



**OPES ASIA DEVELOPMENT LIMITED**

**華保亞洲發展有限公司\***

(Formerly known as China Treasure (Greater China) Investments Limited)  
Stock Code: 810



ANNUAL REPORT  
**2007**

\*For identification purposes only

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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors:

Dr. Wai Chung Fai (*Chairman*)  
Lau Shun Chi, Benjamin  
Chu Wai Lim  
Fong Son Wa

#### 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

Chu Wai Lim (*Chairman*)  
Chen Man Lung  
Yin Ling  
Shiu Kwok Keung

### COMPANY SECRETARY

Yeung Ming Kong, Kenneth

### 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

Tricor 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 Opes Asia Development Limited (the "Company") for the year ended 31 December 2007.

### MANAGEMENT DISCUSSION AND ANALYSIS

2007 has been another successful year for the Company, with solid management team, investment models, strategies, and visions to bring us another profitable year with healthy growth despite of the market turmoil at the second half of the year.

#### 1. Operational Review for 2007

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 issues with the most appropriate models to forerun the market trend and industry cycles. With well designed risk management model, and intensive research efforts, we have avoided the global market catastrophe, and successfully expanded our horizon into the field of incubating the up-and-rising organic farming industry and the financial leasing industry.

#### 2. Investment Results

Despite period of significant volatility, 2007 turned out to be a rewarding year for our investors. Shifting our focus from alternative energy to organic farming and the emerging leasing sectors in the People's Republic of China, the Company has reported a profit attributed to shareholders of approximately HK\$15.00 million as compared to approximately HK\$10.01 million for the year of 2006, which again proven a significant turn around situation for the Company.

With the record earnings in hand, the Company has also adjusted its risk profile and further increased the transparency of its direct investments. This is a proactive strategy of the Company in response to the global economic trend in order to reflect to its shareholders the real value of the Company. We have re-evaluated our direct investments, e.g. the holdings in Dyxnet Holdings Limited. In spite of its positive current earnings, the nature of the industry has suffered an economic downturn demonstrated in the second half of 2007. In order to fully reflect its true value without misleading the shareholders, we have lowered its value by HK\$3.28 million. We also foresee a longer period to actually enter into a rational profit region ascribed to the unforeseeable new PRC telecom ordinances and regulations in the industry. The Company will continuously focus on a well balanced portfolio with listed issue and increase its transparency to the general public.

In encountering the coming uncertainty and the potential recession in the major economic sectors ascribed to the United States subprime mortgage crisis, during the year, the Company was well prepared to face the challenge by increasing its stake in the direct investment of the abovementioned more promising emerging sectors.

Details of the mix of our portfolio of the invested assets of the Company as at 31 December 2007 are set out in note 19 to the financial statements.

## Management's Statement

### 3. Human Resources

As at 31 December 2007, the Company has 4 Executive Directors and 3 Independent Non-executive Directors and 2 professional employees.

Once again, 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 performance as well as their performance and contribution to the Company.

### 4. Capital Adequacy and Financing

As at 31 December 2007, the Company had cash and bank balances of approximately HK\$10.62 million. Invested assets increased by approximately HK\$19.35 million to approximately HK\$67.73 million, which indicated a 40% growth from the previous year.

As at 31 December 2007, the Company's net assets were approximately HK\$93.24 million, and increase of approximately 64.94% as compared to 2006.

There were no capital commitments as at 31 December 2007, 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 2007 was nil (2006: 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 2007, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

### 6. Litigation

The company has no pending litigation and proceedings.

### 7. Prospects

The financial turbulence that emerged in summer 2007 has demonstrated how sudden and pervasive adjustments in financial markets can be. But capital flows to developing countries have helped to soften effects of the market disruptions. Emerging markets have rebounded and are out-pacing gains in mature markets.

## Management's Statement

Developing economies grew 7.4 percent in 2007 – while world growth eased to 3.6 percent. Global growth is expected to slow further in 2008, as the effective cost of capital remains elevated for financial institutions, firms, and households, but an upturn is projected in 2009.

On the financial side of the economy, the projections assume that losses on holdings of asset-backed securities are widely distributed and that interventions by the US Federal Reserve, the European Central Bank, and other institutions restore calm to financial markets. However, the effective cost of capital is likely to increase further, reflected in tightened credit criteria for firms as well as households in the major markets, e.g. USA. Elsewhere, however, tightening is expected to be more moderate.

Under such conditions, domestic demand has to be the key driving force for many economies. The pickup in regional growth was all the more notable because it occurred despite a slowdown in the U.S. economy. The Company will once again take a cautious and prudent approach in managing the Company's investment portfolio and develop the investment strategies targeting the new horizon of emerging sectors and further harbor ourselves from any foreseeable risk for our investors.

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.

2008 will be a year of challenges and opportunities. With the joint efforts of the Board, management and staffs, we are confident that we will continue to achieve substantial gains for our shareholders.

On behalf of the Board

**Lau Shun Chi, Benjamin**

*Executive Director*

Hong Kong, 17 April 2008

## Biographical Details of Directors

### EXECUTIVE DIRECTORS

**Dr. Wai Chung Fai**, aged 50, joined the Company as an Executive Director in December 2007. Dr. Wai is also the Chairman of the Company. Dr. Wai holds a Doctor of Philosophy (Ph.D.) from the State University of New York at Buffalo, United States of America. Dr. Wai is presently operating two sizeable farms producing top-grade red, white and ice wines in Canada. With proprietary knowledge and techniques, his vineyard has successfully mixed grapes with various high-grade fruit juices, such as black currant, cherry and blueberry juices, to make a variety of quality fruit wines. Dr. Wai is highly dedicated to natural farming and the health food industry in Canada.

