\$	2005 HK\$
Profit/(Loss) attributable to equity holders of the Company	<b>10,007,077</b>	(897,386)
Weighted average number of ordinary shares in issue	<b>123,600,000</b>	116,940,274
Basic earnings/(loss) per share	<b>HK cents 8.10</b>	HK cents (0.77)



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 14. EARNINGS/(LOSS) PER SHARE – continued

#### (b) Diluted

No diluted earnings/(loss) per share has been presented because the Company did not have any potential ordinary shares in issue during the year.

### 15. AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial asset includes the following:

	2006 HK\$	2005 HK\$
Unlisted equity securities, at cost	<u>4,000,000</u>	<u>–</u>

The Company acquired the available-for-sale financial asset in 2006.

The amount represents an approximately 3.72% equity investment in an unlisted company, incorporated in the Cayman Islands. The principal activity of the unlisted company is the provision of internet access, internet hosting and other related services and sales of related equipment.

There were no impairment provisions on the available-for-sale financial asset in 2006 or 2005.

None of the financial assets are past due.

### 16. DEPOSIT PAID

As at 31 December 2005, the deposit paid represents consideration for the purchase of a 6% equity interest in an unlisted company, HengRong Guarantee Company Limited (“HengRong”), amounting to HK\$3 million and HK\$1 for an option to acquire an additional 6% equity interest in that company from an independent third party (the “Acquisition”) in accordance with the registered capital at the date of the acquisition and the terms and conditions as further agreed by both parties.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 16. DEPOSIT PAID – continued

The Acquisition period had been extended to 17 December 2006 in accordance with the latest supplementary acquisition agreement. However, the Acquisition has not been completed up to date of approval of these financial statements. In accordance with the acquisition contract, the vendor is required to refund the deposit to the Company.

Due to the expiration of above mentioned supplementary acquisition agreement, the deposit paid have been reclassified to other receivable.\* As the payments have not been refunded up to date of this report, provision for impairment loss is made.

HengRong was incorporated as a limited liability company with registered capital of RMB50,000,000 in the PRC. The principal activity of HengRong is the provision of guarantees to individuals and companies and related consultancy services.

\* *The Company is still in the process of negotiating with the above mentioned independent third party for the Acquisition and trying their utmost to continue the Acquisition. However, no further renewal of supplementary acquisition agreement is signed up to the date of approval of these financial statements and the Company has not demanded the refund of the deposit. A provision for impairment loss is made for conservative purpose.*

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

	2006 HK\$	2005 HK\$
Listed securities		
Equity securities – Hong Kong	<b>36,636,572</b>	9,582,324
Equity securities – Australia	<b>7,748,320</b>	3,696,940
Equity securities – United States	–	4,543,580
Market value of listed securities	<b>44,384,892</b>	17,822,844

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (Note 22).

Changes in fair values of financial assets at fair value through profit or loss are recorded in the income statement.

The fair value of all equity securities is based on their current bid prices in an active market.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 18. INVESTMENTS

Pursuant to the requirements stipulated in Chapter 21.12 of the Listing Rules, the Company discloses its list of all investments with a value greater than 5 per cent of the Company's gross assets and at least the 10 largest investments as at 31 December 2006 and 2005 as follows:

