NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. REORGANISATION

The Company was incorporated in the Cayman Islands on 1 August 2003 as an exempted company with limited liability under the Companies Law, Cap.22 (Laws of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation proposal whereby ING Beijing Investment Company Limited ("ING Beijing"), the former holding company of the Group, would become a wholly owned subsidiary of the Company to be implemented by way of a scheme of arrangement under section 166 of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong ("the Scheme") as set out in a document dated 13 January 2005 issued to the shareholders of ING Beijing, the Company became the holding company of the Group on 13 April 2005, the effective date of the Scheme. This was accomplished by the Company acquiring the entire issued share capital of ING Beijing, the then holding company of the other subsidiaries of the Group.

The Scheme became effective on 13 April 2005 and the listing of the shares of ING Beijing was withdrawn from The Stock Exchange of Hong Kong Limited ("the Stock Exchange") and the Company's shares were listed on the Stock Exchange by way of introduction on 13 April 2005.

However, all of the entities which took part in the Scheme were under common control before and immediately after the Scheme becoming effective and, consequently, there was a continuation of the risks and benefits to the controlling party that existed prior to the combination. The results of the Group for the year ended 31 December 2005 have been prepared using the basis of merger accounting in accordance with Hong Kong Accounting Guideline 5 "Merger accounting for common control combinations" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Accordingly, the results of the Group for the year ended 31 December 2005 include the financial results of the companies which now comprise the Group for the period from 1 January 2005 (or the date of incorporation if later) to 31 December 2005 as if the current group structure had been in existence and remained unchanged throughout the period.

The address of the registered office and principal place of the business of the Company are disclosed in the corporate information of the annual report.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all applicable individual Hong Kong Financial Reporting Standards, 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 consolidated 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. A summary of the significant accounting policies adopted by the Group is set out below.

Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial instruments classified as available-for-sale securities and trading securities are stated at their fair values as explained in the accounting policy below.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries (Continued)

An investment in a subsidiary is consolidated in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's profit or loss and of change in equity, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investments in associates recognised for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates, are as follows:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

Available-for-sale securities are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses which are recognised directly in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments in securities held for trading are initially recognised at fair value and are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investment in equity securities are recognised on the balance sheet when the Group becomes a party to the contractual provision of the instruments. Investment in equity securities are derecognised when the rights to receive cash flows from the investment in equity securities expire or, the Group has transferred substantially all the risks and rewards of the ownership. All regular way purchases or sales are recognised and derecognised on a trade date basis.

Property, plant and equipment

Items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight line method over their estimated useful lives as follows:

Leasehold improvements	3 years
Furniture and fixtures	3 years

The useful life of an asset is reviewed annually.

Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost as determined by the effective interest method less impairment losses for bad and doubtful debts.

Impairment of assets

Impairment of investments in equity securities and other receivables

Investments in equity securities and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities that are carried at cost, 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 for unquoted equity securities are not reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

Impairment of investments in equity securities and other receivables (Continued)

- For other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

- For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment

If any such indication exists, the asset's recoverable amount is estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of other assets (Continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Other payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost according to the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Employee benefits

Short term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Taxation

Taxation for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Apart from certain limited exceptions, all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profits (provided they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Dividends

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

Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

Leases

Leases which transfer to the Group substantially all the risks and rewards of ownership of an asset are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

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

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2006 and which have not been adopted in these consolidated financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and consolidated financial statements:

		Effective for accounting periods beginning or after
HKAS 1 (Amendment)	Capital disclosures	1 January 2007
HKFRS 7	Financial instruments: Disclosures	1 January 2007
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
HK(IFRIC) - INT 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) - INT 9	Reassessment of embedded derivatives	1 June 2006
HK(IFRIC) - INT 10	Interim financial reporting and impairment	1 November 2006
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) - INT 12	Service concession arrangements	1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

4. SEGMENT REPORTING

The Group's principal activities are holding of equity investments primarily in companies or other entities with significant business interests or involvement in the People's Republic of China ("the PRC") as a single business segment. No geographical segment information is presented as the results of the Group and its associates were substantially derived from the PRC.