**Mr. Lau Shun Chi, Benjamin**, aged 49, 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.

**Ms. Fong Son Wa**, aged 28, joined the analytical team of the Company in August 2006. Ms. Fong holds a Postgraduate Diploma in Development Finance from The University of Manchester, UK; and a dual honours degree in Business Administration and Finance at University of Keele, UK. Her selected research focused on business development in emerging and developing countries. Her career started at the research tour to Sri Lanka performing research analysis in its financial monetary system. She has also served in The Universal.com Technology Ltd as business analyst. In early 2003, she joined one of the largest state-owned banking institutes, Bank of China Group, toured through various positions, such as research analysis, financial products, etc. She has gained extensive knowledge in the field of business incubation and development in the emerging markets.

**Mr. Chu Wai Lim**, aged 30, 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.

## Biographical Details of Directors

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Yin Ling**, aged 53, 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.

**Mr. Shiu Kwok Keung**, aged 40, joined the Company as an Independent Non-executive Director in March 2006. Mr. Shiu is also an independent non-executive director of Bio Cassava 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 42, joined the Company as an Independent Non-executive Director in September 2006. Mr. Chen is the Vice President of Culturecom Holdings Limited, Executive Director of Bio Cassava Technology Holdings Limited, both companies shares are listed on the Stock Exchange. He is the CFO 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 committee member of the Hong Kong Inbound Travel Association Limited (HKITA). 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 University and master of arts degree in Chinese Studies from the Hong Kong University of Science and Technology. Mr. Chen has over 16 years of 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 2007.

### 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, Australia and the United States.

### RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2007 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 21 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 Act of the Bermuda, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of its Bye-Laws and a statutory solvency test. In accordance with Bye-Law 143 the 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\$91,877,989 as at 31 December 2007.

### 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 54. This summary does not form part of the audited financial statements.

## Report of the Directors

### 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:*

Dr. Wai Chung Fai	(appointed on 1 December 2007)
Mr. Lau Shun Chi, Benjamin	
Mr. Chu Wai Lim	
Ms. Fong Son Wa	(appointed on 8 October 2007)
Mr. Li Ji Ning	(resigned on 29 November 2007)
Mr. Ma Kam Fook, Robert	(resigned on 1 April 2007)

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

Ms. Yin Ling  
 Mr. Shiu Kwok Keung  
 Mr. Chen Man Lung

In accordance with the Company's Bye-laws, Dr. Wai Chung Fai, Ms. Fong Son Wa and Mr. Shiu Kwok Keung will retire at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

### 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

As at 31 December 2007, 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 (within the meaning of the Securities and Futures Ordinance "SFO") 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## Report of the Directors

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 28 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.

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

As at 31 December 2007, 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
Team Equity Investments Limited	beneficial	(1)	126,000,000	9.27%

Note:

(1) Mr. Liang Jian Jun is the shareholder of Team Equity Investments Limited.

Save as disclosed above, as at 31 December 2007, 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 29 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 27 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 27 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

In 2006, Grant Thornton resigned as auditors of the Company and Lau & Au Yeung C.P.A. Limited was appointed to fill the casual vacancy. 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

**Lau Shun Chi, Benjamin**

*Executive Director*

Hong Kong  
17 April 2008

## 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 2007, the Company has complied with all of the provisions under the CG Code.

### 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 Success Talent Investments Limited as Investment Manager of the Company during the year ended 31 December 2007 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 seven Directors of whom four are Executive Directors and three are Independent Non-executive Directors.

The Board held 42 meetings during the year ended 31 December 2007 and the attendance of each Director is set out below:

Name of Director	Number of meetings attended
<i>Executive Directors:</i>	
Dr. Wai Chung Fai ( <i>Chairman</i> ) (appointed on 1 December 2007)	0
Mr. Lau Shun Chi, Benjamin (Chief Executive Officer)	41
Mr. Chu Wai Lim	42
Ms. Fong Son Wa (appointed on 8 October 2007)	8
Mr. Li Ji Ning ( <i>Chairman</i> ) (resigned on 29 November 2007)	2
Mr. Ma Kam Fook, Robert (resigned on 1 April 2007)	1
<i>Independent Non-executive Directors:</i>	
Ms. Yin Ling	0
Mr. Shiu Kwok Keung	10
Mr. Chen Man Lung	23

# Corporate Governance Report

## **THE BOARD** – continued

To the best knowledge of the Board, there is no financial, business or family relationship among members of the Board as at 31 December 2007. 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. Lau Shun Chi, Benjamin as the CEO of the Company starting October 2006. On 29 November 2007, Mr. Li Ji Ning due to personal reasons resigned as the Chairman. The Board appointed Dr. Wai Chung Fai as the Chairman of the Company starting 1 December 2007.

The position of the Chairman and the Chief Executive Officer are distinct and separate. A clean separation is maintained between the responsibilities of the Chairman and the Chief Executive Officer with the former, Dr. Wai Chung Fai, being mainly responsible for the leadership of the Board while the latter, Mr. Lau Shun Chi, Benjamin, is responsible for the overall performance of the Company.

## **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.

## Corporate Governance Report

### THE BOARD COMMITTEES – continued

#### Audit Committee – continued

The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee met 2 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:

Name of Director	Number of meetings attended
Ms. Yin Ling	0
Mr. Shiu Kwok Keung	2
Mr. Chen Man Lung	2

#### 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. Chu Wai Lim (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. Chu Wai Lim was the chairman of the Remuneration Committee. During the year under review, Mr. Li Ji Ning resigned due to personal reasons and Mr. Chu Wai Lim was appointed to fill the casual vacancy.