#### As at 31 December 2006

Name	Nature of business	% of total issued capital (Note a)	Invested amount HK\$	Fair value HK\$	% of gross asset value	Dividend received HK\$
China Solar Energy Holdings Limited (Note b)	Manufacture and sale of photovoltaic business	0.59%	13,809,592	17,451,100	30.71%	-
Q9 Technology Holdings Limited	Development and sale of computer software	3.94%	11,375,350	9,440,000	16.61%	-
ViaGOLD Capital Limited	Travel related business	5.13%	6,503,178	7,748,320	13.64%	-
PacMos Technologies Holdings Limited	Design and distribution of integrated circuits	3.48%	8,674,440	5,148,880	9.06%	-
Dyxnet Holdings Limited (Note c)	Provision of internet services	3.72%	4,000,000	4,800,000	7.04%	-
HSBC Holdings plc	Provision of banking services	0.00%	2,808,000	2,852,000	5.02%	-
Mobile Telecom Network Holdings Limited	Provision of mobile internet communication telecommunications	1.93%	2,649,277	830,648	1.46%	-
Culturecom Holdings Limited	Publishing	0.21%	3,051,096	552,500	0.97%	-
Rexcapital Financial Holdings Limited	Provision of financial services	0.01%	22,296	242,500	0.43%	-
Xteam Software International Limited	Development and sale of computer software and hardware	0.09%	281,448	118,944	0.21%	-
Total			53,174,677	49,184,892	85.15%	-



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 18. INVESTMENTS – continued

As at 31 December 2005

Name	Nature of business	% of total issued capital (Note a)	Invested amount HK\$	Fair value HK\$	% of gross asset value	Dividend received HK\$
ChipMOS TECHNOLOGIES (Bermuda) LTD.	Provision of semiconductors testing and assembly services	0.15%	4,853,831	4,543,580	9.60%	–
ViaGOLD Capital Limited	Travel related business	5.13%	4,867,001	3,696,940	7.81%	–
China Solar Energy Holdings Limited (Note b)	Manufacture and sale of photovoltaic business	0.44%	2,592,465	2,865,600	6.05%	–
Jade Dynasty Group Limited	Publication of comics books	0.84%	2,407,315	2,691,920	5.69%	–
Culturecom Holdings Limited	Publishing	0.25%	3,051,096	1,266,500	2.68%	–
Rexcapital Financial Holdings Limited	Provision of banking services	0.48%	637,670	1,258,400	2.66%	–
Mobile Telecom Network Holdings Limited	Provision of mobile internet communication telecommunications	1.97%	2,649,277	1,232,280	2.60%	–
Xteam Software International Limited	Development and sale of computer software and hardware	0.11%	361,861	267,624	0.57%	–
Total			21,420,516	17,822,844	37.66%	–

Notes:

- Based on latest audited financial statements.
- Formerly known as Rexcapital International Holdings Limited.
- It is stated at Directors' valuation by using guideline publicly traded company method.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 19. OTHER RECEIVABLE, PREPAYMENTS AND DEPOSITS

	<i>Note</i>	<b>2006</b> <b>HK\$</b>	2005 <i>HK\$</i>
Other receivable	16	<b>3,000,001</b>	–
Less: provision for impairment of receivable		<b>(3,000,001)</b>	–
Other receivable – net		–	–
Prepayments		<b>180,321</b>	183,585
Deposits		<b>165,557</b>	10,570
Current portion		<b>345,878</b>	194,155

The carrying values of other receivable, prepayments and deposits are approximate to their fair values due to their short term maturities.

### 20. SHARE CAPITAL

	<b>Number of shares</b>	<b>Ordinary shares</b> <i>HK\$</i>	<b>Share premium</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
At 1 January 2005	103,000,000	10,300,000	85,871,636	96,171,636
Issued during the year	20,600,000	2,060,000	618,000	2,678,000
<b>At 31 December 2005 and 2006</b>	<b>123,600,000</b>	<b>12,360,000</b>	<b>86,489,636</b>	<b>98,849,636</b>

The Company entered into a placing agreement (the “Placing Agreement”) with an independent third party on 29 April 2005. Pursuant to the Placing Agreement, the Company issued a total of 20,600,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.13 each. The issued share capital of the Company was thus increased from HK\$10,300,000 to HK\$12,360,000. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium. The Company has applied approximately HK\$2.6 million of the proceeds raised for general working capital purpose.

