Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section to the annual report.

The principal activities of the Company and the Group are investment holding, security investment and property investment. There were no significant changes in the nature of the Group's principal activities during the year.

The financial statements are presented in Hong Kong Dollars which is the functional currency of the Company.

2. BASIS OF PREPARATION

(a) Adoption of going concern assumption

As at 31 December 2006, the Group had net current liabilities of approximately HK$2.1 million and capital deficiency of approximately HK$2.0 million. The Group had no operating activities as at 31 December 2006 and up to the approval date of these financial statements. Nevertheless, these financial statements have been prepared on a going concern basis because the director, Mr Cheung Chung Leung, Richard, who is also a shareholder of a major shareholder of the Company, Smartmax Holdings Limited, has agreed to provide adequate funds to enable the Company to meet all its financial obligations when they fall due in the foreseeable future.

These financial statements do not include any adjustments that would result in the failure of the Group to obtain future funding. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in the financial statements.

(b) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective as at 31 December 2006. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

2. BASIS OF PREPARATION (Continued)

(b) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS") (Continued)

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) – Interpretation ("Int") 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – Int 8	Scope of HKFRS 2[4]
HK(IFRIC) – Int 9	Reassessment of embedded derivatives[5]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC) – Int 12	Service Concession Arrangements[8]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 March 2006.
4 Effective for annual periods beginning on or after 1 May 2006.
5 Effective for annual periods beginning on or after 1 June 2006.
6 Effective for annual periods beginning on or after 1 November 2006.
7 Effective for annual periods beginning on or after 1 March 2007.
8 Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

Investments in subsidiary

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale.

Interests in associates

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value consideration received or receivables and represents amounts receivable in the normal course of business on the following basis:

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

Rental income under operating leases is recognised on straight-line basis over the relevant lease terms.

Sale of trading securities is recognised when the significant risks and rewards have been passed and is on trade date basis.

Impairment losses of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimate residual value, using the straight-line method, at the following rates per annum:

Furniture and fixtures	20%
Computer equipment	33.33%

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains and losses from changes in the fair value of investment properties are included in the consolidated income statement for the period in which they arise.

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

Leasing

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in the profit or loss in subsequent periods. For available-for sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including other payables and accrued charges are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Depreciation and amortisation

The Group's net carrying value of plant and equipment as at 31 December 2006 was approximately HK$0.1 million. The Group depreciates the plant and equipment on a straight-line basis over the estimated useful life, and after taking into account of their estimated residual value, at the rate 20% to 33.33% per annum, commencing from the date the equipment is placed into productive use. The estimated useful life and dates that the Group places the equipment into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

Investment properties

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 3. The fair value of the investment properties is determined by open market value. The valuation was based on certain assumptions, which are subject to uncertainty and might material differ from the actual results.

In working judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate capitalisation rates. These estimates are regularly compared to actual date and actual transaction's entered into by the Group.

Estimated impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 on determining when an investment is other then temporarily impaired. This determination requires significant judgement. In working this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investments is less than its costs, and the financial health of and near-term business and look for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include other receivables, deposits in an assets management company, 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 management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group's exposure to interest rate risk is minimal as the Group does not have any long term interest bearing financial assets and liabilities.

Liquidity risk

The Group is exposed to liquidity risk as the Group recorded consolidated net current liabilities of approximately HK$2.1 million and capital deficiency of approximately HK$2.0 million at the balance sheet date and have no operating activities as at the balance sheet date and up to the report date. The liquidity of the Group primarily depends on the future funding being available and the ability of the Group to meet its financial obligations as they fall due.

Foreign currency risk

The Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

Fair value

The fair value of the Group's financial assets and liabilities are not materially different from the carrying amounts because of the immediate or short-term maturity of these financial instruments.

6. TURNOVER

Turnover represents the net amounts received and receivables from trading of securities for the year.

An analysis of the Group's turnover for the year is as follows:

	2006	2005
	HK$' million	*HK$' million*
Interest income from deposits	**–**	3.5
Rental income	**–**	2.7
Proceeds from trading of securities	**126.1**	35.0
	126.1	41.2

7. SEGMENT INFORMATION

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

Principal activities are as follows:

Treasury and investment:

The placing of deposits and investment in securities to generate income from interest, dividends and capital appreciation.

