1 General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands and the Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company is an investment holding company. Its principal investment objective is to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China (the "PRC").

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

2 Adoption of new and revised standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has no material effect on how the results of operation and financial position of the Company are prepared and presented.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[7]
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]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasure Share Transactions[6]
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 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
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2009
[8] Effective for annual periods beginning on or after 1 January 2008

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

3 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs) (which also include Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as financial assets at fair value through profit or loss are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other source. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

3 Significant accounting policies *(Cont'd)*

(c) Financial assets

The Company's financial assets are mainly classified into financial assets at fair value through profit or loss, available-for-sale investments and loans and receivables. All regular way purchase and sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchase 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

The investments that acquired principally for purpose of selling in the near term are classified as financial assets at fair value through profit or loss. They are measured at fair value without any deduction for transaction costs it may incur on sale or other disposal. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measure at fair value, with changes in fair value recognised directly in the profit or loss in the period in which they arise.

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 receivable (including dividend, interest and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any 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 asset's 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 investments

Available-for-sale investments are those non-derivative financial assets in equity securities or are not classified in any of the other three categories under the scope of HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. For investments where there is no active market and whose fair value cannot be reliably measured, such investments are measured at cost less any 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 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 *(Cont'd)*

(c) Financial assets *(Cont'd)*

Interest and other receivables

Interest and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts. The impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. 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.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(e) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are taken to equity as a deduction, net of tax, from the proceeds.

(f) Revenue recognition

Gains or losses on sale of investments are recognised upon the execution of a legally binding and irrevocable contract of sale.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Interest income is recognised as it accrues using the effective interest method.

3 Significant accounting policies *(Cont'd)*

(g) 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 net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Company'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 the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases 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 only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from the initial recognition of assets and liabilities in a transaction that affects neither the accounting profit nor the tax profit.

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 profit 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 realised. Deferred tax is charged or credited in the 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.

(h) Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded 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 case, the exchange differences are also recognised directly in equity.

3 Significant accounting policies *(Cont'd)*

(i) Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefits plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

(j) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

4 Critical accounting judgments and key sources of estimation uncertainty

Estimates and judgments 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 directors of the Company make estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Estimate of impairment of investment in unlisted debts and securities

In the absence of information of an active market for unlisted debts and securities, the directors of the Company determine the amount within a range of reasonable impairment estimates by considering information from a variety of sources including:

(i) Bi-annual review on the operating results and net asset value of an invested entity on balance sheet date;

(ii) Historical operating performance and dividend distribution of the invested entity; and

(iii) Gearing position and liquidity to meet working capital requirement of an invested entity.

5 Turnover

An analysis of the turnover of the Company is as follows:

	2006	2005
	HK$	*HK$*
Interest on convertible loans receivable	**–**	577,980
Bank interest income	**363,849**	117,026
Realised and unrealised gain on financial assets at fair value through profit or loss	**64,192**	6,779,548
	428,041	7,474,554

No segment information is presented as the Company has only one business activity, namely investment holding, which is principally operating in Hong Kong and the PRC.

6 Other operating expenses

	2006	2005
	HK$	*HK$*
Other operating expenses include the following:		
Auditors' remuneration	**70,000**	65,000
Licence fee	**612,000**	612,000
Listing fee	**145,000**	145,000
Legal and professional fee	**293,809**	456,820

7 Taxation

(a) No provision for Hong Kong profits tax has been made in the financial statements as the Company has no assessable profit for both years.

(b) The taxation on the Company's loss before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong, the principal place of Company's operations, as follows:

	2006	2005
	HK$	*HK$*
Loss before taxation	**(1,187,183)**	(9,511,663)
Tax at the domestic income tax rate of 17.5%	**(207,757)**	(1,664,541)
Tax effect of non-taxable income	**(63,674)**	(20,777)
Deferred tax assets not recognised	**271,431**	1,685,318
Taxation for the year	**–**	–

As at 31 December 2006, the Company had unused tax losses of approximately HK$12 million (2005: HK$11 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit stream. The unrecognised tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the balance sheet date.

8 Dividend

No dividend has been paid or declared by the Company during the year (2005: nil).