Mr. Lau Shun Chi, Benjamin, Chief Executive Officer, attended one of the Remuneration Committee Meeting to consider and review another Executive Director's remuneration policy.

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 2007 to review the remuneration policy and remuneration packages of the Executive Directors. The attendance of each member is set out below:

Name of Director	Number of meetings attended
Mr. Chu Wai Lim	1
Ms. Yin Ling	0
Mr. Shiu Kwok Keung	3
Mr. Chen Man Lung	3
Mr. Li Ji Ning (resigned on 29 November 2007)	0

# Corporate Governance Report

## **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.

On specific enquires made, all Directors have confirmed that, in respect of the year ended 31 December 2007, 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.

## Corporate Governance Report

### **DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS** – continued

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 2007, services provided to the Company by external auditors, Lau & Au Yeung C.P.A. Limited and the fees paid/payable were:

	HK\$
Audit services	331,000
Taxation Services	29,500
	<hr/>
	<b>360,500</b>

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 OPES ASIA DEVELOPMENT LIMITED

*(Continued into Bermuda with limited liability)*

We have audited the financial statements of Opes Asia Development Limited (the "Company") set out on pages 19 to 53, 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 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, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 2007 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 2008

Au Yeung Tin Wah

Practising Certificate Number P02343

# Income Statement

For the year ended 31 December 2007

	Note	2007 HK\$	2006 HK\$
Turnover	6	<b>16,144,227</b>	47,416,257
Cost of equity securities disposal of Unrealised fair value gains/(losses) on financial assets at fair value through profit or loss		<b>(9,900,744)</b>	(29,363,130)
		<b>14,741,101</b>	(534,170)
<b>Gross profit</b>		<b>20,984,584</b>	17,518,957
Other income	7	<b>893,697</b>	889,602
Other operating loss	8	–	(825)
Administrative expenses	9	<b>(5,387,567)</b>	(4,287,263)
Other operating expenses	9	<b>(1,492,492)</b>	(4,094,794)
<b>Profit before income tax</b>		<b>14,998,222</b>	10,025,677
Income tax expense	11	–	(18,600)
<b>Profit for the year</b>		<b>14,998,222</b>	10,007,077
<b>Attributable to:</b>			
Equity holders of the Company	12	<b>14,998,222</b>	10,007,077
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>	13		
– basic		<b>HK cents 1.86</b>	HK cents 8.10
– diluted		<b>N/A</b>	N/A

The notes on pages 23 to 53 form an integral part of these financial statements.

# Balance Sheet

As at 31 December 2007

	Note	2007 HK\$	2006 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	18	25,370,000	–
Available-for-sale financial assets	16	12,720,000	4,000,000
		<b>38,090,000</b>	4,000,000
<b>Current assets</b>			
Financial assets at fair value through profit or loss	18	29,644,980	44,384,892
Deposits for acquisition of investments	17	15,000,000	–
Other receivable, prepayments and deposits	20	485,394	345,878
Bank balances and cash	22	10,619,059	8,091,531
		<b>55,749,433</b>	52,822,301
<b>Total assets</b>		<b>93,839,433</b>	56,822,301
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	21	1,359,600	12,360,000
Share premium	21	20,476,643	86,489,636
Contributed surplus		61,305,993	–
Retained earnings/(Accumulated losses)		10,095,353	(42,322,912)
<b>Total equity</b>		<b>93,237,589</b>	56,526,724
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accrued charges		601,844	276,977
Current income tax liabilities		–	18,600
<b>Total liabilities</b>		<b>601,844</b>	295,577
<b>Total equity and liabilities</b>		<b>93,839,433</b>	56,822,301
<b>Net current assets</b>		<b>55,147,589</b>	52,526,724
<b>Total assets less current liabilities</b>		<b>93,237,589</b>	56,526,724

Director

Director

The notes on pages 23 to 53 form an integral part of these financial statements.

## Statement of Changes in Equity

For the year ended 31 December 2007

	Note	Attributable to equity holders of the Company				Total HK\$
		Share capital HK\$	Share premium HK\$	Contributed surplus HK\$	(Accumulated losses)/ Retained earnings HK\$	
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
At 31.12.2006 and at 1.1.2007		12,360,000	86,489,636	–	(42,322,912)	56,526,724
Capital reduction	21	(12,236,400)	–	12,236,400	–	–
Share premium cancellation	21	–	(86,489,636)	86,489,636	–	–
Transfer		–	–	(37,420,043)	37,420,043	–
Rights issue	21	1,112,400	8,780,067	–	–	9,892,467
Proceeds from placing of new shares	21	123,600	11,696,576	–	–	11,820,176
Profit for the year		–	–	–	14,998,222	14,998,222
<b>At 31.12.2007</b>		<b>1,359,600</b>	<b>20,476,643</b>	<b>61,305,993</b>	<b>10,095,353</b>	<b>93,237,589</b>

The notes on pages 23 to 53 form an integral part of these financial statements.

# Cash Flow Statement

For the year ended 31 December 2007

	<i>Note</i>	2007 HK\$	2006 HK\$
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	24	7,147,980	(15,113,366)
Income tax paid		(18,600)	–
Income tax refunded		–	423,123
		<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>		<b>7,129,380</b>	<b>(14,690,243)</b>
<b>Cash flows from investing activities</b>			
Deposits paid for acquisition of investments	17	(15,000,000)	–
Dividend received		56,291	69,984
Interest received		629,214	819,618
Investment in available-for-sale financial assets	16	(12,000,000)	(4,000,000)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(26,314,495)</b>	<b>(3,110,398)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of rights issues	21	9,892,467	–
Proceeds from issuance of ordinary shares	21	11,820,176	–
		<hr/>	<hr/>
<b>Net cash generated from financing activities</b>		<b>21,712,643</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,527,528</b>	<b>(17,800,641)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>8,091,531</b>	<b>25,892,172</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	22	<b>10,619,059</b>	<b>8,091,531</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Bank balances and cash		<b>10,619,059</b>	<b>8,091,531</b>

The notes on pages 23 to 53 form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2007

## 1. GENERAL INFORMATION

Opes Asia Development 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 and the United States while they have substantial operations in the PRC, in order to achieve medium to long term capital appreciation.

