NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. GENERAL INFORMATION

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

The Company was formerly a limited liability company incorporated and domiciled in the Cayman Islands. On 6 February 2007, the Company de-registered from the Cayman Islands and duly continued into Bermuda as an exempted company under the laws of Bermuda. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business has been changed to Unit 1809, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong with effect from 21 June 2006.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in units of Hong Kong dollars, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors (the "Board") on 17 April 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(a) Basis of preparation – continued

(i) Amendment to published standard effective in 2006

HKAS 39 (Amendment), The Fair Value Option, is mandatory for accounting periods beginning on or after 1 January 2006. This amendment does not have any impact on the classification and valuation of the Company's financial instruments classified as at fair value through profit or loss prior to 1 January 2006 as the Company is able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss.

(ii) Standards and interpretation that are not yet effective and have not been early adopted by the Company

The following standards and interpretation have been published that are mandatory for the Company's accounting periods beginning on or after 1 November 2006 or later periods that the Company has not early adopted:

– HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective for accounting periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The Company will apply HKFRS 7 and the complementary Amendment to HKAS 1 from 1 January 2007, but it is not expected to have any impact on the classification and valuation of the Company's financial instruments.

– HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Company will apply HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of equity securities

The Company invested in equity securities. Sale of listed and unlisted securities is recognised when instructions for sales are given to securities brokers/purchasers and properly executed.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(c) Employee benefits

(i) Employee entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) Pension obligations

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' relevant income and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(d) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(f) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. The fair values of quoted investments are based on current bid prices. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2(g)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(f) Financial assets – continued

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost, less provision for impairment. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently stated at cost less impairment loss while financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement as cost of sales in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Company's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Company's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(f) Financial assets – continued

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2(g).

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

(h) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(i) Related parties

A party is related to the Company if:

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

(a) controls, is controlled by, or is under common control with, the entity;

(b) has an interest in the Company that gives it significant influence over the Company; or

(c) has joint control over the entity;

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

(iii) the party is a close member of the family of any individual referred to in (i) or (ii);

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

(v) any investment manager, investment adviser or custodian (or any connected person thereof) under the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") Chapter 21.13.

(j) Share capital

Ordinary shares are classified as equity.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(l) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(m) Comparatives

The Company previously disclosed gain or loss on securities within "fair value gains on financial assets at fair value through profit or loss". The Board believes that the current disclosures as "sales" and "cost of sales" is a fairer presentation of the Company's activities.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

As at 31 December 2006, the Company's financial assets and liabilities mainly consisted of financial assets at fair value through profit or loss, available-for-sale financial assets, bank balances and cash, other receivables and deposits and other payables and accrued charges.

(i) Foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. FINANCIAL RISK MANAGEMENT – continued

(a) Financial risk factors – continued

(ii) Price risk

The Company is exposed to equity securities price risk because investments held by the Company are classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

(iii) Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

(iv) Credit risk

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

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

(v) Liquidity risk

The Company has no significant liquidity risk. The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure sufficient cash flows to meet all financial commitment and to capitalise on opportunities for business expansion.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. FINANCIAL RISK MANAGEMENT – continued

(b) Fair value estimation

The fair value of financial instruments traded in active markets such as trading securities is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as estimated discounted cash flows and market approach – guideline publicly traded company method.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The Company is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – continued

(ii) Impairment of available-for-sale financial asset

The Company follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. SEGMENT INFORMATION

The Company is principally engaged in investment in listed and unlisted companies in the PRC, Hong Kong, Australia and the US during the year.

All of the activities of the Company are based in Hong Kong and all of the Company's revenue and operating profit/loss are derived from Hong Kong.

Accordingly, no segment information has been presented.