Funds are also advanced as loans to other parties on a secured or unsecured basis where suitable opportunities are identified to earn enhanced returns.

Property:

Investment in property to generate rental income.

Securities trading:

Investment in listed securities to generate profit from short-term fluctuation in price.

7. SEGMENT INFORMATION (Continued)

(a) Business segments

For the year ended 31 December 2006

	Treasury and investment 2006 *HK$' million*	Property 2006 *HK$' million*	Securities trading 2006 *HK$' million*	Total 2006 *HK$' million*
TURNOVER				
Interest income from deposits	–	–	–	–
Rental income	–	–	–	–
Proceeds from trading of securities	–	–	126.1	126.1
Total turnover	–	–	126.1	126.1
RESULTS				
Segment results	(0.1)	–	(0.4)	(0.5)
Loss on written off of investment properties	–	(237.0)	–	(237.0)
Provision for loss in value of investment properties	–	(12.1)	–	(12.1)
Allowance for bad and doubtful debts	(8.7)	–	–	(8.7)
Impairment loss recognised in respect of available-for-sale investments	(13.0)	–	–	(13.0)
Impairment loss on deposits in an assets management company	(32.6)	–	–	(32.6)
Impairment loss on deposit refundable	(13.8)	–	–	(13.8)
Unallocated expenses	–	–	–	(9.1)
Loss for the year				(326.8)

7. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 December 2005

	Treasury and investment 2005 *HK$' million*	Property 2005 *HK$' million*	Securities trading 2005 *HK$' million*	Total 2005 *HK$' million*
TURNOVER				
Interest income from deposits	3.5	–	–	3.5
Rental income	–	2.7	–	2.7
Proceeds from trading of securities	–	–	35.0	35.0
Total turnover	3.5	2.7	35.0	41.2
RESULTS				
Segment results	(51.1)	(10.7)	(0.7)	(62.5)
Other operating income	–	–	–	0.5
Impairment losses recognised in respect of goodwill arising from acquisition of a subsidiary	–	–	–	(7.9)
Unallocated expenses	–	–	–	(8.6)
Loss before taxation				(78.5)
Taxation				(0.2)
Loss for the year				(78.7)

7. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Balance sheet
As at 31 December 2006

	Treasury and investment 2006 *HK$' million*	Property 2006 *HK$' million*	Securities trading 2006 *HK$' million*	Total 2006 *HK$' million*
ASSETS				
Segment assets	–	–	–	–
Unallocated corporate assets				0.6
				0.6
LIABILITIES				
Segment liabilities	–	0.7	–	0.7
Unallocated corporate liabilities				1.9
				2.6

As at 31 December 2005

	Treasury and investment 2005 *HK$' million*	Property 2005 *HK$' million*	Securities trading 2005 *HK$' million*	Total 2005 *HK$' million*
ASSETS				
Segment assets	68.8	272.0	12.2	353.0
Unallocated corporate assets				6.9
				359.9
LIABILITIES				
Segment liabilities	22.9	0.7	10.2	33.8
Unallocated corporate liabilities				1.3
				35.1

7. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Other information
For the year ended 31 December 2006

	Treasury and investment 2006 *HK$' million*	Property 2006 *HK$' million*	Securities trading 2006 *HK$' million*	Unallocated 2006 *HK$' million*	Total 2006 *HK$' million*
Depreciation	–	–	–	0.3	0.3
Loss on written off of investment properties	–	237.0	–	–	237.0
Provision for loss in value of investment properties	–	12.1	–	–	12.1
Allowance for bad and doubtful debts	8.7	–	–	–	8.7
Impairment loss recognised in respect of available-for-sale investments	13.0	–	–	–	13.0
Impairment loss on deposits in an assets management company	32.6	–	–	–	32.6
Impairment loss on deposit refundable	13.8	–	–	–	13.8

