NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. GENERAL INFORMATION

China Treasure (Greater China) Investments Limited (the "Company") is a limited liability company incorporated and domiciled in the Cayman Islands. The address of the Company's registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies and its principal place of business is Room 1603, 16/F Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The financial statements on pages 20 to 43 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The financial statements for the year ended 31 December 2005 were approved by the board of directors on 25 April 2006.

2. ADOPTION OF NEW OR REVISED HKFRS

From 1 January 2005, the Company has adopted all new or revised standards and interpretations of HKFRS, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

2. ADOPTION OF NEW OR REVISED HKFRS – continued

HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS2	Share – based Payment
HK(SIC) Int-15	Operating Leases – Incentives

All the standards have been applied retrospectively except when specific transitional provisions require a different treatment.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKAS 39

Prior to the adoption of HKAS 39, investments in securities are measured at fair value. Changes in fair value of investments in securities were recognised in the income statement as they arose.

On the adoption of HKAS 39, the Company classified its investments in securities as financial assets at fair value through profit and loss or available-for-sale financial assets and measured its financial assets at fair value.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, the reclassification is made on 1 January 2005 and the comparative figures have not been restated.

2.2 Other standards adopted

The adoption of other new or revised standards or interpretations did not result in significant changes to the Company's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

2. ADOPTION OF NEW OR REVISED HKFRS – continued

2.3 New standards or interpretations that have been issued but are not yet effective

The Company has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Company.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21(Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[2]
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2006
3 Effective for annual periods beginning on or after 1 December 2005
4 Effective for annual periods beginning on or after 1 March 2006

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis as modified for revaluation of certain financial assets and financial liabilities as set out in notes 3(e) and 3(f) below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The significant accounting policies adopted in the preparation of these financial statements are set out below.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(i) interest income is recognised on a time-proportion basis using the effective interest method; and

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

(c) Foreign currencies

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the Company's functional currency.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Impairment of assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Financial assets

The Company's financial assets include financial assets at fair value through profit or loss, available-for-sale financial assets and other receivables.

The accounting policies adopted in respect of each category of financial assets are set out below:

In previous years, the Company recognised its investments in securities at fair value on a trade-date basis. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of investments in securities were recognised in the income statement. Gains or losses on disposal of investments in securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arose.

From 1 January 2005 onwards, the Company classified its financial assets as financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables and held-to-maturity investments. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(e) Financial assets – continued

All financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

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

This category comprises financial assets that are either held for trading or are designated by the Company to be carried at fair value through profit or loss on initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognised in the income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be re-classified.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value, with changes in value recognised in equity. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised. Impairment losses previously recognised in the income statement on equity instruments will not reverse through the income statement in subsequent periods. Impairment losses previously recognised in the income statement on debt securities are subsequently reversed through the income statement 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(e) Financial assets – continued

(ii) Available-for-sale financial assets – continued

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 income statement 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 loss will not reverse in subsequent periods.

(iii) Receivables

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

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

(f) Financial liabilities

The Company's financial liabilities include other payable and accrued charges. Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

Payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Income tax

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(h) Employee benefits – continued

(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.

(i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and form an integral part of the Company's cash management.

(j) Equity

Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

(k) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(l) Related parties

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

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Company;
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company;

(v) the party is a close member of the family of any individual referred to in (iv); or

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individuals referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

5. REVENUE AND OTHER OPERATING (LOSS)/INCOME

An analysis of revenue and other operating (loss)/income is as follows:

	2005	2004
	HK$	*HK$*
Revenue		
Bank interest income	**622,704**	–
Other interest income	**2,746**	234,000
Dividend income	**14,524**	–
	639,974	234,000
Other operating (loss)/income		
Bank interest income	**–**	18,769
Exchange (losses)/gains	**(29,884)**	27,460
	(29,884)	46,229

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Company is principally engaged in investing in listed and unlisted companies in the PRC, Hong Kong, Taiwan, Australia and 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 loss are derived from Hong Kong.