The Company is 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 is Unit 1809, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong.

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

By a special resolution passed on 23 May 2007, the name of the Company was changed from “China Treasure (Greater China) Investments Limited” to “Opes Asia Development Limited” and a new Chinese name of “華保亞洲發展有限公司” be adopted to replace the existing Chinese name “華寶(大中華)投資有限公司” for identification purpose.

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 2008.

## 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 available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

These financial statements have been prepared under the accrual basis of accounting and on the basis that the company is on a going concern.

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 2007

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (a) Basis of preparation – continued

- (i) *Standards, amendment and interpretations effective in 2007 which are relevant to the Company's operations.*

HKFRS 7, "Financial Instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements – Capital Disclosures";

HK(IFRIC) – Int 8, "Scope of HKFRS 2"; and

HK(IFRIC) – Int 10, "Interim Financial Reporting and Impairment".

- (ii) *Standards, amendments and interpretations effective in 2007 but not relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Company's operations:

- HK(IFRIC) – Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies"; and
- HK(IFRIC) – Int 9, "Re-assessment of embedded derivatives".

- (iii) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods, but the Company has not early adopted them:

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008.

# Notes to the Financial Statements

For the year ended 31 December 2007

## 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.

(iii) *Dividend income*

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

### (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.

# Notes to the Financial Statements

For the year ended 31 December 2007

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (d) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Hong Kong. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

### (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.

## Notes to the Financial Statements

For the year ended 31 December 2007

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

#### (f) Financial assets – continued

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

Financial assets at fair value through profit or loss are financial assets designated by the entity upon initial recognition.

Financial assets at fair value through profit or loss under current portion are 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.

Financial assets at fair value through profit or loss under non-current portion are also held for investments purposes by the Company. The Company is an investment company applied to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Due to the specific nature of the Company’s business, all financial assets it invested with quoted market price are classified as financial assets at fair value through profit or loss even some of them are not held for short-term trading, in order to avoid accounting mismatch. For financial assets held for investment purpose but not to be sold in the following twelve months, they are classified as non-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 other receivables in the balance sheet (Note 2(g)).

##### (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.

# Notes to the Financial Statements

For the year ended 31 December 2007

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (f) Financial assets – continued

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 'unrealised fair value gains/(losses) on financial assets at fair value through profit or loss' 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.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company established fair value by using valuation techniques. These include the use of recent arm's length transactions and reference to other instruments that are substantially the same, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 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) Other receivables

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 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 other receivable, probability that the other receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the other 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 an other receivable is uncollectible, it is written off against the allowance account for other receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

#### (h) Other payables

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

#### (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 Company;
  - (b) has an interest in the Company that gives it significant influence over the Company; or
  - (c) has joint control over the Company;
- (ii) the party is a member of the key management personnel of the Company;

# Notes to the Financial Statements

For the year ended 31 December 2007

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (i) Related parties – continued

- (iii) the party is a close member of the family of any individual referred to in (i) or (ii);
- (iv) the party is a company that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such company 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 Listing Rules Chapter 21.13.

### (j) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (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.

### (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.

## 3. FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

As at 31 December 2007, 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. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The 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 currency exchange rates, equity price risk and interest rate risk, to ensure appropriate measures are implemented on a timely and effective manner. 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.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 3. FINANCIAL RISK MANAGEMENT – continued

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

##### (i) Foreign currency risk

The Company has certain investments in Australian Securities Exchange, whose net assets are exposed to foreign currency translation risk. The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

During the year, approximately 21% (2006: 16%) of the Company's investment is denominated in Australian dollars. The carrying amounts of the Company's foreign currency denominated investments held for trading at the balance sheet date is AUD2,024,870 (2006: AUD1,264,000).

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the Australian dollars rate, with all other variables held constant, of the Company's profit before income tax.

	Increase/ (decrease) in Australian dollar rate %	Increase/ (decrease) in profit before income tax
<b>2007</b>		
If HK\$ weakens against Australian dollars	<b>5</b>	695,198
If HK\$ strengthens against Australian dollars	<b>(5)</b>	(695,198)
<b>2006</b>		
If HK\$ weakens against Australian dollars	<b>5</b>	387,416
If HK\$ strengthens against Australian dollars	<b>(5)</b>	(387,416)

The Company has certain investments in foreign operations, being approximately 15% of total assets are exposed to foreign currency translation risk. However, the currency exposure arising from the net assets of the Company's foreign operations is limited as the investments are mainly denominated in Hong Kong dollars.

##### (ii) Equity Price risk

The Company is exposed to equity price risk through its financial assets at fair value through profit or loss. The management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

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

## Notes to the Financial Statements

For the year ended 31 December 2007

### 3. FINANCIAL RISK MANAGEMENT – continued

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

##### (ii) Equity Price risk – continued

If the prices of the respective equity instruments had been increased/decreased by 5%, profit for the year ended 31 December 2007 have increased/decreased by HK\$2,750,749 (2006: increased/decreased by HK\$2,219,245) as a result of the changes in fair value on financial assets at fair value through profit or loss.