9 Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK$1,187,183 (2005: HK$9,511,663) and the weighted average number of 225,416,318 (2005: 199,944,000) ordinary shares in issue.

The options do not have dilutive effect because the exercise price of the options exceeds the average market price of ordinary shares during the years ended 31 December 2005 and 2006. No diluted loss per share has been presented for both years.

10 Directors' emoluments

	2006	2005
	HK$	*HK$*
Fees		
Executive directors	**26,644**	27,062
Non-executive directors	**12,684**	5,055
Independent non-executive directors	**13,768**	13,840
	53,096	45,957
Other emoluments of executive directors	**–**	–
	53,096	45,957

10 Directors' emoluments *(Cont'd)*

The director's fee of each director for the years ended 31 December 2006 and 2005 is set out below:

	2006	2005
	HK$	*HK$*
Executive directors		
Xiang Xin	**5,000**	5,001
Ng Kwong Chue, Paul *(redesignated as non-executive director on 2 May 2006)*	**1,644**	5,001
Chan Cheong Yee	**5,000**	5,001
Kwok Chi Hung	**5,000**	5,000
Ng Tin Sang	**5,000**	3,000
Si Wei *(note a)*	**1,658**	55
Lin Zhiqun Brett *(note b)*	**3,342**	–
Luo Xiu Qing *(note c)*	**–**	2,002
Li Tong Yu *(note c)*	**–**	2,002
	26,644	27,062
Non-executive directors		
Wang Qing Yu	**5,000**	55
Yap Shun Chung *(note d)*	**4,328**	5,000
Ng Kwong Chue, Paul *(redesignated as non-executive director on 2 May 2006)*	**3,356**	–
	12,684	5,055
Independent non-executive directors		
Wang Xin, David	**5,000**	5,001
Zang Hong Liang	**5,000**	5,000
Wong Wang Tai *(note e)*	**3,631**	2,822
Lee Wing Hang *(note f)*	**137**	–
Yeung Chin Cheung *(note g)*	**–**	987
Peng Xue Jun *(note h)*	**–**	15
Chan Ming Fai *(note i)*	**–**	15
	13,768	13,840
	53,096	45,957

10 Directors' emoluments *(Cont'd)*

Notes:

(a) Resigned on 2 May 2006
(b) Appointed on 2 May 2006
(c) Resigned on 27 May 2005
(d) Resigned on 13 November 2006
(e) Resigned on 23 September 2006
(f) Appointed on 22 December 2006
(g) Resigned on 14 March 2005
(h) Resigned on 27 September 2004
(i) Resigned on 30 December 2004

The five highest paid employees during the year included five directors (2005: five directors), details of whose emoluments are set out in above.

During the years ended 31 December 2006 and 2005, no remuneration 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 and no director waived any emoluments.

11 Available-for-sale investments

	2006	2005
	HK$	*HK$*
Unlisted equity securities	**13,500,225**	13,500,225
Unlisted convertible notes	**8,928,045**	8,928,045
Less: impairment loss recognised	**8,928,045**	8,928,045
	–	–
	13,500,225	13,500,225

11 Available-for-sale investments *(Cont'd)*

The following is a list of the Company's investments as at 31 December 2006:

(a) Unlisted equity securities

Name of invested company	2006 Cost HK$	2006 Impairment loss recognised HK$	2006 Carrying amount HK$	2006 % of total assets of the Company	2005 Cost HK$
Jinan LuGu (HK) Technology Development Limited *(note (i))*	**9,000,225**	**–**	**9,000,225**	**30.44%**	9,000,225
SNG Hong Kong Limited *(note (ii))*	**9,000,000**	**4,500,000**	**4,500,000**	**15.22%**	9,000,000

(b) Unlisted convertible notes, unsecured:

Name of issuer	Cost HK$	Impairment Loss recognised HK$	Carrying amount HK$	Interest rate	Maturity date	% of total assets of the Company
King Tiger Technology Company Limited – unsecured *(note (iii))*	8,928,045	8,928,045	–	6.5% p.a.	15 January 2006	–

Notes:

(i) Jinan LuGu (HK) Technology Development Limited ("LuGu")

LuGu is incorporated in Hong Kong and principally engaged in investment holding. It indirectly holds 59.5% interest in a company incorporated in the People's Republic of China ("PRC"), of which the principal activity is manufacturing and trading of 陶瓷微電路基板，微電路模塊，陶瓷電子元(組)件.