The total number of authorised ordinary shares is 2,000,000,000 shares (2005: 2,000,000,000 shares) with a par value of HK\$0.10 per share (2005: HK\$0.10 per share). All issued shares are fully paid.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 21. DEFERRED INCOME TAX

At the balance sheet date, the Company has no estimated tax losses (2005: HK\$7,079,000) available for offset against future profits. Therefore, no deferred tax asset has been recognised.

### 22. CASH (USED IN)/GENERATED FROM OPERATIONS

	2006 HK\$	2005 HK\$
Profit/(Loss) before income tax	10,025,677	(897,386)
Adjustments for:		
– Dividend income (Note 8)	(69,984)	–
– Provision for impairment loss on other receivable (Note 10)	3,000,001	–
– Bank interest income (Note 8)	(819,618)	(622,704)
Changes in working capital:		
(Increase)/Decrease in financial assets at fair value through profit or loss	(26,562,048)	2,752,105
(Increase)/Decrease in other receivable, prepayments and deposits	(151,723)	6,675,204
(Decrease)/Increase in other payables and accrued charges	(535,671)	611,248
Cash (used in)/generated from operations	<u>(15,113,366)</u>	<u>8,518,467</u>

### 23. COMMITMENTS UNDER OPERATING LEASES

The Company leases an office under a non-cancellable operating lease agreement.

The future aggregate minimum lease payments under the non-cancellable operating lease are as follows:

	2006 HK\$	2005 HK\$
Not later than 1 year	555,012	–
Later than 1 year but not later than 5 years	208,130	–
	<u>763,142</u>	<u>–</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 24. RETIREMENT BENEFITS SCHEME

The Company operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Company, in funds under the control of trustees. The Company contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK\$20,000.

The total cost charged to income statement of HK\$48,455 (2005: HK\$20,184) represents contributions payable to this scheme by the Company in respect of the current accounting year.

### 25. RELATED PARTY TRANSACTIONS

Under Listing rules Chapter 21.13, any investment manager, investment adviser or custodian (or any connected person thereof) is regarded as connected person.

The following transactions were carried out with related parties:

	2006 HK\$	2005 HK\$
Investment management fee paid to		
United Gain Investment Limited	479,499	328,501
China Core Capital Management Limited (Note)	–	511,668
	<b>479,499</b>	<b>840,169</b>

Note: Wholly-owned by Mr. Ma Kam Fook, Robert, an Executive Director of the Company during the year.

Under the Investment Management Agreement, United Gain Investment Limited ("United Gain") was entitled to a monthly management fee equivalent to 1.25% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, United Gain was also entitled to an annual incentive fee equivalent to 5% of the Surplus Net Asset Value\* of the Company for each financial year. The total fees paid to United Gain were subject to a maximum amount of HK\$650,000 for the year ended 12 June 2006 and HK\$158,001 for the period from 13 June to 31 December 2006.

\* Surplus Net Asset Value mean "in relation to each financial year, 15% of the surplus in the net asset value as at the year end date of the financial year less the net asset value as at the year end date of the previous financial year."



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 26. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 8 February 2002, and revised pursuant to a resolution passed on 6 December 2002, for the primary purpose of providing incentives to Directors and eligible participants (as defined in the Scheme), and will expire on 7 February 2012. Under the Scheme, the Board of Directors of the Company may grant options to Directors of the Company (including Non-executive Directors and Independent Non-executive Directors) and its eligible participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 7 days of the date of grant, upon payment of HK\$1.00 for the options granted. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board of Directors of the Company to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the Board of Directors of the Company at its absolute discretion and will not be less than the higher of (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company on the date of grant.

No option has been granted under the Scheme since its adoption.