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

The Company's exposure to change in interest rates is mainly attributable to its bank balances. As the cash deposited in bank is simply to generate the interest income and used for daily operations, the impact from the changes in interest rate is considered to be minimum. Available-for-sale financial assets or other financial assets and liabilities do not have material interest rate risk.

##### (iv) Credit risk

The Company's bank balances are mainly deposited with banks in Hong Kong and part of them deposited with a securities dealer in Hong Kong rating of 'A' are accepted.

The Company has limited credit risk with its banks and financial institution which are leading, reputable and assessed as having low credit risk. The Company has not had any significant loss arising from non-performance by those parties in the past and management does not expect so in the future.

The table below shows the balances of the two major counterparties at the balance sheet date.

		2007	2006
		HK\$	HK\$
Counterparty	Rating		
Standard Chartered Bank (HK) Ltd	A+/Stable/A-1	<b>10,597,162</b>	8,075,923
Bank of East Asia (HK) Ltd	A-/Stable/A-2	<b>21,432</b>	22,141
		<b>10,618,594</b>	8,098,064

The carrying amount of these balances substantially represent the Company's maximum exposure to credit risk as at 31 December 2007.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 3. FINANCIAL RISK MANAGEMENT – continued

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

##### (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.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$
<b>At 31 December 2007</b>				
Other payables and accrued expenses	601,844	–	–	–
<b>At 31 December 2006</b>				
Other payables and accrued expenses	276,977	–	–	–

#### (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 valuation estimation by professional parties.

The carrying value less impairment provision of 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.

#### (c) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 3. FINANCIAL RISK MANAGEMENT – continued

#### (c) Capital risk management – continued

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as debt to total equity. Debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet). The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007 HK\$	2006 HK\$
Total borrowings	–	–
Total equity	<b>93,237,589</b>	56,526,724
Gearing ratio	<b>Nil</b>	Nil

### 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.

#### (a) Critical accounting estimates and assumptions

##### *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 2007

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – continued

### (b) Critical judgements in applying the entity's accounting policies

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

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, 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 United States 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 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:

	2007 HK\$	2006 HK\$
Sales of equity securities	<b>16,144,227</b>	47,416,257

## 7. OTHER INCOME

	2007 HK\$	2006 HK\$
Bank interest income	<b>629,214</b>	819,618
Sundry income	<b>208,192</b>	–
Dividend income	<b>56,291</b>	69,984
	<b>893,697</b>	889,602

## Notes to the Financial Statements

For the year ended 31 December 2007

### 8. OTHER OPERATING LOSS

	2007 HK\$	2006 HK\$
Net foreign exchange loss	–	825

### 9. EXPENSES BY NATURE

	2007 HK\$	2006 HK\$
Auditors' remuneration	331,000	200,000
Operating lease payments	555,012	398,916
(Reversal of impairment)/Provision for impairment loss on other receivable	(2,850,000)	3,000,001
Impairment loss on available-for-sale financial assets	3,280,000	–
Employee benefit expense	2,918,180	2,461,587
	<i>10</i>	

### 10. EMPLOYEE BENEFIT EXPENSE

	2007 HK\$	2006 HK\$
Directors' remuneration		
– fee	240,000	479,032
– salaries	1,802,513	1,261,600
– mandatory provident fund contributions	32,150	27,580
	<u>2,074,663</u>	<u>1,768,212</u>
Wages and salaries	824,193	672,500
Mandatory provident fund contributions	19,324	20,875
	<u>843,517</u>	<u>693,375</u>
	<u>2,918,180</u>	<u>2,461,587</u>

## Notes to the Financial Statements

For the year ended 31 December 2007

### 10. EMPLOYEE BENEFIT EXPENSE – continued

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

The remuneration of every Director for the year ended 31 December 2007 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>				
Wai Chung Fai (a)	–	90,000	–	90,000
Lau Shun Chi, Benjamin	–	770,000	12,000	782,000
Chu Wai Lim	–	205,900	9,150	215,050
Fong Son Wa (b)	–	76,613	–	76,613
Ma Kam Fook (c)	–	–	–	–
Li Ji Ning (d)	–	660,000	11,000	671,000
<i>Independent Non-executive Directors</i>				
Yin Ling	–	–	–	–
Shiu Kwok Keung	120,000	–	–	120,000
Chen Man Lung	120,000	–	–	120,000
	<b>240,000</b>	<b>1,802,513</b>	<b>32,150</b>	<b>2,074,663</b>

## Notes to the Financial Statements

For the year ended 31 December 2007

### 10. EMPLOYEE BENEFIT EXPENSE – continued

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

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	–	–	–	–
Chu Wai Lim	–	171,600	8,580	180,180
Li Ji Ning	–	720,000	12,000	732,000
Lau Shun Chi, Benjamin	–	370,000	7,000	377,000
<i>Independent Non-executive Directors</i>				
Li Pik Ha	120,000	–	–	120,000
Yin Ling	229,032	–	–	229,032
Shiu Kwok Keung	100,000	–	–	100,000
Chen Man Lung	30,000	–	–	30,000
	479,032	1,261,600	27,580	1,768,212

*Notes:*

- (a) Appointed on 1 December 2007
- (b) Appointed on 8 October 2007
- (c) Resigned on 1 April 2007
- (d) Resigned on 29 November 2007

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2006: Nil).

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 (2006: Nil).

## Notes to the Financial Statements

For the year ended 31 December 2007

### 10. EMPLOYEE BENEFIT EXPENSE – continued

#### Five highest paid individuals

The five individuals whose emoluments were the highest in the Company for the year include three (2006: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2006: one) individuals during the year are as follows:

	2007 HK\$	2006 HK\$
Wages and salaries	570,720	200,000
Mandatory provident fund contributions	11,000	5,000
	581,720	205,000

The emoluments of the above two (2006: one) highest paid employees during the year were within the emoluments band ranging from nil to HK\$1,000,000.

