



China Treasure (Greater China) Investments Limited
華寶（大中華）投資有限公司



INTERIM REPORT

2006



The Board of Directors (the "Board") of China Treasure (Greater China) Investments Limited (the "Company") is pleased to present the unaudited interim results of the Company for the six months ended 30 June 2006.

CONDENSED INCOME STATEMENT

For the six months ended 30 June 2006

	Notes	2006 HK\$ (unaudited)	2005 HK\$ (unaudited)
Turnover	3	44,148,157	40,345,043
Cost of sales		(25,528,705)	(36,103,160)
Gross Profit		18,619,452	4,241,883
Other operating income	3	54,117	–
Fair value gains (losses) on financial assets at fair value through profit or loss		(1,381,578)	429,373
Administrative expenses		(1,493,913)	(1,393,593)
Other operating expenses		(670,132)	(583,807)
Profit before income tax	5	15,127,946	2,693,856
Income tax expense	6	(218,000)	–
Net profit for the period		14,909,946	2,693,856
Earnings per share	7		
– Basic		0.1206	0.0253
– Diluted		NA	NA

CONDENSED BALANCE SHEET

At 30 June 2006

	Notes	30 June 2006 HK\$ (unaudited)	31 December 2005 HK\$ (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Available-for-sale financial assets	8	4,000,000	—
Deposit paid	9	3,000,001	3,000,001
		7,000,001	3,000,001
Current assets			
Financial assets at fair value through profit or loss	10	31,529,705	17,822,844
Other receivables, prepayments and deposits		297,670	194,155
Tax recoverable		205,123	423,123
Bank balances and cash		22,712,464	25,892,172
		54,744,962	44,332,294
Current liabilities			
Other payables and accrued charges		315,370	812,648
Net current assets			
		54,429,592	43,519,646
Total assets less current liabilities			
		61,429,593	46,519,647
Net assets			
		61,429,593	46,519,647
EQUITY			
Share capital		12,360,000	12,360,000
Reserves		49,069,593	34,159,647
Total equity			
		61,429,593	46,519,647
Net asset value per share			
	11	HK\$0.4970	HK\$0.3764



CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Share capital HK\$ (Unaudited)	Share premium account HK\$ (Unaudited)	Accumulated losses HK\$ (Unaudited)	Total HK\$ (Unaudited)
At 1 January 2005	10,300,000	85,871,636	(51,432,603)	44,739,033
Issue of shares	2,060,000	618,000	–	2,678,000
Net profit for the period	–	–	2,693,856	2,693,856
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2005	12,360,000	86,489,636	(48,738,747)	50,110,889
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	12,360,000	86,489,636	(52,329,989)	46,519,647
Net profit for the period	–	–	14,909,946	14,909,946
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2006	12,360,000	86,489,636*	(37,420,043)*	61,429,593

* These reserve accounts comprise the reserves of HK\$49,069,593 (31 December 2005: HK\$34,159,647) in the condensed balance sheet.



CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	For the six months period ended 30 June	
	2006 HK\$ (unaudited)	2005 HK\$ (unaudited)
Net cash inflow from operating activities	820,292	19,345,523
Net cash (outflow)/inflow from investing activities	(4,000,000)	187,599
Net cash inflow from financing activities	—	2,678,000
Net (decrease)/increase in cash and cash equivalents	(3,179,708)	22,211,122
Cash and cash equivalents at beginning of the period	25,892,172	14,996,125
Cash and cash equivalents at end of the period	22,712,464	37,207,247
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	22,712,464	37,207,247



NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2006

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2005.

The interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these unaudited interim financial statements are consistent with those adopted in the annual report for the year ended 31 December 2005.

The available-for-sale financial assets are non-derivative financial assets which are recognised initially at fair value, plus, directly attributable transaction costs. Subsequent to initial recognition, the financial assets within this category are measured at fair value, with changes in value recognised in equity. 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, 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. Such impairment loss will not reverse in subsequent periods.

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 interim financial statements of the Company.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK (IFRIC)-Int 8	Scope of HKFRS 2 ³
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

**3. TURNOVER AND OTHER OPERATING INCOME**

An analysis of turnover and other operating income is as follows:

	For the six months period ended 30 June	
	2006 HK\$ (unaudited)	2005 HK\$ (unaudited)
Turnover:		
Bank interest income	433,196	187,599
Dividend income	69,984	–
Proceeds from sales of financial assets at fair value through profit or loss	43,644,977	40,157,444
	44,148,157	40,345,043
Other operating income		
Exchange gains	54,117	–

4. SEGMENTAL INFORMATION

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

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.

5. PROFIT BEFORE INCOME TAX

	For the six months period ended 30 June	
	2006 HK\$ (unaudited)	2005 HK\$ (unaudited)
Profit before income tax is arrived at after charging:		
Staff costs, including directors' emoluments		
Wages and salaries	1,056,832	345,654
Retirement benefits scheme contributions	22,290	4,758
	1,079,122	350,412
Operating lease payments in respect of rental premises	153,935	30,000



6. INCOME TAX EXPENSE

During the six months ended 30 June 2006, Hong Kong profits tax has been provided at the rates of 17.5% on the estimated assessable profit for the period. No provision for Hong Kong profits tax had been made for the six months ended 30 June 2005 as the Company had available tax losses brought forward to offset the estimated assessable profits arising in Hong Kong.