5. TURNOVER

The Group's turnover represents interest income and dividend income from available-for-sale securities. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2006 HK$	2005 HK$
Interest income from deposits with banks	1,032,629	1,071,862
Dividend income from available-for-sale securities	265,687	550,000
	1,298,316	1,621,862

6. PROFIT (LOSS) FOR THE YEAR

	2006	2005
	HK$	HK$
Profit (loss) for the year is arrived at after charging (crediting):		
Other net gain (loss)		
Net foreign exchange gain (loss)	12,067	(21,836)
Write back of accruals for project fees and unclaimed dividends	–	499,977
Sundry income	–	9,174
	12,067	487,315
Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plan	25,719	6,000
Salaries, wages and other benefits	1,867,947	1,057,808
	1,893,666	1,063,808
Operating expenses		
Administrative fees *(Note)*	598,356	777,641
Audit fee	700,000	818,000
Review fee for interim financial report	250,000	280,000
Custodian fee *(Note)*	52,400	50,000
Depreciation	177,787	14,229
Operating lease charges for premises	831,435	174,264
Project management fee *(Note)*	945,866	–
Legal and secretarial fees	815,729	955,091
Management fees *(Note)*	1,527,494	3,661,575
Other operating expenses	4,003,562	2,617,215
	9,902,629	9,348,015

6. PROFIT (LOSS) FOR THE YEAR (Continued)

Note:

Administrative fees are paid to ING Management (Hong Kong) Limited, a wholly owned subsidiary of ING Groep N.V.. The administrative fee is charged at a fixed amount per annum. The Company terminated these administrative fees with ING Management (Hong Kong) Limited in the current year. ING Groep N.V. was a substantial shareholder of the Company until 29 December 2006.

On 20 September 2006, the Group entered into a custodian agreement with ING Management (Hong Kong) Limited. The Group paid custodian fee of HK$15,000 to ING Management (Hong Kong) Limited in the current year.

Project management fees are paid to ZY International Project Management Limited. The Company has paid ZY International Project Management Limited a lump sum compensation in respect of the project consultancy and management services and efforts for the period of 4 months from 1 June 2006 to 30 September 2006. ZY International Project Management Limited was paid a fee calculated at the rate of one per cent per annum of the net asset value of the Company as at the end of each month, payable in advance. ZY Intranational Project Management Limited is also entitled to receive an incentive fee calculated at (i) 10% of the realised profit of the Company for a financial year if the realised profit per issued share does not exceed 10%; (ii) 15% of the realised profit if the realised profit per issued share exceeds 10% but is below 15%, or (iii) 20% of the realised profit if the realised profit per share equals or exceeds 15%. The project management fees were effective on 1 October 2006 with an initial term of three years. ZY International Project Management Limited is a related party of the Company, in which a director of the Company is the shareholder of ZY International Project Management Limited.

Management fees are paid to ING Real Estate (Asia) Limited (formerly known as "Baring Capital (China) Management Limited"), a wholly owned subsidiary of ING Groep N.V. The management fee is calculated at the rate of 2% per annum of the net asset value of the Company. On 21 August 2006, the Company entered into a new investment management agreement with an independent party and the fee is charged at a fixed amount per annum. The new investment management agreement was effective on 1 September 2006 with an initial term of three years. The management fees paid to ING Real Estate (Asia) Limited was terminated on 31 August 2006. The Group paid management fees of HK$1,427,494 to ING Real Estate (Asia) Limited in the current year.

6. PROFIT (LOSS) FOR THE YEAR (Continued)

Share of profits (losses) of associates

	2006 HK$	2005 HK$
Share of profits (losses) of associates	42,180,656	(10,598,695)
Share of associates' taxation	(14,582,273)	2,046,344
	27,598,383	(8,552,351)

Gain on disposal of available-for-sale securities

	2006			2005
	Skyworth Digital Holdings Limited ("Skyworth Digital") HK$	China Construction Bank Corporation ("CCB") HK$	Total HK$	Total HK$
Sales proceeds, net of expenses	7,295,435	11,974,576	19,270,011	–
Original cost	(7,029,000)	(7,012,205)	(14,041,205)	–
	266,435	4,962,371	5,228,806	–

The gain on disposal for the year included HK$2,764,145 which was transferred from the fair value reserve.

7. TAXATION

Reconciliation between taxation and accounting profit (loss) at applicable rate:

	2006 HK$	2005 HK$
Profit (loss) for the year	25,860,547	(12,726,109)
Taxation on profit (loss) for the year calculated at 17.5% (2005: 17.5%)	4,525,596	(2,227,069)
Tax effect of non-deductible expenses	31,113	1,550,622
Tax effect of non-taxable income	(1,142,246)	(820,214)
Tax effect of share of (profits) losses of associates	(4,829,717)	1,496,661
Tax effect of tax losses not recognised	1,415,254	–
Taxation	–	–

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both years. There is no significant unprovided deferred taxation during the year or at the balance sheet date.