The Company holds 250 ordinary shares in LuGu, representing 25% interest in the issued share capital of LuGu. The investment in LuGu is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

LuGu is not treated as an associate as, in the opinion of the directors, the Company is not in a position to exercise any significant influence over its financial and operating decisions. Accordingly, investment in LuGu is classified as available-for-sale investment in the financial statements. No dividend was received during the year (2005: nil).

11 Available-for-sale investments *(Cont'd)*

Notes: (Cont'd)

(ii) SNG Hong Kong Limited ("SNG")

SNG is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2006, SNG indirectly held 38.5% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and trading of 發光二極管芯片 .

The Company holds 3,750 ordinary shares in SNG, representing 30% interest in the issued share capital of SNG. The investment in SNG is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

SNG is not treated as an associate as, in the opinion of the directors, the Company is not in a position to exercise any significant influence over its financial and operating decisions. Accordingly, investment in SNG is classified as available-for-sale investment in the financial statements. No dividend was received during the year (2005: nil).

(iii) King Tiger Technology Company Limited ("King Tiger")

King Tiger is incorporated in Taiwan and principally engaged in investment holding. It indirectly holds 49% interest in安徽精通科技有限公司 ("安徽精通"). 安徽精通 is registered in the PRC as foreign investment enterprises by equity joint venture and is principally engaged in the manufacturing of solder ball by the Ball Grid Array technology.

The Company holds a convertible loan note with principal amount of USD1,144,000 carrying the right to convert the loan note into shares, directly or indirectly, in 安徽精通 . The loan note is unsecured, bears interest at 6.5% per annum and has a maturity date on 15 January 2006. At any date before the maturity, King Tiger has the right to redeem the whole or part of the loan note. On or before the 6 months ended after the maturity date, the Company has the right to convert the outstanding principal amount of the loan note into shares, directly or indirectly, in 安徽精通 . Interest is calculated on 31 December of each year and payable in cash.

With two supplemental agreements signed on 15 November 2004 and 8 April 2005 respectively, the Company has the right to request King Tiger to settle accrued interest annually or settle in one lump sum on the maturity date. If the Company chooses to request settlement upon maturity, it has the right to request payment by cash or to convert the accrued interest into additional percentage of interest in 安徽精通 so that the share of the net asset value of 安徽精通 at the date of conversion be equal to the aggregate amount of the principal and accrued interest thereon.

As there were disputes between the shareholders of 安徽精通 which hindered the conversion of the shareholding to King Tiger or to the Company directly, impairment loss for the full investment cost had been recognised during the year ended 31 December 2005.

King Tiger has defaulted on the payment of interest since 31 December 2003. No interest income recognised during the year (2005: HK$577,980).

12 Financial assets at fair value through profit or loss

	2006	2005
	HK$	*HK$*
Equity securities, listed in Hong Kong, at fair value	**–**	218,200

13 Cash and cash equivalents

	2006	2005
	HK$	*HK$*
Cash at bank	**15,108,168**	13,006,913
Cash on hand	**–**	200
Cash held in the securities account of a securities company	**609,934**	125,043
	15,718,102	13,132,156

Bank balances comprise short-term bank deposits at prevailing market interest rates. The fair value of these assets at 31 December 2006 was approximate to the corresponding carrying amount.

14 Share capital

	Number of shares	**Amount**
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2005, 31 December 2005 and 31 December 2006	2,000,000,000	20,000,000
Issued and fully paid:		
At 1 January 2005 and 31 December 2005	199,944,000	1,999,440
Issue of rights shares	99,972,000	999,720
At 31 December 2006	299,916,000	2,999,160

The Company completed a rights issue on 29 September 2006, which raised gross proceeds of approximately HK$4.0 million by issuing 99,972,000 rights shares at HK$0.04 each.

15 Share options

Under the share option scheme approved by the sole shareholder of the Company on 18 July 2002 (the "Scheme'), the board of directors of the Company may, at their discretion, invite any full-time employee, director (including non-executive director and independent non-executive director), any part time employee with weekly working hours of 15 hours and above of the Company or its subsidiaries, any advisor or consultant to the Company or to any of its subsidiaries and adviser, consultant, agent or business affiliates who has contributed to the Company to subscribe for shares in the Company.