### 11. INCOME TAX EXPENSE

No Hong Kong profits tax is provided as there is no estimated assessable profit for the year. (2006: provided at the rate of 17.5%)

	2007 HK\$	2006 HK\$
Hong Kong profits tax	–	18,600

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

	2007 HK\$	2006 HK\$
Profit before tax	14,998,222	10,025,677
Tax calculated at a tax rate of 17.5% (2006: 17.5%)	2,624,688	1,754,493
Income not subject to tax	(3,569,362)	(187,302)
Expenses not deductible for tax purposes	659,169	563,264
Utilisation of previously unrecognised tax losses	–	(2,111,855)
Tax losses for which no deferred income tax asset was recognised	285,505	–
	–	18,600

## Notes to the Financial Statements

For the year ended 31 December 2007

### 12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$14,998,222 (2006: HK\$10,007,077).

### 13. EARNINGS PER SHARE

#### (a) Basic

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

	2007 HK\$	2006 HK\$
Profit attributable to equity holders of the Company	<b>14,998,222</b>	10,007,077
Weighted average number of ordinary shares in issue	<b>807,484,612</b>	123,600,000
Basic earnings per share	<b>HK cents 1.86</b>	HK cents 8.10

#### (b) Diluted

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

## Notes to the Financial Statements

For the year ended 31 December 2007

### 14. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables HK\$	Assets at fair value through the profit or loss HK\$	Available -for-sale HK\$	Total HK\$
<b>Assets as per balance sheet</b>				
<b>31 December 2007</b>				
Available-for-sale financial assets (Note 16)	–	–	12,720,000	12,720,000
Financial assets designated at fair value through profit or loss (Note 18)	–	55,014,980	–	55,014,980
Deposits for acquisition of investments (Note 17)	15,000,000	–	–	15,000,000
Other receivable, prepayments and deposits (Note 20)	485,394	–	–	485,394
Bank balances and cash (Note 22)	10,619,059	–	–	10,619,059
<b>Total</b>	<b>26,104,453</b>	<b>55,014,980</b>	<b>12,720,000</b>	<b>93,839,433</b>
<b>31 December 2006</b>				
Available-for-sale financial assets	–	–	4,000,000	4,000,000
Financial assets at fair value through profit or loss	–	44,384,892	–	44,384,892
Other receivable, prepayments and deposits	345,878	–	–	345,878
Bank balances and cash	8,091,531	–	–	8,091,531
<b>Total</b>	<b>8,437,409</b>	<b>44,384,892</b>	<b>4,000,000</b>	<b>56,822,301</b>

## Notes to the Financial Statements

For the year ended 31 December 2007

### 14. FINANCIAL INSTRUMENTS BY CATEGORY – continued

	Liabilities at fair value through the profit or loss HK\$	Derivatives used for hedging HK\$	Other financial liabilities HK\$	Total HK\$
<b>Liabilities as per balance sheet</b>				
<b>31 December 2007</b>				
Other payables and accrued charges	–	–	601,844	601,844
31 December 2006				
Other payables and accrued charges	–	–	276,977	276,977

### 15. CREDIT QUALITY OF FINANCIAL ASSETS

#### Bank balances

	2007 HK\$	2006 HK\$
A+/Stable/A-1	10,597,162	8,075,923
A-/Stable/A-2	21,432	22,141
	<b>10,618,594</b>	8,098,064

None of the financial assets that are fully performing has been renegotiated in the last year.

### 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007 HK\$	2006 HK\$
Non-current portion		
Beginning of year	4,000,000	–
Additions	12,000,000	4,000,000
Impairment	(3,280,000)	–
End of year	<b>12,720,000</b>	4,000,000

## Notes to the Financial Statements

For the year ended 31 December 2007

### 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS – continued

There were no disposals on available-for-sale financial assets in 2007 or 2006.

Available-for-sale financial assets including the following:

	2007 HK\$	2006 HK\$
Unlisted securities		
– Unlisted securities – Cayman Islands	720,000	4,000,000
– Unlisted securities – PRC	12,000,000	–
	12,720,000	4,000,000

All the available-for-sale financial assets are denominated in Hong Kong dollar.

The unlisted securities in the PRC are stated at fair value. The fair value of the investment at 31 December 2007 has been arrived at on the basis of business valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Company. The valuation was arrived at by reference to market approach.

None of the financial assets are past due.

At 31 December 2007, the carrying amounts of interests in each of the following companies exceed 10% of total assets of the Company.

Name	Place of incorporation	Principal activities	Interest held
北京華寶時代國際設備租賃有限公司	PRC	Leasing of equipment, machinery and facilities.	30%*

\* The company did not have any significant influence on 北京華寶時代國際設備租賃有限公司 and it has operated by its majority shareholder. It is a simple investment held by the Company and the Company does not consider it as an associated company of the Company.

### 17. DEPOSITS FOR ACQUISITION OF INVESTMENTS

	2007 HK\$	2006 HK\$
Deposits for acquisition of investments in		
– 廣州星越 (Note a)	3,000,000	–
– 生態農莊 (Note b)	12,000,000	–
	15,000,000	–

The carrying values of the deposits are approximate to their fair values due to their short term maturities. None of the deposits are past due and all of them are denominated in Hong Kong dollar.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 17. DEPOSITS FOR ACQUISITION OF INVESTMENTS – continued

Notes:

- a. As at 31 December 2007, the deposit paid of HK\$3 million represents a consideration for the purchase of a 20% equity interests in an unlisted company, 廣州星越航空服務有限公司 (“廣州星越”) from an independent third party (the “Acquisition”).