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	2006 Total HK$
Executive directors			
Liu Xiao Guang	30,000	–	30,000
Cheng Bing Ren	30,000	–	30,000
Lawrence H Wood	30,000	660,000	690,000
Liu Xue Min	30,000	–	30,000
Shi Tao	3,750	–	3,750
Independent non-executive directors			
Fung Tze Wa	100,000	–	100,000
To Chun Kei	100,000	–	100,000
Kwong Chun Wai Michael	100,000	–	100,000
	423,750	660,000	1,083,750

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For the year ended 31 December 2006

8. DIRECTORS' REMUNERATION (Continued)

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	2005 Total HK$
Executive directors			
Liu Xiao Guang	30,000	–	30,000
Cheng Bing Ren	30,000	–	30,000
Lawrence H Wood	30,000	660,000	690,000
Liu Xue Min	21,615	–	21,615
Yu Sek Kee	8,384	–	8,384
Independent non-executive directors			
Fung Tze Wa	52,603	–	52,603
To Chun Kei	52,603	–	52,603
Kwong Chun Wai Michael	52,603	–	52,603
	277,808	660,000	937,808

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2005: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2005: one) individual, are as follows:

	2006 HK$	2005 HK$
Salaries and other emoluments	558,352	120,000
Retirement scheme contributions	18,458	6,000
	576,810	126,000

The emoluments of the three (2005: one) individuals with the highest emoluments are within the band from nil to HK$1,000,000.

10. DIVIDEND PROPOSED

A final dividend of HK1.6 cents per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting. No dividend was paid or declared by the Company in previous year.

11. EARNINGS (LOSS) PER SHARE

The calculation of the earnings (loss) attributable to the ordinary equity holders of the Company is as follows:

	2006 HK$	2005 HK$
Profit (loss)		
Profit (loss) for the purpose of earnings (loss) per share	**25,860,547**	(12,726,109)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**626,250,466**	647,114,000

No diluted earnings (loss) per share has been presented as there were no potential ordinary shares for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Furniture and fixtures HK$	Total HK$
COST			
Additions during the year ended, 31 December 2005 and balances at 31 December 2005 and 1 January 2006	401,733	110,520	512,253
Additions	–	45,450	45,450
At 31 December 2006	401,733	155,970	557,703
ACCUMULATED DEPRECIATION			
Charge for the year ended 31 December 2005 and balances at 31 December 2005 and 1 January 2006	11,159	3,070	14,229
Charge for the year	133,911	43,876	177,787
At 31 December 2006	145,070	46,946	192,016
CARRYING VALUES			
At 31 December 2006	256,663	109,024	365,687
At 31 December 2005	390,574	107,450	498,024

13. INTEREST IN ASSOCIATES

	2006 HK$	2005 HK$
Share of net assets	**110,856,719**	81,356,087
Amount due to an associate	–	(8,094)
	110,856,719	81,347,993

13. INTEREST IN ASSOCIATES (Continued)

The following list contains particulars of associates, all of which are unlisted companies, which principally affect the results or assets of the Group.

Name of the associate	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest held by the Group	Principal activity
China Property Development (Holdings) Limited	Incorporated	Cayman Islands	3,161 ordinary shares, 460 non-voting ordinary shares, 500 redeemable voting deferred shares and 2,567 deferred non-voting shares; all shares are at US$0.01 each	20.49% *(note (a)(i))*	Investment holding
Beijing Far East Instrument Company Limited	Sino-foreign joint venture	PRC	Registered and paid-up capital of RMB151,926,184	26% *(note (b))*	Electronic and electrical instrument manufacturing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

13. INTEREST IN ASSOCIATES (Continued)

In particular, subsidiaries under China Property Development (Holdings) Limited are as follows:

Name of the company	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest	Principal activity
Sound Advantage Limited ("Sound Advantage")	Incorporated	British Virgin Islands ("BVI")	1 ordinary share of US$1	100%	Investment holding
Choice Capital Limited ("Choice Capital")	Incorporated	BVI	1 ordinary share of US$1	100%	Investment holding
World Lexus Pacific Limited ("World Lexus")	Incorporated	Hong Kong	1,000,000 ordinary shares of HK$1 each	100%	Investment holding
Beijing Pacific Palace Real Estate Development Co., Ltd.	Sino-foreign joint venture	PRC	Registered and paid-up capital of US$12,000,000	100%	Property development

13. INTEREST IN ASSOCIATES (Continued)

Summary financial information on associates:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit (loss) HK$'000
2006					
100 per cent	1,172,242	(822,676)	349,566	960,166	81,757
2005					
100 per cent	1,301,031	(1,046,238)	254,793	199,544	(26,179)

Details of contingent liabilities of the associates are disclosed in note 25.