For the year ended 31 December 2005

	Treasury and investment 2005 *HK$' million*	Property 2005 *HK$' million*	Securities trading 2005 *HK$' million*	Unallocated 2005 *HK$' million*	Total 2005 *HK$' million*
Depreciation	–	–	–	0.4	0.4
Decrease in fair value on investment properties	–	13.0	–	–	13.0
Provision for loss on a guarantee agreement	22.9	–	–	–	22.9
Impairment losses recognised in respect of goodwill arising from acquisition of a subsidiary	–	7.9	–	–	7.9
Allowance for bad and doubtful debts	–	–	–	2.5	2.5
Impairment loss recognised in respect of available-for-sale investments	31.7	–	–	–	31.7
Loss on derivative financial instrument	–	–	0.1	–	0.1

7. SEGMENT INFORMATION (Continued)

(b) Geographical segments

(i) The following table provides an analysis of the Group's turnover by geographical market:

	2006	2005
	HK$' million	*HK$' million*
The People's Republic of China, excluding Hong Kong (the "PRC")	**–**	6.2
Hong Kong	**126.1**	35.0
	126.1	41.2

(ii) The following is an analysis of the carrying amount of segment assets, and additions to plant and equipment, investment properties and available-for-sale investments analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to plant and equipment, investment properties and available-for-sale investments**	
	2006	2005	**2006**	2005
	HK$' million	*HK$' million*	***HK$' million***	*HK$' million*
The PRC	**–**	340.8	**–**	250.0
Hong Kong	**0.6**	19.1	**–**	–
	0.6	359.9	**–**	250.0

8. FINANCE COST

	2006	2005
	HK$' million	*HK$' million*
Interest on overdraft in a security company	**0.1**	–

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	2006	2005
	HK$' million	*HK$' million*
Directors' remuneration *(note 11)*	**1.64**	1.4
Other staff costs	**1.1**	0.8
Retirement benefit scheme contributions (excluding those of directors)	**0.1**	0.1
Total staff costs	**2.84**	2.3
Auditors' remuneration	**0.4**	0.3
Cost of securities trading	**126.5**	35.6
Depreciation	**0.3**	0.4
Minimum lease rentals in respect of rented premises	**1.6**	1.4
Loss on disposal of plant and equipment	**0.5**	–
Gross rental income from investment properties	**–**	(2.7)
Less: direct outgoings	**–**	0.4
Net rental income	**–**	(2.3)

10. TAXATION

	2006	2005
	HK$' million	*HK$' million*
The charge attributable to the Company and its subsidiaries comprises:		
Other regions in the PRC	**–**	0.2

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. TAXATION (Continued)

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

	2006	2005
	HK$' million	*HK$' million*
Loss before taxation	**(326.8)**	(78.5)
Tax at domestic rate of 17.5% (2005: 17.5%)	**57.2**	13.7
Tax effect of income not taxable for tax purpose	**–**	0.7
Tax effect of expenses not deductible for tax purpose	**(55.6)**	(13.3)
Tax effect of tax losses not recognised	**(1.6)**	(1.5)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	0.2
Taxation charge for the year	**–**	(0.2)

11. DIRECTORS' REMUNERATION

	2006	2005
	HK$' million	*HK$' million*
Directors' fee:		
Executive directors	**0.94**	0.9
Non-executive directors	**0.16**	–
Independent non-executive directors	**0.54**	0.5
Other emoluments:		
Salaries and other benefits	**–**	–
Retirement benefit scheme contributions	**–**	–
Total emoluments	**1.64**	1.4

There was no arrangement under which directors waived or agreed to waive any emoluments in the two years ended 31 December 2006 and 2005.

11. DIRECTORS' REMUNERATION (Continued)

The emoluments of each director of the Company for the year are set out as follows:

	Directors' fee	
	2006	2005
	HK$' million	*HK$' million*
Executive directors:		
Li Guanghao *(note a)*	**0.2**	0.3
Chen Baodong *(note b)*	**0.2**	0.3
Li Zhaohui *(note b)*	**0.2**	0.3
Cheung Chung Leung, Richard *(note c)*	**0.09**	–
Sun Bo *(note c)*	**0.09**	–
Christian Emil Toggenburger *(note d)*	**0.08**	–
Beat Rene Saxer *(note e)*	**0.08**	–
	0.94	0.9
Non-executive directors:		
Hans-Peter Adelrich Josef Hess *(note f)*	**0.08**	–
Young Mai-San *(note g)*	**0.08**	–
Simon Gordon Littmann *(note h)*	**–**	–
	0.16	–
Independent non-executive directors:		
Cheung Hok Fung, Alexander *(note j)*	**–**	0.1
Leung Fung Yee, Alice *(note j)*	**–**	0.1
Lou Aidong *(note b)*	**0.06**	0.1
Wang Ligui *(note b)*	**0.06**	0.1
Lu Wennian *(note b)*	**0.06**	0.1
Cheng Hong Kei *(note c)*	**0.09**	–
Tang Ka Siu, Johnny *(note k)*	**0.09**	–
Leung Kwan, Hermann *(note c)*	**0.09**	–
William Montgomerie Courtauld *(note l)*	**0.08**	–
Ku Yee Hong Derek *(note m)*	**0.01**	–
Frank Yu *(note i)*	**–**	–
	0.54	0.5
	1.64	1.4

11. DIRECTORS' REMUNERATION (Continued)

Notes:

a. Retired on 29 June 2006
b. Removed on 12 June 2006
c. Appointed on 8 June 2006
d. Appointed on 12 June 2006 and resigned on 1 June 2007
e. Appointed on 12 June 2006 and removed on 21 March 2007
f. Appointed on 12 June 2006
g. Appointed on 12 June 2006 and resigned on 19 April 2007
h. Appointed on 16 April 2007 and resigned on 1 June 2007
i. Appointed on 19 April 2007
j. Retired on 30 June 2005
k. Appointed on 8 June 2006 and resigned on 4 April 2007
l. Appointed on 12 June 2006 and resigned on 19 April 2007
m. Appointed on 8 June 2006 and resigned on 29 June 2006

12. EMPLOYEES' EMOLUMENTS

The Group, of the five individuals with the highest emoluments, three (2005: four) were directors, whose emoluments are set out in note 11.

The emoluments of the remaining two (2005: one) highest paid individuals were as follows:

	2006	2005
	HK$' million	*HK$' million*
Salaries allowances and benefit in kind	**0.8**	0.8
Retirement benefit scheme contributions	**0.1**	0.1
	0.9	0.9

The emoluments were within the band ranging from nil to HK$1 million.

13. DIVIDEND

No dividend was paid or proposed during 2006, nor has any dividend been proposed since balance sheet date (2005: Nil).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	2006	2005
	HK$' million	*HK$' million*
Loss for the year	**326.8**	78.7
	Million	*Million*
Weighted average number of ordinary shares	**351.4**	323.5

There were no dilutive potential ordinary shares in existence during both years, accordingly, no diluted loss per share figures are presented.

15. PLANT AND EQUIPMENT

	Furniture and fixtures	**Computer equipment**	**Total**
	HK$' million	*HK$'million*	*HK$' million*
THE GROUP			
COST			
At 1 January 2005 and 31 December 2005	1.5	0.3	1.8
Disposals	(1.4)	–	(1.4)
At 31 December 2006	**0.1**	**0.3**	**0.4**
ACCUMULATED DEPRECIATION			
At 1 January 2005	0.4	0.1	0.5
Provided for the year	0.3	0.1	0.4
At 31 December 2005	0.7	0.2	0.9
Provided for the year	0.2	0.1	0.3
Eliminated on disposals	(0.9)	–	(0.9)
At 31 December 2006	**–**	**0.3**	**0.3**
NET CARRYING VALUES			
At 31 December 2006	**0.1**	**–**	**0.1**
At 31 December 2005	0.8	0.1	0.9

16. INVESTMENT PROPERTIES

	Properties at Shanghai	Properties at Shandong	Total
	HK$' million	*HK$' million*	*HK$' million*
THE GROUP			
VALUATION			
At 1 January 2005	35.0	–	35.0
Additions through acquisition of a subsidiary	–	250.0	250.0
Change in fair value	–	(13.0)	(13.0)
At 31 December 2005	35.0	237.0	272.0
Transfer from provision for the loss on a guarantee agreement	(22.9)	–	(22.9)
Provision for loss in value	(12.1)	–	(12.1)
Written off	–	(237.0)	(237.0)
At 31 December 2006	**–**	**–**	**–**

Investment properties located in Shanghai, the PRC with nil carrying amount (2005: HK$35 million)

At the balance sheet date, the properties were held under medium lease terms (lease period not less than 20 years but not more than 50 years).