The acquisition has not been completed up to the date of approval of these financial statements pending the issuance of formal business licence on the (i) air freight forwarding agent and (ii) air freight forwarding enterprise management consultancy service to 廣州星越. Should the aforesaid licences not be obtained on or before 20 September 2008, the independent third party is required to refund the deposit to the Company together with the interest which is calculated at HSBC’s best lending rate.

廣州星越 was incorporated in the PRC as a limited liability company with registered capital of RMB3,800,000. The principal activity of 廣州星越 is the provision of consultancy services on navigation.

- b. On 31 December 2007, the Company has entered into a co-operation agreement to acquire a 30% equity interest in an unlisted company (the “unlisted company”), which will be engaged in production of organic farming products, promotion of organic farming and agriculture and operating an organic theme park. Consideration of HK\$12,000,000 for acquisition of the investee company has been made but the acquisition has not been completed as the unlisted company has not yet incorporated by 31 December 2007. Therefore, the consideration of HK\$12,000,000 was recorded as a deposit by the year end.

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

	2007 HK\$	2006 HK\$
Listed securities		
Equity securities – Hong Kong	41,111,008	36,636,572
Equity securities – Australia	13,903,972	7,748,320
	<hr/>	<hr/>
Market value of listed securities	55,014,980	44,384,892
Less: non-current portion	(25,370,000)	–
	<hr/>	<hr/>
Current portion	29,644,980	44,384,892
	<hr/>	<hr/>

Financial assets at fair value through profit or loss are presented within the section of operating activities as part of changes in working capital in the cash flow statement (Note 24).

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 2007

### 19. 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 9 & 10 largest investments\* as at 31 December 2007 and 2006 respectively as follows:

#### As at 31 December 2007

Name	Nature of business	% of total issued capital (Note a)	Invested amount HK\$	Fair value HK\$	% of gross asset value	Dividend received HK\$
Culturecom Holdings Limited	Publishing, Chinese information infrastructure and properties investment	0.21%	2,539,169	1,429,064	1.52%	-
Mobile Telecom Network Holdings Limited	Provision of mobile internet communication telecommunications	1.93%	2,649,277	1,807,344	1.92%	-
China Solar Energy Holdings Limited	Manufacture and sale of photovoltaics business	0.44%	11,934,138	10,690,400	11.39%	-
Rexcapital Financial Holdings Limited	Provision of financial services	0.01%	22,296	745,000	0.79%	-
PacMos Technologies Holdings Limited	Design and distribution of integrated circuits	0.53%	1,320,958	1,069,200	1.14%	-
ViaGOLD Capital Limited	Travel related business	6.72%	11,727,980	13,903,972	14.82%	-
Bio Cassava Technology Holdings Limited (Formerly known as Q9 Technology Holdings Limited)	Development and sale of computer software	3.79%	11,416,390	25,370,000	27.04%	-
Dyxnet Holdings Limited (Note b)	Provision of internet services	3.72%	4,000,000	720,000	0.77%	-
北京華寶時代國際設備租賃有限公司 (Note 16)	Leasing and wholesale of fuel and solar cells	30%	12,000,000	12,000,000	12.79%	-
Total			57,610,208	67,734,980	72.18%	-

\* The Company held only 9 investments at the year end.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 19. INVESTMENTS – continued

As at 31 December 2006

Name	Nature of business	% of total issued capital	Invested amount HK\$	Fair value HK\$	% of gross asset value	Dividend received HK\$
China Solar Energy Holdings Limited	Manufacture and sale of photovoltaic business	0.59%	13,809,592	17,451,100	30.71%	–
Bio Cassava 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	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:*

- a. Based on the latest information from the Stock Exchange of Hong Kong Limited.
- b. It is stated at Directors' valuation by using guideline publicly traded company method.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 20. OTHER RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2007 HK\$	2006 HK\$
Other receivable	–	3,000,001
Less: provision for impairment of receivable	–	(3,000,001)
Other receivable – net	–	–
Prepayments	<b>319,837</b>	180,321
Rental and utility deposits	<b>165,557</b>	165,557
Current portion	<b>485,394</b>	345,878

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

None of the other receivables, prepayments and deposits are past due and all of them are denominated in Hong Kong dollar.

As at 31 December 2005, a 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.

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 17 April 2007. 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 the year of 2006, provision for impairment loss is made at that year.

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. On 21 September 2007, the Company has entered into an agreement to terminate the investment contract dated 30 November 2005, by receiving the net settlement of HK\$2,850,000 (the amount included the expenditure spent for the collection of the settlement).

## Notes to the Financial Statements

For the year ended 31 December 2007

### 21. SHARE CAPITAL

	Number of shares	Ordinary shares HK\$	Share premium HK\$	Total HK\$
At 1 January 2006 and 31 December 2006	123,600,000	12,360,000	86,489,636	98,849,636
At 1 January 2007	123,600,000	12,360,000	86,489,636	98,849,636
Capital reduction	(111,240,000)	(12,236,400)	–	(12,236,400)
Share premium cancellation	–	–	(86,489,636)	(86,489,636)
Rights issue	111,240,000	1,112,400	8,780,067	9,892,467
Placing of new shares	12,360,000	123,600	11,696,576	11,820,176
Subdivision of shares	1,223,640,000	–	–	–
At 31 December 2007	1,359,600,000	1,359,600	20,476,643	21,836,243

During the year, the Company carried out Capital Reorganisation which involved Share Consolidation, Capital Reduction, Subdivision and Share Premium Cancellation. The Share Consolidation was 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. 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 set 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.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 21. SHARE CAPITAL – continued

During the year, the Company completed a rights issue of 111,240,000 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. Details of the Rights Issue are set out in the prospectus of the Company dated 26 March 2007.