Notes:

(a) China Property Development (Holdings) Limited ("CPDH")

(i) On 3 February 2005, 383 new ordinary shares of US$0.01 each of CPDH were allotted to certain related companies of a shareholder of CPDH at a price of US$10,000 each. Upon the allotment, the Group's profit sharing ratio and proportion of voting rights held were diluted from 37.37% to 33.42% and from 22.88% to 20.49% respectively. The allotment of shares resulted in a gain on deemed disposal of HK$3,065,080 which has been recognised in the consolidated income statement for the year ended 31 December 2005.

(ii) CPDH, through its wholly owned subsidiaries, Sound Advantage and Choice Capital, acquired an 80% equity interest in World Lexus in 2002. World Lexus's sole asset is a wholly owned PRC subsidiary, Beijing Pacific Palace Real Estate Development Co., Ltd. ("Beijing Pacific Palace"), which is engaged in a property development project at the Lido area of Jiangtai Town, Chaoyang District, Beijing, the PRC ("Pacific Town project").

13. INTEREST IN ASSOCIATES (Continued)

Notes: (Continued)

The Pacific Town project is a medium density residential area with a mixed development of high rise apartments and villas. The development of the project will be carried out in several phases. The completion certificate for Phase I was obtained and sales of properties in Phase I was recognised in the current year. Pre-sale of the properties in Phase IIA and Phase III commenced in September 2005 and December 2005 respectively. Resettlement work for Phase IIB and Phase III commenced during the year ended 31 December 2005.

(iii) CPDH acquired the remaining 20% equity interest in World Lexus from the former minority shareholders for a consideration of RMB40 million in November 2004. Pursuant to the equity transfer agreement ("20% Equity Transfer Agreement"), CPDH is also required to reimburse the preliminary costs amounting to RMB45 million of the Pacific Town project incurred by the minority shareholders prior to acquisition of the 80% equity interest in World Lexus by Sound Advantage and Choice Capital from the same minority shareholders in 2002. The settlement of the consideration is secured by the 20% equity interest in World Lexus.

CPDH has withheld part of the consideration and reimbursement costs amounting to RMB45 million, as a result of not assisting CPDH in recovering RMB10 million recoverable under the 20% Equity Transfer Agreement, and other breaches of warranties, to cover certain contingent liabilities of Beijing Pacific Palace and World Lexus as set out in notes 25(a) and (b). Due to disputes between the minority shareholders over the proportion which should be received by each shareholder, the balance of the consideration and reimbursement after deducting the amount withheld was settled by a payment to the Hong Kong High Court pursuant to an interpleader relief filed by CPDH.

13. INTEREST IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Beijing Far East Instrument Company Limited ("Beijing Far East")

In March 2002, the Group entered into a conditional agreement with Beijing Capital Group pursuant to which, the Group agreed to sell an equity interest of 9% in Beijing Far East for a consideration of approximately RMB14 million, subject to the fulfilment of certain conditions. The consideration is payable over a period of 5 years. Up to 31 December 2006, the disposal has not been accounted for as the conditions have not been satisfied, including the settlement of the consideration. According to the agreement between the Group and Beijing Capital Group, Beijing Capital Group is required to transfer back the equity interest in Beijing Far East in relation to the unpaid portion of the consideration to the Group upon the expiry of the 5-year period ended 31 December 2006. The Group continues to account for the share of profit or loss attributable to the portion of equity interest for which consideration has not been settled. As such, although the legal interest in Beijing Far East held by the Group was 26% at 31 December 2006, the Group has accounted for 35% of the result of Beijing Far East for the year. The Group is negotiating with Beijing Capital Group on the resolution of the transfer of 9% equity interest and no agreement has been reached up to the date of the consolidated financial statements are authorised for issue by the directors. A director of the Company is also a member of the key management of Beijing Capital Group.

(c) Beijing North Star Hyundai Pipe Company Limited ("Beijing North Star")

During the year ended 31 December 2005, the Group disposed of its entire 28% equity interest in Beijing North Star to a director of the Company for a nominal consideration. The carrying value of Beijing North Star was fully written off in prior years and the disposal did not result in a gain or loss to the Group.