On 23 March 2004, the Group entered into agreements to pledge the properties to a bank in the PRC to secure for a short-term bank loan of RMB24.0 million (equivalent approximately of HK$22.9 million) granted to a third party. In return, the Group receives an income of 8% per annum on the face value of such loan. During the year ended 31 December 2005, the bank loan was overdue and the Group was being demanded for repayment. The property was sequestrated by a court in the PRC. As a prudent measure, a provision for the loss of HK$22.9 million for such guarantee contract was made in year 2005 (details are set out in note 25). The Company was informed that the bank was taking legal actions to dispose of the properties by force sell, Accordingly, the provision for loss on guarantee contract previously made was transferred to the investment properties. The directors estimate that the Company is not likely to recover any significant amount after the properties are disposed of by force sell by the court. A further provision of approximately HK$12.1 million was made to provide the full amount of loss in value of the properties. The legal proceedings was still in progress as at the date of this report.

Investment properties located in Shandong, the PRC with nil carrying amount (2005: HK$237 million)

During the year ended 31 December 2004, the investment properties in were disposed through the disposal of the subsidiary, Grand Noble Group Limited ("Grand Noble"). However, the purchaser of that subsidiary was defaulted in paying of the consideration. Accordingly, the Company enforced the share charge in July 2005 and resumed the ownership of the subsidiary and the investment properties.

The Company later found that the properties were awarded to a PRC company to settle the sum owned to the PRC company by Grand Noble by a court order on 11 July 2006. Details are set out in the Company's announcement made on 31 July 2006.

17. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2006	2005
	HK$' million	*HK$' million*
Unlisted shares overseas		
Hennabun Management International Limited		
(formerly known as Hennabun Management Inc.)		
("HMI") *(note a)*		
At cost	**59.0**	59.0
Impairment losses recognised	**(59.0)**	(59.0)
	–	–
Unlisted shares in PRC		
Heze Century Energy Coalchem Industrial Co. Ltd		
("Heze") *(note b)*		
At cost	**12.0**	12.0
Impairment losses recognised	**(12.0)**	–
	–	12.0
Zhejiang Risesun Paper Co. Ltd ("Risesun") *(note c)*	**–**	–
Wuhu Dongtai Paper Mfg. Co. Ltd ("Dongtai") *(note c)*	**–**	–
澤潤投資諮詢(上海)有限公司 ("Zerun") *(note d)*		
Reclassified from investment in a subsidiary	**1.0**	–
Impairment losses recognised	**(1.0)**	–
	–	–
	–	12.0

The above investments represent unlisted equity securities issued by private companies. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Notes:

(a) HMI was incorporated in British Virgin Islands with limited liability. It is engaged in securities trading, investment holding and provision of brokerage and financial services. At 31 December 2006, the Group owned 1.67% (2005: 5.15%) equity interests in HMI.

At the balance sheet date, the directors of the Company conducted a review of the above investments. According to the latest available financial information, HMI was suffered from a huge accumulated losses. Directors considered that it is unlikely for any future cash flow that would be flowed into the Company, a full impairment loss is recognised on this investment.

(b) At the balance sheet date, the Group owned 11.2% (2005: 11.2%) equity interests in Heze. Heze was incorporated in the PRC with limited liability. At 31 December 2006, Heze has not commenced business. Directors considered the future cash flow that would be flowed in the Company, a full impairment loss is recognised on this investment.

17. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

(c) At the balance sheet date, the Group owned 25% equity interests each in Risesun and Dongtai which are limited company incorporated in the PRC. They were classified as associates in the previous years. Their operations have been suspended since 2004. A full provision was made for these investment in 2004. After the changes in management of the Company in June 2006, the present management has no representative in the management body nor participation in the daily operating and financing activities in Risesun and Dongtai. Accordingly, the investments in these companies are classified as available-for-sale investments during the year ended 31 December 2006. Having considered the likelihood of the recoverability of the investments, the directors consider the provision previously made is adequate but not excessive.