Pursuant to the Scheme, the overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share options schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at any time. Any further grant of options in excess of this limit is subject to the shareholders' approval of the Company in a general meeting with such participant(s) and his associate(s) abstaining from voting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (a) the closing price of the shares 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 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 on the date of grant.

15 Share options *(Cont'd)*

Details of the options granted under the Scheme and outstanding at 31 December 2006 are as follows:

		Number of share options			
Date of grant	**Option period**	**Outstanding as at 1 January 2006**	**Granted during the year**	**Outstanding as at 31 December 2006**	**Price per share to be paid on exercise of options**
					HK$
		(adjusted)			(adjusted)
29/1/2003	28/8/2003-27/8/2013	24,000,000	–	24,000,000	0.2083

As a result of the Rights issue completed on 29 September 2006 as described in note 14, the exercise price of the options was adjusted from HK$0.25 to HK$0.2083 per share and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding options are 24,000,000.

As at 31 December 2006, the number of shares issuable under the Scheme represented approximately 8% (2005: approximately 10%) of the Company's shares in issue as at that date.

No share options were exercised under the Scheme during the year.

16 Net asset value per share

The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2006 of HK$29,127,977 (2005: HK$27,021,452) and 299,916,000 (2005: 199,944,000) ordinary shares in issue at that date.

17 Financial risk management objectives and policies

The Company's major financial instruments include investments in listed and unlisted securities, interest and other receivables and bank balances. Details of these financial instruments are disclosed in the respective notes. The risk 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.

Market risk

(i) ***Price risk***

The Company's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Company is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

(ii) ***Interest rate risk***

The Company's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

In addition, the Company has exposure to fair value interest rate risk through the impact of the rate changes on unlisted convertible notes which are carried at fixed interest rate.

The Company has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) ***Foreign currency risk***

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to the change in foreign exchange rates. The Company's assets and liabilities are denominated in either Hong Kong dollars or United State dollars. The Company does not expect any significant movement in the exchange rate of United State dollars to Hong Kong dollars.

Credit risk

The Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. The Company reviews the recoverable amount of each individual receivable at each balance sheet date to ensure the adequate impairment losses, if necessary, are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Company's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit rating agencies.

Notes to the Financial Statements

18 Connected and related party transactions

	2006	2005
	HK$	*HK$*
Investment management fee paid to China Everbright Securities (HK) Limited *(note a)*	**68,639**	106,428
Brokerage commission paid to China Everbright Securities (HK) Limited *(note b)*	**5,434**	28,367
License fee paid to New Times Investment Management Limited *(note c)*	**612,000**	612,000
License deposit paid to New Times Investment Management Limited	**102,000**	102,000

Note:

(a) The Company has entered into an investment management agreement with China Everbright Securities (HK) Limited ("CES") for a period of three years commencing from 1 June 2003 in consideration of a payment of a fee calculated at 0.25% per annum of the net asset value of the Company as at the last dealing date on the Stock Exchange in each calendar month or such other valuation date as considered appropriate by the Board and payable on a monthly basis on a business date immediately after each valuation date. In addition, CES is entitled to a bonus fee equivalent to 10% of the audited profit before tax of each financial year of the Company payable on the business date immediately after the publication of the Company's final audited result for the year. CES is regarded as a connected person of the Company for the purpose of the Listing Rules.

(b) Brokerage commission rate is charged at the rate ranged from 0.25% to 1% of the value of the transactions.

(c) The Company has entered into a license agreement with New Times Investment Management Limited ("NTIML"), a company of which a director of the Company, Mr. Xiang Xin is also a director (the " License Agreement"). Pursuant to the License Agreement, the Company was granted the right to occupy an office unit and to use the available furniture, equipment and general administrative services. In return, the Company shall pay a deposit of HK$102,000 and a monthly license fee of HK$51,000 to NTIML. The License Agreement commenced on 1 April 2004 and may terminate when 30 days notice is given by either party. The deposit was included in deposit and prepayment in the balance sheet.

Details of compensation of key management personnel are set out in note 10 to the financial statements.