14. AVAILABLE-FOR-SALE SECURITIES

	2006 HK$	2005 HK$
Securities listed in Hong Kong	4,344,800	18,386,005
Fair value adjustment	2,291,500	3,590,945
	6,636,300	21,976,950

14. AVAILABLE-FOR-SALE SECURITIES (Continued)

The amount represents the Group's investments in Skyworth Digital and CCB, which shares are listed on the Stock Exchange.

At 31 December 2005, the investment in Skyworth Digital of 10,000,000 shares were stated at a directors' valuation of HK$1.14 per share, being the average market price of Skyworth Digital during the period from 11 January to 31 March 2006, after eliminating any exceptionally high or low prices. The directors consider this basis of valuation to be reasonable in view of the lack of a quoted market price of the shares of Skyworth Digital as at 31 December 2005. A fair value adjustment of HK$2,200,000 was charged to the fair value reserve at 31 December 2005.

During the year ended 31 December 2005, the Group acquired a total of 3,954,000 ordinary shares of CCB. At 31 December 2005, the shares were stated at their fair value of HK$2.675 per share. A fair value adjustment of HK$1,190,945 was credited to the fair value reserve at 31 December 2005.

During the year, the Group disposed of 7,810,000 shares and 2,954,000 shares in Skyworth Digital and CCB, respectively. Details of the gain on disposal of these shares are set out in note 6.

During the year, a decrease in fair value of the remaining shares of Skyworth Digital amounting to HK$810,300 and an increase in fair value of the remaining shares of CCB amounting to HK$2,275,000, were recognised in fair value reserve.

15. INVESTMENT DEPOSIT

The amount represents the purchase consideration paid to acquire a 15% equity interest in a joint venture entity in the PRC in 2003 pursuant to a purchase agreement dated 10 November 2003. The PRC joint venture entity is engaged in the development of residential properties at the Taiyanggong Zone F in Beijing, the PRC. The purchase agreement has expired as the equity transfer was not effected by 31 October 2004 due to a delay.

According to a settlement agreement dated 10 May 2005, the investment deposit of HK$35 million plus compensation would be refunded by the vendor in two instalments on 30 June 2005 and 31 December 2005. The first instalment of HK$5.7 million was received in July 2005 and accounted for as a partial repayment of the investment deposit in the consolidated financial statements.

15. INVESTMENT DEPOSIT (Continued)

The vendor did not pay the final instalment due on 31 December 2005. The Group negotiated with the vendor to settle the remaining balance by transfer of an equity interest in a company which holds certain investment properties in the PRC to the Group. Subsequent to the balance sheet date, the Group entered into an agreement with the vendor for the transfer of such equity interest in that company which holds certain investment properties in the PRC.

The directors considered that the investment deposit would be recoverable from the Group's attributable interest derived from these investment properties in the PRC and accordingly, no impairment loss for bad and doubtful debts is required at 31 December 2006.

16. OTHER RECEIVABLES

All of the other receivables are expected to be recovered within one year. The directors considered the fair value of the balances approximates the carrying values.

17. CASH AND CASH EQUIVALENTS

	2006	2005
	HK$	HK$
Deposits with banks	15,500,976	38,065,027
Cash at bank and in hand	17,960,196	902,226
	33,461,172	38,967,253

The effective interest rates of the deposits range from 2.82% to 4.78% (2005: 2.75% to 3.78%) per annum and all of them have a maturity within three months from initial inception. The directors considered the fair value of the balances approximates the carrying values.

18. OTHER PAYABLES

All of the other payables are expected to be settled within one year.

19. SHARE CAPITAL

	Number of shares	Share capital HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2005	10,000,000	100,000
Increase in authorised share capital *(note)*	11,990,000,000	119,900,000
At 31 December 2005 and 31 December 2006	12,000,000,000	120,000,000
Issued and fully paid:		
At 1 January 2005 and 31 December 2005	647,114,000	6,471,140
Repurchase of shares	(26,900,000)	(269,000)
At 31 December 2006	620,214,000	6,202,140

The Company repurchased its own shares on the Stock Exchange as follows:

Month	Number of shares	Price per share Lowest HK$	Price per share Highest HK$	Aggregate consideration HK$
February 2006	13,940,000	0.158	0.255	1,156,440
March 2006	9,890,000	0.220	0.225	3,973,950
October 2006	3,070,000	0.219	0.220	673,010
	26,900,000			5,803,400

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against accumulated losses. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated losses to the capital redemption reserve.