For the six months period ended 30 June

2006 HK\$ (unaudited)	2005 HK\$ (unaudited)
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Current tax

– Hong Kong

Tax for the period

218,000

–

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

For the six months period ended 30 June

2006 HK\$ (unaudited)	2005 HK\$ (unaudited)
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Profit before income tax

15,127,946

2,693,856

Tax at the statutory rate of 17.5% (2005: 17.5%)

2,647,391

471,425

Tax effect of non-taxable income

(346,735)

(143,953)

Tax effect of non-deductible expenses

29,200

10,068

Tax effect of prior year's unrecognised tax losses
utilised this period

(2,111,856)

(337,540)

Income tax expense

218,000

–



7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$14,909,946 (2005: HK\$2,693,856) and on 123,600,000 shares in issue during the period (2005: the weighted average of 106,414,365 shares in issue).

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2006 HK\$	31 December 2005 HK\$
Unlisted equity securities, at cost	4,000,000	—

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

9. 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 these unaudited interim financial statements pending the approval from the Foreign Exchange Regulatory Board of the PRC government. The Acquisition period had been extended to twelve months in accordance with the latest supplementary acquisition agreement. Should the Acquisition not be completed within the aforesaid duration 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.



10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2006 HK\$	31 December 2005 HK\$
Listed equity securities, at fair value		
– Hong Kong	26,653,632	9,582,324
– Overseas	4,876,073	8,240,520
	31,529,705	17,822,844

11. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of HK\$61,429,593 (31 December 2005: HK\$46,519,647) and the 123,600,000 (31 December 2005: 123,600,000) ordinary shares in issue as at 30 June 2006.

12. OPERATING LEASE COMMITMENTS

The company leases its office premises under operating lease arrangement. The leases run for an initial period of two years.

At 30 June 2006, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases were payable as follows:

	30 June 2006 HK\$	31 December 2005 HK\$
Within one year	555,012	–
In the second to fifth years	485,636	–
	1,046,648	–



13. RELATED PARTY TRANSACTIONS

During the period, the Company paid investment management fees of HK\$359,554 (2005: Nil) to United Gain Investment Limited ("United Gain"), an 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 of each financial year.

* *Surplus Net Asset Value means "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".*

During the period ended 30 June 2005, investment management fees of HK\$511,668 were paid 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 period ended 30 June 2005, 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 management fee of HK\$30,000 was charged. The fee was charged at a mutually agreed price.

14. POST BALANCE SHEET EVENT

Upon the expiry of the investment management agreement on 12 September 2006, the Company and (United Gain Investments Limited) investment manager are in the process of negotiating the terms and conditions of the agreement.

15. COMPARATIVE FIGURES

Certain of the comparative figures in the condensed income statement have been reclassified to conform with the current period's presentation.



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months period ended 30 June 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Company recorded a net profit of HK\$14,909,946 for the six months ended 30 June 2006 (2005: HK\$2,693,856), representing an increase of 453.47% over the same period in 2005. This is mainly attributable to fair value gains from the Company's listed investments.

As at 30 June 2006, the Company's net asset value ("NAV") per share was HK\$0.4970 (31 December 2005: HK\$0.3764), up 32.04% compared to that at the end of 31 December 2005. At the end of the period under review, the Company's share price was HK\$0.33 (31 December 2005: HK\$0.146), reflecting a 33.60% (31 December 2005: 61.21%) discount to NAV per share.

Investment Review

During the six months period, the Company continued to invest in certain listed securities in Hong Kong, Australia and United States, some of which are designed for short to medium term investment. The Company's investment portfolio as at 30 June 2006 remained largely unchanged from that disclosed in the Company's 2005 annual report with the exception of the following changes:

In January 2006, by purchasing 5,375 ordinary shares at a cash consideration of HK\$4,000,000, the Company had a 3.72% equity interest in Dyxnet Holdings Limited ("Dyxnet"), an unlisted company incorporated in the British Virgin Islands whose principal activity is the provision of internet access, internet hosting and other related services and sales of related equipment. As at 30 June 2006, Dyxnet remains the Company's only active investment within its unlisted investment portfolio.

The acquisition of HengRong Guarantee Company Limited ("HengRong"), of which deposit in the amount of HK\$3,000,001 has been paid, has not been completed within six months of signing the acquisition contract. Both the Company and HengRong have agreed to extend the completion date of the acquisition from six months to twelve months from the date of the acquisition contract. Other than the extension of the completion date of the acquisition, all terms of the SPA remained unchanged.



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 consulting services.

The Company followed its solid investment philosophy, acquiring securities that fit its portfolio objectives and disposing those that may have reached their respective target prices. During the first six months of the year, the Company realised handsome gains from the disposal of certain listed investments. As at 30 June 2006, the Company continued to hold solid investment portfolio with exposure in high growth areas.