Accordingly, no segment information has been presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

7. LOSS BEFORE INCOME TAX

	2005	2004
	HK$	*HK$*
Loss before income tax is arrived at after charging:		
Staff costs, including directors' emoluments* *(note 10)*		
Wages and salaries	**1,232,200**	423,042
Retirement benefits scheme contributions	**20,184**	9,500
	1,252,384	432,542
Auditors' remuneration	**180,000**	161,000
Operating lease payments in respect of rental premises	**64,770**	–

* *Includes directors' emoluments of which HK$120,338 were paid during the year to two former directors who resigned in 2004.*

8. INCOME TAX EXPENSE

During the year, no provision for Hong Kong profits tax had been made as the Company had available tax losses brought forward to offset the estimated assessable profits arising in Hong Kong.

During the year ended 31 December 2004, no provision for Hong Kong profits tax has been made in the financial statements as the Company did not derive any assessable profits.

Reconciliation between income tax expense and accounting loss at applicable tax rate is as follows:

	2005	2004
	HK$	*HK$*
Loss before income tax	**(897,386)**	(606,511)
Tax at the statutory rate of 17.5% (2004: 17.5%)	**(157,043)**	(106,139)
Tax effect of non-taxable income	**(111,992)**	(1,306,739)
Tax effect of non-deductible expenses	**288,820**	962,500
Tax effect on tax loss not recognised	**–**	450,378
Tax effect of prior year's unrecognised tax losses utilised this year	**(19,785)**	–
Total income tax expense	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK$897,386 (2004: HK$606,511) and on the weighted average of 116,940,274 shares in issue during the year (2004: 103,000,000).

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

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

The emoluments of each director, on a named basis, for the years ended 31 December 2005 and 2004 are set out below:

	Fees	Salaries, allowances and benefits in kind	Employer's retirement benefits scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*
2005				
Executive directors				
Ma Kam Fook, Robert	–	–	–	–
Pang Bang Xuan *(note 1)*	91,068	–	–	91,068
Chu Wai Lim *(note 2)*	–	85,800	4,290	90,090
Li Ji Ning *(note 3)*	–	360,000	6,000	366,000
Independent non-executive directors				
Foo Chi Ming *(note 4)*	75,574	–	–	75,574
Li Pik Ha *(note 2)*	60,000	–	–	60,000
Wong Chi Keung *(note 4)*	151,148	–	–	151,148
Fung Choi On *(note 5)*	44,427	–	–	44,427
	422,217	445,800	10,290	878,307

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

	Fees	Salaries, allowances and benefits in kind	Employer's retirement benefits scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*
2004				
Executive directors				
Ma Kam Fook, Robert	–	–	–	–
Pang Bang Xuan	–	–	–	–
Non-executive director				
Joel Lazare Hohman	60,000	–	–	60,000
Independent non-executive directors				
Foo Chi Ming	–	–	–	–
Wong Chi Keung	–	–	–	–
Chan Wai Dune	60,000	–	–	60,000
Fung Choi On	15,945	–	–	15,945
	135,945	–	–	135,945

Notes:

1. Resigned on 8 July 2005
2. Appointed on 19 January 2005
3. Appointed on 30 June 2005
4. Resigned on 18 January 2006
5. Resigned on 19 January 2005

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

During the year, no emoluments were paid by the Company to the directors as an inducement to join, or upon joining the Company, or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

Five highest paid individuals

The five highest paid individuals during the year included four (2004: three) directors, whose emoluments are set out above. The details of the emoluments of the remaining one (2004: two) highest paid individuals are as follows:

	2005	2004
	HK$	*HK$*
Salaries and other benefits	**120,000**	287,097
Retirement benefits scheme contributions	**6,000**	9,500
	126,000	296,597

The emoluments of the above (2004: two) highest paid employee during the year were within the emoluments band ranging from nil to HK$1,000,000.

11. INVESTMENTS IN SECURITIES

Investments in securities as at 31 December 2004 are set out below. Upon the adoption of HKAS 39 on 1 January 2005, investments in securities were reclassified to financial assets at fair value through profit or loss or available-for-sale financial assets.