19. SHARE CAPITAL (Continued)

Note:

Pursuant to a written resolution of the sole shareholder of the Company dated 4 November 2004, the authorised share capital of the Company was increased from HK$100,000 to HK$120,000,000 by the creation of 11,990,000,000 additional ordinary shares of HK$0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company conditional upon the Scheme becoming effective.

Pursuant to the Scheme described in note 1 to the consolidated financial statements, the Company allotted and issued 637,114,000 ordinary shares of HK$0.01 each, credited as fully paid, and also credited as fully paid the 10,000,000 nil paid ordinary shares of HK$0.01 each, in consideration for the acquisition of the entire issued share capital of ING Beijing on 13 April 2005.

20. RESERVES

Nature and purposes of reserves

Share premium

The excess of the value of the shares of ING Beijing acquired pursuant to the Scheme over the nominal value of the shares of the Company issued in exchange has been credited to the share premium account.

The application of the share premium account is governed by section 34 of the Companies Law of the Cayman Islands.

Special reserve

The special reserve represents the difference between the amount recorded as share capital issued by the Company pursuant to the Scheme and the amount recorded for the share capital of ING Beijing acquired.

Exchange reserve

The exchange reserve comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates. The reserves are dealt with in accordance with the accounting policy set out in note 2.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policy in note 2.

20. RESERVES (Continued)

Nature and purposes of reserves (Continued)

Capital redemption reserve

The capital redemption reserve represented the nominal value of shares cancelled upon repurchase.

Distributability of reserves

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

21. EQUITY COMPENSATION BENEFITS

ING Beijing operated a share option scheme under which the Board of Directors of ING Beijing may grant options to employees of ING Beijing and its subsidiaries, including directors, to subscribe for shares of ING Beijing. Each option gave the holder the right to subscribe for one share. The subscription price will be the higher of:

(i) the closing price of the shares of ING Beijing as stated in the Stock Exchange's daily quotation sheet on the date of grant (being a business day); and

(ii) the average closing price of the shares of ING Beijing as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The share option scheme of ING Beijing was terminated and a new share option scheme was adopted by the Company effective 13 April 2005. All outstanding share options granted in prior years under the share option scheme of ING Beijing lapsed in November 2004. Terms of the new share option scheme of New Capital are similar to those of ING Beijing.

There were no options granted under the new share option scheme of New Capital during the years ended 31 December 2006 and 2005 or outstanding options as at the balance sheet dates.

22. NET ASSET VALUE PER SHARE

The net asset value per share is computed based on the consolidated net assets of HK$191,665,423 (2005: HK$171,005,472) and 620,214,000 ordinary shares in issue as at 31 December 2006 (2005: 647,114,000 ordinary shares).

23. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

Credit risk

The Group monitors its exposure to credit risks on an ongoing basis. Investments are normally liquid securities except those entered into for long term strategic purposes.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Cash balances maintained for liquidity are placed with a number of major banks. In addition, the Group is subject to credit risk for funds under a brokerage account included in other receivables. The credit risk is limited because the counter parties are with sound credit-rating.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Interest rate risk

The Group has no borrowings and is not exposed to significant interest rate risk.

23. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

The Group is exposed to foreign currency risk as the operations and income of certain of the Group's investments are denominated in Renminbi ("RMB"). The fluctuation of the exchange rate of RMB against the Hong Kong dollars ("HK$") affects the Group's results as remittances of retained earnings from these investments out of the PRC involve conversion from RMB to HK$.

Equity price risk

Investments in securities are subject to changes in market prices. The exposure to price change is managed by closely monitoring the changes in market conditions that may have an impact in the market prices or factors affecting the value of these investments in securities.

Fair values

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2006 and 2005.

Estimation of fair values

Fair value of securities is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

24. COMMITMENTS

Capital commitments

At the balance sheet date, the Group's share of the capital commitments of an associate, Beijing Pacific Palace, outstanding not provided for in the financial statements was as follows:

	2006 HK$	2005 HK$
Authorised and contracted for	**146,648,000**	43,734,000
Authorised but not contracted for	**441,546,000**	429,108,000
	588,194,000	472,842,000

24. COMMITMENTS (Continued)

Operating lease commitments

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2006 HK$	2005 HK$
Within 1 year	**801,060**	767,688
After 1 year but within 5 years	**534,040**	1,279,480
	1,335,100	2,047,168

The Group leases a property under an operating lease. The lease runs for an initial period of three years for fixed rentals, with an option to renew the lease upon expiry when all terms are renegotiated. The lease does not include any contingent rentals.