### 27. EVENTS AFTER THE BALANCE SHEET DATE

On 10 January 2007, the resolutions to approve the change of domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted Company under the laws of Bermuda and the Capital Reorganisation were passed.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 27. EVENTS AFTER THE BALANCE SHEET DATE – continued

The Capital Reorganisation involves the Share Consolidation, Capital Reduction, Subdivision and Share Premium Cancellation. The Share Consolidation is implemented to consolidate every ten Shares of HK\$0.1 each into one Consolidated Share of HK\$1.0 each. Immediately after the Share Consolidation, the authorised share capital of the Company is HK\$200,000,000 divided into 200,000,000 Consolidated Shares of HK\$1 each. Therefore, the 123,600,000 Shares in issue and fully paid as at 31 December 2006 are consolidated into 12,360,000 Consolidated Shares of HK\$1 each. The Consolidated Shares rank *pari passu* in all respects with each other.

The Capital Reduction of approximately HK\$12.24 million involves a reduction of the nominal value of the then issued Consolidated Shares from HK\$1.0 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.99 on each of the then issued Consolidated Shares. The Subdivision involves the sub-division of each authorised but unissued Consolidated Share into 100 Adjusted Shares of HK\$0.01 each. The Share Premium Cancellation involves the cancellation of the entire amount of approximately HK\$86.49 million as at 30 June 2006 standing to the credit of the share premium account of the Company.

The credit arising from the Capital Reduction and the Share Premium Cancellation is transferred to the contributed surplus account of the Company. A credit of an aggregate amount of approximately HK\$98.73 million arises in the books of the Company as a result of the Capital Reduction and the Share Premium Cancellation, which approximately HK\$37.42 million is used to setting off in full the accumulated losses of the Company as at 30 June 2006. The remaining HK\$61.31 million may be applied in future in such manner as is permitted by the laws of Bermuda and the Bye-laws of the Company.

The Company has continued into Bermuda as an exempted company on 6 February 2007 and the Capital Reorganisation became effective on 8 February 2007.

In addition, a rights issue of 111,240,000 rights shares of HK\$0.01 each (the "Rights Shares") at a price of HK\$0.1 per Rights Share on the basis of nine Rights Shares for every Share held on the record date was approved by the shareholders on 23 March 2007 and dealings in the Right Shares are expected to commence on 23 April 2007.

The investment management agreement with United Gain Investment Limited expired on 31 December 2006 and the Company entered into a new investment management agreement with Success Talent Investments Limited ("Success Talent") on 20 March 2007, pursuant to which Success Talent has agreed to provide investment management services to the Company for a period of two years from the effective date of its appointment.



## FINANCIAL SUMMARY

	1.1.2002 to 31.12.2002 <i>HK\$</i>	1.1.2003 to 31.12.2003 <i>HK\$</i>	1.1.2004 to 31.12.2004 <i>HK\$</i>	1.1.2005 to 31.12.2005 <i>HK\$</i>	1.1.2006 to 31.12.2006 <i>HK\$</i>
<b>Results</b>					
(Loss)/Profit from operations	(1,258,317)	(44,123,146)	(606,511)	(897,386)	<b>10,025,677</b>
Finance costs – interest on bank overdraft	–	(14,629)	–	–	–
(Loss)/Profit before income tax	(1,258,317)	(44,137,775)	(606,511)	(897,386)	<b>10,025,677</b>
Income tax expense	–	–	–	–	<b>(18,600)</b>
Net (loss)/profit for the year	(1,258,317)	(44,137,775)	(606,511)	(897,386)	<b>10,007,077</b>
(Loss)/Earnings per share – Basic	(1.44) cents	(42.85) cents	(0.59) cents	(0.77) cents	<b>8.10 cents</b>
<b>As at 31 December</b>					
	2002 <i>HK\$</i>	2003 <i>HK\$</i>	2004 <i>HK\$</i>	2005 <i>HK\$</i>	2006 <i>HK\$</i>
<b>Assets and liabilities</b>					
Total assets	89,985,540	45,535,944	44,940,433	47,332,295	<b>56,822,301</b>
Total liabilities	(502,221)	(190,400)	(201,400)	(812,648)	<b>(295,577)</b>
Total equity	89,483,319	45,345,544	44,739,033	46,519,647	<b>56,526,724</b>