6. TURNOVER

The Company is engaged in investment in equity securities. Revenues recognised during the year are as follows:

		(Restated)
	2006	2005
	HK$	*HK$*
Sales of equity securities	**47,416,257**	65,415,622

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

7. COST OF SALES

	2006	(Restated) 2005
	HK$	*HK$*
Cost of equity securities disposed of	**29,363,130**	59,174,252
Unrealised fair value loss on financial assets at fair value through profit or loss	**534,170**	3,597,671
	29,897,300	62,771,923

8. OTHER INCOME

	2006	2005
	HK$	*HK$*
Bank interest income	**819,618**	622,704
Other interest income	**–**	2,746
Dividend income	**69,984**	14,524
	889,602	639,974

9. OTHER OPERATING LOSS

	2006	2005
	HK$	*HK$*
Net foreign exchange loss	**825**	29,884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

10. EXPENSES BY NATURE

	Note	2006 HK$	2005 HK$
Auditors' remuneration		**200,000**	180,000
Operating lease payments		**398,916**	64,770
Provision for impairment loss on other receivable		**3,000,001**	–
Employee benefit expense	11	**2,461,587**	1,252,384

11. EMPLOYEE BENEFIT EXPENSE

	2006 HK$	2005 HK$
Directors' remuneration		
– fee	**479,032**	422,217
– salaries	**1,261,600**	445,800
– mandatory provident fund contributions	**27,580**	10,290
	1,768,212	878,307
Wages and salaries	**672,500**	364,183
Mandatory provident fund contributions	**20,875**	9,894
	693,375	374,077
	2,461,587	1,252,384

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

11. EMPLOYEE BENEFIT EXPENSE – continued

Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's mandatory provident fund contributions	Total
	HK$	*HK$*	*HK$*	*HK$*
Executive Directors				
Ma Kam Fook, Robert *(a)*	–	–	–	–
Chu Wai Lim	–	171,600	8,580	180,180
Li Ji Ning	–	720,000	12,000	732,000
Lau Shun Chi, Benjamin *(b)*	–	370,000	7,000	377,000
Independent Non-executive Directors				
Li Pik Ha *(c)*	120,000	–	–	120,000
Yin Ling *(d)*	229,032	–	–	229,032
Shiu Kwok Keung *(e)*	100,000	–	–	100,000
Chen Man Lung *(f)*	30,000	–	–	30,000
	479,032	1,261,600	27,580	1,768,212

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

11. EMPLOYEE BENEFIT EXPENSE – continued

Directors' and senior management's emoluments – continued

The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's mandatory provident fund contributions	Total
	HK$	*HK$*	*HK$*	*HK$*
Executive Directors				
Ma Kam Fook, Robert	–	–	–	–
Pang Bang Xuan	91,068	–	–	91,068
Chu Wai Lim	–	85,800	4,290	90,090
Li Ji Ning	–	360,000	6,000	366,000
Independent Non-executive Directors				
Foo Chi Ming	75,574	–	–	75,574
Li Pik Ha	60,000	–	–	60,000
Wong Chi Keung	151,148	–	–	151,148
Fung Choi On	44,427	–	–	44,427
	422,217	445,800	10,290	878,307

Notes:

(a) Resigned on 1 April 2007

(b) Appointed on 9 November 2006

(c) Resigned on 30 June 2006

(d) Appointed on 18 January 2006

(e) Appointed on 1 March 2006

(f) Appointed on 29 September 2006

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

11. EMPLOYEE BENEFIT EXPENSE – continued

Directors' and senior management's emoluments – continued

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

During the year, no emoluments were paid by the Company to the Directors as an inducement to join, or upon joining the Company, or as compensation for loss of office (2005: Nil).

Five highest paid individuals

The five individuals whose emoluments were the highest in the Company for the year include four (2005: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: one) individuals during the year are as follows:

	2006	2005
	HK$	*HK$*
Wages and salaries	**200,000**	120,000
Mandatory provident fund contributions	**5,000**	6,000
	205,000	126,000

The emoluments of the above (2005: one) highest paid employee during the year were within the emoluments band ranging from nil to HK$1,000,000.

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year (2005: Nil).

	2006	2005
	HK$	*HK$*
Hong Kong profits tax	**18,600**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

12. INCOME TAX EXPENSE – continued

The taxation on the profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006	2005
	HK$	*HK$*
Profit/(Loss) before tax	**10,025,677**	(897,386)
Tax at the statutory rate of 17.5% (2005: 17.5%)	**1,754,493**	(157,043)
Tax effect on non-taxable income	**(187,302)**	(111,992)
Tax effect on non-deductible expenses	**563,264**	288,820
Tax effect of prior year's unrecognised tax losses utilised this year	**(2,111,855)**	(19,785)
	18,600	–

13. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit/(loss) attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$10,007,077 (2005: Loss of HK$897,386).

14. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
	HK$	*HK$*
Profit/(Loss) attributable to equity holders of the Company	**10,007,077**	(897,386)
Weighted average number of ordinary shares in issue	**123,600,000**	116,940,274
Basic earnings/(loss) per share	**HK cents 8.10**	HK cents (0.77)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

14. EARNINGS/(LOSS) PER SHARE – continued

(b) Diluted

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

15. AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial asset includes the following:

	2006	2005
	HK$	*HK$*
Unlisted equity securities, at cost	**4,000,000**	–

The Company acquired the available-for-sale financial asset in 2006.

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

There were no impairment provisions on the available-for-sale financial asset in 2006 or 2005.

None of the financial assets are past due.

16. DEPOSIT PAID

As at 31 December 2005, the deposit paid represents consideration for the purchase of a 6% equity interest in an unlisted company, HengRong Guarantee Company Limited ("HengRong"), amounting to HK$3 million and HK$1 for an option to acquire an additional 6% equity interest in that company from an independent third party (the "Acquisition") in accordance with the registered capital at the date of the acquisition and the terms and conditions as further agreed by both parties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

16. DEPOSIT PAID – continued

The Acquisition period had been extended to 17 December 2006 in accordance with the latest supplementary acquisition agreement. However, the Acquisition has not been completed up to date of approval of these financial statements. In accordance with the acquisition contract, the vendor is required to refund the deposit to the Company.

Due to the expiration of above mentioned supplementary acquisition agreement, the deposit paid have been reclassified to other receivable.* As the payments have not been refunded up to date of this report, provision for impairment loss is made.

HengRong was incorporated as a limited liability company with registered capital of RMB50,000,000 in the PRC. The principal activity of HengRong is the provision of guarantees to individuals and companies and related consultancy services.

* *The Company is still in the process of negotiating with the above mentioned independent third party for the Acquisition and trying their utmost to continue the Acquisition. However, no further renewal of supplementary acquisition agreement is signed up to the date of approval of these financial statements and the Company has not demanded the refund of the deposit. A provision for impairment loss is made for conservative purpose.*

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006	2005
	HK$	*HK$*
Listed securities		
Equity securities – Hong Kong	**36,636,572**	9,582,324
Equity securities – Australia	**7,748,320**	3,696,940
Equity securities – United States	**–**	4,543,580
Market value of listed securities	**44,384,892**	17,822,844

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (Note 22).

Changes in fair values of financial assets at fair value through profit or loss are recorded in the income statement.

The fair value of all equity securities is based on their current bid prices in an active market.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

18. INVESTMENTS

Pursuant to the requirements stipulated in Chapter 21.12 of the Listing Rules, the Company discloses its list of all investments with a value greater than 5 per cent of the Company's gross assets and at least the 10 largest investments as at 31 December 2006 and 2005 as follows:

As at 31 December 2006

Name	Nature of business	% of total issued capital *(Note a)*	Invested amount *HK$*	Fair value *HK$*	% of gross asset value	Dividend received *HK$*
China Solar Energy Holdings Limited *(Note b)*	Manufacture and sale of photovoltaic business	0.59%	13,809,592	17,451,100	30.71%	–
Q9 Technology Holdings Limited	Development and sale of computer software	3.94%	11,375,350	9,440,000	16.61%	–
ViaGOLD Capital Limited	Travel related business	5.13%	6,503,178	7,748,320	13.64%	–
PacMos Technologies Holdings Limited	Design and distribution of integrated circuits	3.48%	8,674,440	5,148,880	9.06%	–
Dyxnet Holdings Limited *(Note c)*	Provision of internet services	3.72%	4,000,000	4,800,000	7.04%	–
HSBC Holdings plc	Provision of banking services	0.00%	2,808,000	2,852,000	5.02%	–
Mobile Telecom Network Holdings Limited	Provision of mobile internet communication telecommunications	1.93%	2,649,277	830,648	1.46%	–
Culturecom Holdings Limited	Publishing	0.21%	3,051,096	552,500	0.97%	–
Rexcapital Financial Holdings Limited	Provision of financial services	0.01%	22,296	242,500	0.43%	–
Xteam Software International Limited	Development and sale of computer software and hardware	0.09%	281,448	118,944	0.21%	–
Total			53,174,677	49,184,892	85.15%	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