25. CONTINGENT LIABILITIES

At 31 December 2006, the Group's associates, Beijing Pacific Palace and World Lexus, had the following contingent liabilities. The Group's interests in these associates is disclosed in note 13.

(a) In July 2004, Beijing Pacific Palace commenced legal proceedings against a consultancy company to recover a deposit paid of RMB14 million in relation to the Pacific Town project plus compensation of RMB34 million for the delay in resettlement work of Phase I. The consultancy company has made a counter claim of RMB20 million against Beijing Pacific Palace for breach of contract.

According to the first judgement delivered in July 2005, the court dismissed the counter claim of the consultancy company and ordered it to repay RMB9 million to Beijing Pacific Palace plus interest for the period from May 2002 to July 2005. Beijing Pacific Palace did not agree with the first judgement and filed an appeal with the court in August 2005. The final judgement was delivered in December 2005 whereby the court ordered the consultancy company to repay the entire amount of the deposit paid of RMB14 million plus interest for the period from May 2002 to the date of repayment. However, the claim of the compensation of RMB34 million by Beijing Pacific Palace was dismissed.

25. CONTINGENT LIABILITIES (Continued)

(a) (Continued)

Beijing Pacific Palace had provided for an impairment loss of RMB4 million against the deposit in prior years. The remaining amount of RMB10 million is recoverable from the former minority shareholders under the terms of the 20% Equity Transfer Agreement (note 13(a)(iii)) and has been deducted from the consideration payable to the minority shareholders. As the consultancy company may not have the ability to repay the entire amount of the deposit and only RMB10 million is recoverable under the 20% Equity Transfer Agreement, the impairment loss of RMB4 million has not been reversed at 31 December 2006 and 31 December 2005 in the financial statements of Beijing Pacific Palace.

(b) In April 2005, a third party made a claim of RMB5.3 million plus interest and damages against World Lexus for services rendered pursuant to certain agreements which amounted to a total of RMB9.4 million. As these agreements were not disclosed in the 20% Equity Transfer Agreement, this constitutes a breach of warranties included in the 20% Equity Transfer Agreement and CPDH has deducted the amount claimed by the third party from the consideration payable to the minority shareholders. In September 2005, the third party commenced legal proceedings in the Hong Kong High Court against World Lexus and subsequently, the former minority shareholders of World Lexus have filed an application to the court for an intervention to the litigation. In December 2006, World Lexus paid the third party RMB2.2 million and such third party's claim against World Lexus was dismissed. World Lexus will claim for reimbursement of such payment of RMB2.2 million together with other unrecovered costs in this action in the arbitration proceedings as set out in note 25 (c).

(c) In April 2005, CPDH and the minority shareholders of World Lexus commenced arbitration proceedings in respect of the deductions involving the matters referred to in (a) and (b) above as well as certain other deductions which CPDH has made under the terms of the 20% Equity Transfer Agreement. In January 2006, one of the former minority shareholders made a counter claim of an unquantified amount in respect of loss of the development right relating to part of the Pacific Town project. Exchange of witness statements in respect of the counter claim are in progress. By considering the legal advice available, the directors of CDPH are in the opinion that it is not likely to have any liabilities arising from the counter claim and therefore, no provision is required. The arbitration proceedings are still in progress as of the date the consolidated financial statements are authorised for issue by the directors. The hearing is likely to be held in mid 2007.

(d) In July 2005, another third party made a claim of approximately RMB50 million against World Lexus pursuant to an agreement entered into by the third party and World Lexus in 2001 for services rendered in connection with the Pacific Town project. This agreement was also not disclosed in the 20% Equity Transfer Agreement and constitutes a breach of warranties.

25. CONTINGENT LIABILITIES (Continued)

(d) (Continued)
CPDH has included this claim as part of the arbitration proceedings in (c) above. In July 2006, World Lexus was provided with a confirmation from the third party confirming that the third party has waived the rights under the alleged agreement and has withdrawn the claim. The directors of CPDH consider that no provision is required as any loss will be recoverable from the former minority shareholders under the terms of the 20% Equity Transfer Agreement.

(e) The directors of the Company, after considering the status of the above litigation and claims and the information provided by the directors of CPDH and World Lexus, are of the opinion that no provision or additional impairment loss is required to be made in the financial statements of the Group's associates which are used for equity accounting in the consolidated financial statements of the Group.

26. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group 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 Group 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 Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group paid key management personnel compensation as follows:

	2006 HK$	2005 HK$
Salaries and other short-term employee benefits	1,867,947	1,057,808
Retirement scheme contributions	25,719	6,000
	1,893,666	1,063,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

27. FINANCIAL INFORMATION OF THE COMPANY

	2006 HK$	2005 HK$
Non-current assets		
Property, plant and equipment *(note 12)*	365,687	498,024
Investments in subsidiaries *(note a)*	40	130,974,642
Investment in an associate	78,000,008	–
Amounts due from subsidiaries	49,695,180	51,162,744
Available-for-sale securities	4,950,000	10,576,950
	133,010,915	193,212,360
Current assets		
Other receivables	12,655,951	309,534
Cash and cash equivalents	33,335,217	38,950,370
	45,991,168	39,259,904
Current liabilities		
Other payables	1,652,956	1,375,684
Amount due to a subsidiary	5,367,324	53,285,317
	7,020,280	54,661,001
Net current assets (liabilities)	38,970,888	(15,401,097)
Net assets	171,981,803	177,811,263
Capital and reserves		
Share capital *(note 19)*	6,202,140	6,471,140
Reserves *(note b)*	165,779,663	171,340,123
Total equity	171,981,803	177,811,263

27. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Notes:

(a) Subsidiaries

Particulars of the principal subsidiaries of the Company, as at 31 December 2006, are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and paid up capital held by the Company	Proportion of ownership interest held	Principal activity
Kencheers Investments Ltd.	BVI	1 share of US$1	100%	Investment holding
Pacific Equity Venture Inc.	BVI	1 share of HK$1	100%	Investment holding
Success Journey Ltd.	BVI	1 share of US$1	100%	Investment holding
Great Progress Ltd.	Mauritius	2 shares of US$1 each	100%	Investment holding
Grow Reach Investment Ltd.	BVI	2 shares of US$1 each	100%	Investment holding

At 31 December 2005, included in investment cost represented a capital distribution of HK$53,257,464 from ING Beijing satisfied by assignment of its loans to subsidiaries upon the commencement of members' voluntary of ING Beijing liquidation in November 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

27. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(b) Reserve

	Share premium	Fair value	Capital redemption	Accumulated losses	Total
	HK$	HK$	HK$	HK$	HK$
At 1 January 2005	–	–	–	–	–
Changes in fair value of available-for-sale securities	–	1,190,945	–	–	1,190,945
Net expenses for the year recognised directly in equity	–	1,190,945	–	–	1,190,945
Loss for the year	–	–	–	(7,611,788)	(7,611,788)
Total recognised income and expense for year	–	1,190,945	–	(7,611,788)	(6,420,843)
Issue of shares pursuant to the Scheme	177,760,966	–	–	–	177,760,966
At 31 December 2005 and 1 January 2006	177,760,966	1,190,945	–	(7,611,788)	171,340,123
Changes in fair value of available-for-sale securities	–	2,275,000	–	–	2,275,000
Transfer to income statement upon disposal of available-for-sale securities	–	(889,745)	–	–	(889,745)
Net expenses for the year recognised directly in equity	–	1,385,255	–	–	1,385,255
Loss for the year	–	–	–	(1,411,315)	(1,411,315)
Total recognised income and expense for the year	–	1,385,255	–	(1,411,315)	(26,060)
Repurchase of shares	–	–	269,000	(269,000)	–
Premium on repurchase of shares	–	–	–	(5,534,000)	(5,534,400)
At 31 December 2006	177,760,966	2,576,200	269,000	(14,826,503)	165,779,663

28. POST BALANCE SHEET EVENT

In December 2006, the Group entered into an agreement to set up a joint venture, China Eco-Hotel Investments Limited ("China Eco-Hotel") to invest in Anyi (Sichuan) Hotel Development Co., Ltd. ("Anyi"). China Eco-Hotel was incorporated in January 2007 with authorised capital of HK$20,200,000 divided into 10,100,000 ordinary shares of HK$1 each and 10,100,000 non-voting shares of HK$1 each. The Group subscribed for 3,030,000 ordinary shares and 7,070,000 non voting shares for a total consideration of HK$10,100,000 while the Group is entitled for 50% of the equity interest in China Eco-Hotel with 30% voting rights in its shareholders' meetings.

Anyi is a sino foreign equity joint venture company incorporated in the PRC in March 2007 to operate and manage economic hotel business in the PRC. China Eco-Hotel subscribed for a equity interest of 90.9% in Anyi for a total consideration of RMB20,000,000.