(d) After the changes in management of the Company in June 2006, the present management appointed legal advisors to locate the previous management and staff of Zerun. However, as informed by the legal advisors, they were unable to contact them. Consequently, the present management of the Company have neither representative in the management body nor the ability to govern the operating and financing policies in Zerun. Accordingly, the investment in Zerun is classified as available-for-sale investments during the year ended 31 December 2006. Having considered the likelihood of the recoverability of the investment, a full impairment loss is recognised on this investment.

The net assets of Zerun at the date of reclassification were as follows:

	HK$' million
Other receivables	1.3
Cash and bank balances	0.5
Other payables	(0.2)
Amount due to a shareholder	(0.6)
	1.0

Zerun had no contribution to the Group's turnover and profit for the year ended 31 December 2006.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2006	2005
	HK$' million	*HK$' million*
Share of post acquisition results	**138.0**	138.0
Less: Impairment losses recognised	**(138.0)**	(138.0)
	–	–
Reclassified to available-for-sale investments *(note 17c)*	**–**	–
	–	–

19. HELD FOR TRADING INVESTMENT

	THE GROUP	
	2006	2005
	HK$' million	*HK$' million*
Listed shares in Hong Kong, at fair value	**–**	12.2

The listed shares were pledged to the security company for the credit facilities granted for the year ended 31 December 2005. The investments were disposed of during the year ended 31 December 2006.

20. DEPOSIT REFUNDABLE

THE GROUP

On 12 April 2005, the Group entered into a share transfer agreement with a third party to acquire 80% equity interests in Daoqin Hospital Management Company Limited (上海道勤醫院投資管理有限公司) ("Daoqin Hospital") at a consideration of HK$ 30.2 million (the "Acquisition"). Daoqin Hospital is a company established in the PRC with limited liability and is established for the purpose of provision of hospital management services. During the year ended 31 December 2005, the Group made partial payment of HK$ 13.8 million.

According to the agreement, if the Acquisition was not completed in December 2005, the Acquisition would be cancelled and the Group would entitle to recover the payment made.

The acquisition has not been completed on 27 April 2006, the Group entered into another agreement to cancel the Acquisition and the Counterparty is required to refund the payment to the Group within fifteen days from the date of agreement. The Group has not received the payment as at 31 December 2006 and up to the report date.

The Company has attempted to take legal action to recover the amount. However, as advised by the legal advisor, they were unable to contact the parties concerned. Based on the above information, the directors considered the likelihood of the recoverability was very remote and a full provision was made for the year ended 31 December 2006.

21. DEPOSITS IN AN ASSETS MANAGEMENT COMPANY

THE GROUP

The amount of HK$32.6 million represents the deposits placed in an assets management company (the "Manager") which was a limited company incorporated in the PRC. The Manager was engaged in investment advisory, asset management and other related business. The deposit was contracted for the period from 1 July 2004 to 1 July 2005. The amount was overdue and no repayment schedule was made.

The Company was informed that the Manager was in the process of liquidation in the PRC. Based on this information, the directors considered the likelihood of the recoverability of the amount was very remote and a full provision was made for the year ended 31 December 2006.

21. DEPOSITS IN AN ASSETS MANAGEMENT COMPANY (Continued)

The ex-director, Li Zhaohui has equity interests in the Manager. Mr Li Zhaohui was appointed as a director of the Company on 19 October 2004 and was removed on 8 June 2006.

During the year ended 31 December 2006, no interest income was received from the Manager. Interest income of HK$3.5 million was received for the year ended 31 December 2005.

22. CASH AND CASH EQUIVALENTS

	THE GROUP	
	2006	2005
	HK$' million	*HK$' million*
Bank balances and cash	**0.2**	5.7
Deposits in security company	**–**	0.3
Overdraft in a security company – secured	**–**	(10.1)
	0.2	(4.1)

	2006	2005
	HK$' million	*HK$' million*
For reporting purpose		
Current assets	**0.2**	6.0
Current liabilities	**–**	(10.1)

23. OTHER PAYABLES AND ACCRUED CHARGES

THE GROUP

Other payables and accrued charges comprise accrued expenses and sundry payables, which are expected to be settled within one year.