Outlook and Prospects

The favorable results for the first half of the fiscal year 2006, which have outpaced the overall growth of the Hong Kong economy, are only the beginning of what looks to be a fantastic year. In the second half of the year, the Company would likely maintain its current investment composition, with an overweight position in listed investments. Despite slightly favoring listed investments, the Company is always on the lookout for unlisted investments in high growth areas that could offer attractive return. Furthermore, the Company would continue to seek direct investment opportunities in the Greater China region under the same investment criteria adopted at the end of the fiscal year 2005. Although the Company's unlisted investment portfolio has yet to materialise in any meaningful way since acquisition, the Company remains confident of its investment philosophy and comfortable with its investment choices. Going forward, the Company remains prudent in its investment selection process and will continue to identify promising projects to invest in.

Liquidity and Financial Resources

The Company continued to maintain a healthy balance sheet. As at 30 June 2006, the cash and bank balances of the Company were approximately HK\$23 million (31 December 2005: approximately HK\$26 million). The Board believed that the Company has sufficient working capital for its operations.

The Company did not pledge any marketable securities for banking facilities as at 30 June 2006 (31 December 2005: Nil) nor has any bank borrowing. The gearing ratio is nil (31 December 2005: Nil).

As at 30 June 2006, the Company had no material capital commitments and contingent liabilities.



Exposure to Foreign Exchange Risk

Majority of the Company's investment are denominated in HK\$ (for investment in Hong Kong equity as well as cash with bank) and US\$ (for the United States equity market). The Company also has some investment in an Australia listed vehicle (approximately 8% of total asset). As such, the Board considers the Company's exposure to foreign exchange fluctuation acceptable and no particular hedging strategy needs to be adopted.

Capital Structure

There was no material change in the Company's capital structure. As at 30 June 2006, the total number of shares in issue remained at 123,600,000.

Staff

As at 30 June 2006, the Company comprised of three executive directors, two of whom are salaried and five employees. Total staff cost, including contributions to Mandatory Provident Fund scheme and directors' remuneration, paid during the first half of 2006 was approximately HK\$1.1 million. The remuneration packages for the employees and the directors are in line with the prevailing market practice and are determined on the basis of performance and experience of each individual.



DIRECTORS' AND CHIEF EXECUTIVES'S INTEREST

At 30 June 2006, the interests and short positions of each director in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of director	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Li Ji Ning	18,100,000 (L)	14.64%

(L) – Long position

Save as disclosed above, as at 30 June 2006, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



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 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 of 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'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 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 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; and (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.



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

As at 30 June 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

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

Note:

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

Save as disclosed above, as at 30 June 2006, no person, other than the director of the Company whose interests are set out in the section "Directors' interest and short positions in the shares, underlying shares and debentures of the company or any associated corporation" above, had registered an interest or short position in the shares of underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DENBENTURES

Save as disclosed in the share option scheme disclosures, at no time during the six months ended 30 June 2006 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2006, the Company did not purchase, sell or redeem any of the Company's listed securities.



POST BALANCE SHEET EVENT

Details of significant post balance sheet event of the Company are set out in note 14 to the financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the Review Period.

AUDIT COMMITTEE

The Audit Committee of the Company comprised Ms. Li Pik Ha, Ms. Yin Ling and Mr. Shiu Kwok Keung who are all independent non-executive directors of the Company. Ms. Li Pik Ha resigned as an independent non-executive director as well as the audit and remuneration committee member of the Company with effect from 30 June 2006 due to personal reasons. The Company is currently seeking a suitable candidate to replace her vacancy.

The Audit Committee met and reviewed with the management the accounting principles and practices adopted by the Company, and discussed internal controls and financial reporting matters including a review of the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2006.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company on 30 August 2005, in accordance with the requirement of the Code. The Remuneration Committee, comprising one Executive Director and three independent Non-executive Directors: Mr. Li Ji Ning, Ms. Li Pik Ha, Mr. Shiu Kwok Keung and Ms. Yin Ling. Mr. Li Ji Ning is the chairman of the Remuneration Committee. The Remuneration Committee has adopted terms of reference which are in line with the Corporate Governance Code. Two meetings were held during the Review Period to review the remuneration policy and remuneration packages of the Executive Directors. All the committee members attended the meetings.



COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES UNDER THE LISTING RULES

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

The Chairman and Chief Executive Officer (“CEO”)

Code A.2.1 stipulates the role of Chairman and CEO should be separate and should not be performed by the same individual.

For the year ended 31 December 2005, Mr. Li Ji Ning was both the Chairman and CEO. As this structure did not comply with the code provision of the Corporate Governance Code in the fullest extent, the Board appointed Mr. Wu Siu Chung as the CEO of the Company starting January 2006 but due to personal reasons, he resigned on 31 May 2006. For the month of June 2006, Mr. Li Ji Ning was appointed by the Board as the acting CEO until the Company finds a suitable candidate to replace Mr. Wu. The Board considers this arrangement acceptable for the time being. To ensure the balance of power and authority between the Board and management is maintained, regular meetings are held to discuss issues affecting the Company and investment decision is based on professional recommendation from the Investment Manager.

By Order of the Board
Chu Wai Lim
Executive Director

Hong Kong, 20 September 2006