	2004
	HK$
Equity securities:	
– Listed	20,574,949
– Unlisted	2,500,000
	23,074,949
Listed:	
– Hong Kong	16,018,320
– Overseas	4,556,629
Unlisted	2,500,000
	23,074,949
Market value of listed securities	20,574,949
Carrying amount analysed for reporting purposes as:	
– Current	20,574,949
– Non-current	2,500,000
	23,074,949

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

12. DEPOSIT PAID

The deposit paid represents consideration for the purchase of a 6% equity interest in an unlisted company, HengRong Guarantee Company Limited ("HengRong"), amounting to HK$3 million and HK$1 for an option to acquire an additional 6% equity interest in that company from an independent third party (the "Acquisition") in accordance with the registered capital at the date of the acquisition and the terms and conditions as further agreed by both parties. The Acquisition has not been completed up to the date of approval of these financial statements pending the approval from the Foreign Exchange Regulatory Board of the PRC government. Should the Acquisition not be completed within six months from the date of the acquisition contract, the vendor is required to refund the deposit to the Company.

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.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2005 ***HK$***
Listed equity securities, at fair value	
– Hong Kong	**9,582,324**
– Overseas	**8,240,520**
	17,822,844
Market value of listed securities	**17,822,844**

The carrying amount of the above financial assets are classified as follows:

	2005 ***HK$***
Held for trading	**17,822,844**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – continued

Particulars of one of the listed equity securities holding as at 31 December 2005, disclosed pursuant to Section 129 of the Hong Kong Companies Ordinance, are as follows:

Name of company	Country of incorporation	Proportion of nominal value of issued capital held by the company
ViaGold Capital Limited	Bermuda	5.13%

The Company's investments in this company represent more than one tenth of the assets in the Company's balance sheet as at 31 December 2005.

14. SHARE CAPITAL

	2005		2004	
	Number of shares	***HK$***	Number of shares	*HK$*
Authorised:				
2,000,000,000 ordinary shares of HK$0.10 each	**2,000,000,000**	**200,000,000**	2,000,000,000	200,000,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**103,000,000**	**10,300,000**	103,000,000	10,300,000
Issue during the year	**20,600,000**	**2,060,000**	–	–
At 31 December	**123,600,000**	**12,360,000**	103,000,000	10,300,000

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

15. DEFERRED TAXATION

At the balance sheet date, the Company has unused tax losses of approximately HK$7,079,000 (2004: HK$7,192,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

16. SHARE OPTION SCHEME

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

17. 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$20,184 (2004: HK$9,500) represents contributions payable to this scheme by the Company in respect of the current accounting year.

18. RELATED PARTY TRANSACTIONS

During the year, the Company paid investment management fees of HK$511,668 (2004: HK$1,272,541) to China Core Capital Management Limited ("China Core"). China Core is wholly-owned by Mr. Ma Kam Fook, Robert ("Mr. Robert Ma"), an executive director of the Company. The fee was charged half-yearly at an agreed percentage of the net asset value of the Company. On 15 March 2005, the Company entered into a termination agreement with China Core whereby both parties agreed to terminate the investment management agreement with effect from 13 June 2005.

During the year, the Company paid investment management fees of HK$328,501 (2004: Nil) to United Gain Investment Limited ("United Gain"), a newly appointed investment manager of the Company. Under the Investment Management Agreement, United Gain is entitled to a monthly management fee equivalent to 1.25% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, United Gain is also entitled to an annual incentive fee equivalent to 5% of the Surplus Net Asset Value* of the Company for each financial year. The total fees payable to United Gain will be subject to a maximum amount of HK$650,000 per annum.

During the year, Jensmart International Limited, a company which is wholly-owned by Mr. Robert Ma, performed certain administrative services (including provision of office premises) for the Company, for which a management fee of HK$30,000 (2004: HK$60,000) was charged. The fee was charged at a mutually agreed price.

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

19. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

19. RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

As at 31 December 2005, the Company's financial assets and liabilities mainly consisted of bank balances and cash, financial assets at fair value through profit or loss, other receivables and deposits and other payables and accrued charges.

(i) Interest rate risk

The Company has no significant exposure to interest rate risks as the Company has sufficient surplus working capital, and no interest-bearing borrowings are required.

(ii) Foreign currency risk

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

(iii) Credit risks

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

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

(iv) Fair values

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

20. POST BALANCE SHEET EVENTS

Subsequent to year end date, the Company had entered into a sale and purchase agreement with an independent party for the purchase of 5,735 ordinary shares of an unlisted company, incorporated in the British Virgin Islands, at a cash consideration of HK$4,000,000. The principal activity of the unlisted company is the provision of internet access, internet hosting and other related services and sales of related equipment. The acquisition was completed after year end and the Company had a 0.0001% equity interest in it thereafter.