24. DERIVATIVE FINANCIAL INSTRUMENT

	THE GROUP	
	2006	2005
	HK$' million	*HK$' million*
Heng Seng Index Contract, at fair value	**–**	0.1

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or equity price relative to their terms. The fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Derivative assets and liabilities and different transactions are only set-off if the transactions are made with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net loss.

The contracts were disposed of during the year ended 31 December 2006.

25. PROVISION FOR LOSS ON A GUARANTEE AGREEMENT

THE GROUP

On 23 March 2004, the Group entered into a guarantee agreement to pledge the Group's investment property located in Shanghai to a bank to secure a short-term bank loan of RMB24 million (equivalents to approximately HK$22.9 million) granted to a third party (the "Borrower"). Pursuant to the agreement, the Group would receive an income of 8% per annum on the loan amount from the Borrower. The income is secured by a corporate guarantee from another third party. No interest income was received for the two years ended 31 December 2006 and 2005.

During the year ended 31 December 2005, the Group was informed by the bank that the Borrower had failed to repay the loan on the due date. Accordingly, the Group was liable for repaying the principal and interest of the loan for the Borrower. The property was subsequently sequestrated and a provision for the loss of HK$22.9 million was made in the financial statements for the year ended 31 December 2005. The provision was transferred to the provision for loss in value of the investment property in the current year (note 16).

26. DEFERRED TAXATION

At the balance sheet date, the Group and the Company had unused tax losses of approximately HK$14.5 million (2005: HK$5.3 million) and approximately HK$9.7million (2005: HK$3.6 million) respectively available to offset against future profits. No deferred taxation assets have been recognised due to the unpredictability of future profits streams. Tax losses may be carried forward indefinitely.

27. SHARE CAPITAL

	Number of shares		Share capital	
	2006	2005	**2006**	2005
	million	*million*	***HK$' million***	*HK$' million*
Authorised:				
Ordinary shares of HK$0.4 each	**1,000.0**	1,000.0	**400.0**	400.0
Issued and fully paid:				
At 1 January	**351.4**	292.8	**140.5**	117.1
Allotted during the year	**–**	58.6	**–**	23.4
At 31 December	**351.4**	351.4	**140.5**	140.5

During the year ended 31st December 2005, the Company allotted 58,564,000 ordinary shares at par value of HK$0.4 each for cash to provide additional working capital of the Company.

There was no movement in the Company's share capital during the year ended 31 December 2006.

28. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$' million	*HK$' million*
Unlisted shares, at cost	**0.1**	0.1
Amounts due from subsidiaries	**543.8**	544.2
	543.9	544.3
Impairment losses recognised	**(543.9)**	(223.7)
	–	320.6

The amounts due from subsidiaries are unsecured and non interest-bearing. In the opinion of the directors, demand for repayment for the amounts due from subsidiaries will not be made within the next twelve months from the balance sheet date. Accordingly, the amounts are classified as non-current.

In view of the operating loss position of certain subsidiaries, impairment losses were recognised with reference to their recoverable amounts.

Details of the Company's subsidiaries at 31 December 2006 are set out in note 35.

29. RESERVES

	Share premium	Accumulated profits (losses)	Total
	HK$ million	*HK$ million*	*HK$ million*
THE COMPANY			
At 1 January 2005	39.3	166.6	205.9
Share issue expense	(1.3)	–	(1.3)
Loss for the year	–	(20.4)	(20.4)
At 31 December 2005	38.0	146.2	184.2
Loss for the year	–	(326.5)	(326.5)
At 31 December 2006	**38.0**	**(180.3)**	**(142.3)**

At 31 December 2006, the Company has no reserves available for distribution.

At 31 December 2005, the Company's reserves available for distribution to shareholders amounted to HK$146.2 million.

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

30. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and the employees are required to contribute 5% of the salaries to the MPF Scheme. During the year, the Group made contribution of HK$0.1 million (2005: HK$0.1million) to the MPF Scheme.

31. ACQUISITION OF A SUBSIDIARY

On 19 October 2004, the Group entered into agreement to dispose of the entire shares of a subsidiary, Grand Noble (the "Sale Shares") at a consideration of HK$270.0 million, According to the agreement, the consideration was satisfied by cash of HK$20.0 million payable at the completion of the disposal and a promissory note of HK$250.0 million payable on the expiry of six months from the date of completion. The repayment of the promissory was secured by the Sale Shares.