The Company entered into a placing agreement (the “Placing Agreement”) with an independent third party on 2 October 2007. Pursuant to the Placing Agreement, the Company issued a total of 12,360,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.98 each. The issued share capital of the Company was thus increased from HK\$1,236,000 to HK\$1,359,600. 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\$11.7 million of the proceeds raised for numerous future investment opportunities that fulfill the investment objectives of the Company.

By a special general meeting passed on 14 November 2007, each of the issued and unissued shares of HK\$0.01 each in share capital of the Company was subdivided into 10 shares of HK\$0.001 each. The board believes that the shares sub-division will improve the liquidity in trading in shares of the Company and enable the Company to attract more investors and broaden the shareholder base.

The total number of authorised ordinary shares is 200,000,000,000 shares (2006: 2,000,000,000 shares) with a par value of HK\$0.001 per share (2006: HK\$0.10 per share). All issued shares are fully paid.

### 22. CASH AND CASH EQUIVALENTS

	2007 HK\$	2006 HK\$
Cash at bank and securities agent	<b>10,618,670</b>	8,090,237
Cash on hand	<b>389</b>	1,294
	<b>10,619,059</b>	8,091,531
Maximum exposure to credit risk	<b>10,618,670</b>	8,090,237

All cash and cash equivalents are denominated in HK dollar.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 23. DEFERRED INCOME TAX

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The company did not recognise deferred income tax assets of HK\$285,505 (2006: Nil) in respect of losses amounting to HK\$1,631,458 (2006: Nil) that can be carried forward against future taxable income. The estimated tax losses may be carried forward indefinitely.

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

	2007 HK\$	2006 HK\$
Profit before income tax	14,998,222	10,025,677
Adjustments for:		
– Dividend income (Note 7)	(56,291)	(69,984)
– Impairment of Available-for-sales investment (Note 7)	3,280,000	–
– Provision for impairment loss on other receivable	–	3,000,001
– Bank interest income (Note 7)	(629,214)	(819,618)
Changes in working capital:		
Increase in financial assets at fair value through profit or loss	(10,630,088)	(26,562,048)
Increase in other receivable, prepayments and deposits	(139,516)	(151,723)
Increase/(decrease) in other payables and accrued charges	324,867	(535,671)
Cash generated from/(used in) operations	<b>7,147,980</b>	(15,113,366)

## Notes to the Financial Statements

For the year ended 31 December 2007

### 25. 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:

	2007 HK\$	2006 HK\$
Not later than 1 year	208,130	555,012
Later than 1 year but not later than 5 years	–	208,130
	<b>208,130</b>	<b>763,142</b>

### 26. 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\$51,474 (2006: HK\$48,455) represents contributions payable to this scheme by the Company in respect of the current accounting year.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 27. 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:

	2007 HK\$	2006 HK\$
Investment management fee paid to United Gain Investment Limited	–	479,499
Success Talent Investments Limited	<b>279,677</b>	–
Consultancy fee to directors ( <i>Note</i> )		
Dr. Wai Chung Fai	<b>50,000</b>	–
Mr. Li Ji Ning	<b>60,000</b>	–
	<b>110,000</b>	–

*Note:* They were rendering consultancy services to the company while they were not in the positions of directors.

Under the Investment Management Agreement, Success Talent Investments Limited (“Success Talent”) was entitled to a fixed management fee of HK\$30,000 per month.

### 28. 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.

## Notes to the Financial Statements

For the year ended 31 December 2007

### 28. SHARE OPTION SCHEME – continued

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.

On the Balance Sheet date, no option has been granted under the Scheme since its adoption.

### 29. EVENTS AFTER THE BALANCE SHEET DATE

On 30 January 2008, the board of directors and the Independent Non-executive directors of the Company approved the offer of options to subscribe up to 72,000,000 shares of HK\$0.175 each and 27,000,000 shares of HK\$0.175 each of the Company to the participants under the share option scheme adopted by the shareholders of the Company on 8 February 2002, respectively.

## Financial Summary

	1.1.2003 to 31.12.2003 HK\$	1.1.2004 to 31.12.2004 HK\$	1.1.2005 to 31.12.2005 HK\$	1.1.2006 to 31.12.2006 HK\$	1.1.2007 to 31.12.2007 HK\$
<b>Results</b>					
(Loss)/Profit from operations	(44,123,146)	(606,511)	(897,386)	10,025,677	<b>14,998,222</b>
Finance costs – interest on bank overdraft	(14,629)	–	–	–	–
(Loss)/Profit before income tax	(44,137,775)	(606,511)	(897,386)	10,025,677	<b>14,998,222</b>
Income tax expense	–	–	–	(18,600)	–
Net (loss)/profit for the year	(44,137,775)	(606,511)	(897,386)	10,007,077	<b>14,998,222</b>
(Loss)/Earnings per share – Basic	(42.85) cents	(0.59) cents	(0.77) cents	8.10 cents	<b>1.86 cents</b>

	<b>As at 31 December</b>				
	2003 HK\$	2004 HK\$	2005 HK\$	2006 HK\$	2007 HK\$
<b>Assets and liabilities</b>					
Total assets	45,535,944	44,940,433	47,332,295	56,822,301	<b>93,839,433</b>
Total liabilities	(190,400)	(201,400)	(812,648)	(295,577)	<b>(601,844)</b>
Total equity	45,345,544	44,739,033	46,519,647	56,526,724	<b>93,237,589</b>