On 13 December 2004, the Group entered into a supplementary agreement with the Purchaser that the payment schedule of the consideration was revised as follows:

	HK$' million
On 14 December 2004	12.0
On 12 March 2005	8.0
On 12 June 2005	250.0

As at 31st December 2004, the Purchaser had paid HK$12.0 million.

As the Purchaser defaulted in paying the promissory note at the due date, the Group executed the charge of the Sale Shares. On 11 July 2005, the Group resumed the ownership of Grand Noble. At that date, the fair value of the net assets of Grand Noble was as follows:

	HK$' million
Investment property	250.0
Cash in hand	0.1
Net assets resumed	250.1
Goodwill	7.9
Consideration	258.0

Grand Noble contributed a loss of HK$13.0 million to the Group for the year ended 31 December 2005. No turnover was contributed for that year. Net cash acquired was HK$0.1 million.

The directors reviewed the recoverable amount expected to arise from the cash-generating unit and determined that the goodwill was impaired. Accordingly, an impairment loss of HK$7.9 million was recognised in consolidated income statement for the year ended 31 December 2005.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2006	2005
	HK$' million	*HK$' million*
Within one year	**0.5**	0.9
In the second to fifth year inclusive	**0.3**	–
	0.8	0.9

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

At the balance sheet date, the Company had no operating lease commitments under operating lease (2005: Nil).

33. SEQUESTRATION/PLEDGE OF ASSETS

The following assets were sequestrated or pledged:

(a) At 31 December 2006, investment properties located at Shanghai with nil carrying value (2005: HK$35 million) was sequestrated by a court in the PRC for a legal claim of HK$22.9 million.

(b) At 31 December 2006, no held for trading investment was pledged. At 31 December 2005, investments with carrying value of HK$12.2 million were pledged to a security company to secure the credit facilities granted to the Group.

34. RELATED PARTY TRANSACTIONS

(a) The Group placed a deposit of HK$32.6 million (2005: HK$32.6 million) to the Manager in which the ex-director of the Company, Mr. Li Zhaohui, is one of the shareholder. Mr. Li Zhaohui was appointed as a director of the Company on 19 October 2004 and was removed on 8 June 2006. During the year ended 31 December 2006, no interest income was received from the Manager. Interest income of HK$3.5 million was received from the Manager for the year ended 31 December 2005. The maximum balance outstanding during the year was HK$32.6 million (2005: HK$32.6 million).

(b) Compensation of key management personnel

The details of the remuneration of directors and other members of key management during the two years ended 31 December 2006 and 2005 were disclosed in notes 11 and 12 respectively.

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries, all of which are limited company, as at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Direct	Indirect	
			%	%	
Noble Congress Limited	British Virgin Islands*	1 ordinary share of US$1 each	100	–	Investment holding
Accurate City Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Investment holding
Active Chance Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Security investment
Asiawell Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Investment holding
Best Energy International Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Investment holding
China Eastern Energy Holdings Limited	Samoa /PRC	1 ordinary share of US$1 each	–	100	Investment holding
Digital Faith Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Investment holding
Eastern Good Limited	British Virgin Islands/ PRC	1 ordinary share of US$1 each	–	100	Property investment

35. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries as at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activity
			Direct %	Indirect %	
Elite City Investment Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Investment holding
Max Margin Group Limited	British Virgin Islands/ PRC	1 ordinary share of US$1 each	–	100	Property investment
Ocean Pearl Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Investment holding
Profit Guidance Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Investment holding
Rosedale Investments Trading Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Investment holding
Sincere Leader Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Investment holding
True Leader International Limited	British Virgin Islands*	1 ordinary share of US$1 each	–	100	Investment holding
Toprich International Investments Limited	Hong Kong	6,160,000 ordinary shares of US$1 each	–	100	Investment holding
Up Global Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Treasury
Grand Noble Group Limited	British Virgin Islands/ PRC	2 ordinary shares of US$ 1 each	–	100	Properties holding

* These companies have no specific principal place of operation.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.