18. INVESTMENTS – continued

As at 31 December 2005

Name	Nature of business	% of total issued capital (Note a)	Invested amount HK$	Fair value HK$	% of gross asset value	Dividend received HK$
ChipMOS TECHNOLOGIES (Bermuda) LTD.	Provision of semiconductors testing and assembly services	0.15%	4,853,831	4,543,580	9.60%	–
ViaGOLD Capital Limited	Travel related business	5.13%	4,867,001	3,696,940	7.81%	–
China Solar Energy Holdings Limited *(Note b)*	Manufacture and sale of photovoltaic business	0.44%	2,592,465	2,865,600	6.05%	–
Jade Dynasty Group Limited	Publication of comics books	0.84%	2,407,315	2,691,920	5.69%	–
Culturecom Holdings Limited	Publishing	0.25%	3,051,096	1,266,500	2.68%	–
Rexcapital Financial Holdings Limited	Provision of banking services	0.48%	637,670	1,258,400	2.66%	–
Mobile Telecom Network Holdings Limited	Provision of mobile internet communication telecommunications	1.97%	2,649,277	1,232,280	2.60%	–
Xteam Software International Limited	Development and sale of computer software and hardware	0.11%	361,861	267,624	0.57%	–
Total			21,420,516	17,822,844	37.66%	–

Notes:

a. Based on latest audited financial statements.

b. Formerly known as Rexcapital International Holdings Limited.

c. It is stated at Directors' valuation by using guideline publicly traded company method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

19. OTHER RECEIVABLE, PREPAYMENTS AND DEPOSITS

	Note	**2006** **HK$**	2005 HK$
Other receivable	*16*	**3,000,001**	–
Less: provision for impairment of receivable		**(3,000,001)**	–
Other receivable – net		**–**	–
Prepayments		**180,321**	183,585
Deposits		**165,557**	10,570
Current portion		**345,878**	194,155

The carrying values of other receivable, prepayments and deposits are approximate to their fair values due to their short term maturities.

20. SHARE CAPITAL

	Number of shares	Ordinary shares HK$	Share premium HK$	Total HK$
At 1 January 2005	103,000,000	10,300,000	85,871,636	96,171,636
Issued during the year	20,600,000	2,060,000	618,000	2,678,000
At 31 December 2005 and 2006	123,600,000	12,360,000	86,489,636	98,849,636

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

The total number of authorised ordinary shares is 2,000,000,000 shares (2005: 2,000,000,000 shares) with a par value of HK$0.10 per share (2005: HK$0.10 per share). All issued shares are fully paid.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

21. DEFERRED INCOME TAX

At the balance sheet date, the Company has no estimated tax losses (2005: HK$7,079,000) available for offset against future profits. Therefore, no deferred tax asset has been recognised.

22. CASH (USED IN)/GENERATED FROM OPERATIONS

	2006	2005
	HK$	*HK$*
Profit/(Loss) before income tax	**10,025,677**	(897,386)
Adjustments for:		
– Dividend income *(Note 8)*	**(69,984)**	–
– Provision for impairment loss on other receivable *(Note 10)*	**3,000,001**	–
– Bank interest income *(Note 8)*	**(819,618)**	(622,704)
Changes in working capital:		
(Increase)/Decrease in financial assets at fair value through profit or loss	**(26,562,048)**	2,752,105
(Increase)/Decrease in other receivable, prepayments and deposits	**(151,723)**	6,675,204
(Decrease)/Increase in other payables and accrued charges	**(535,671)**	611,248
Cash (used in)/generated from operations	**(15,113,366)**	8,518,467

23. COMMITMENTS UNDER OPERATING LEASES

The Company leases an office under a non-cancellable operating lease agreement.

The future aggregate minimum lease payments under the non-cancellable operating lease are as follows:

	2006	2005
	HK$	*HK$*
Not later than 1 year	**555,012**	–
Later than 1 year but not later than 5 years	**208,130**	–
	763,142	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

24. RETIREMENT BENFITS SCHEME

The Company operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Company, in funds under the control of trustees. The Company contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK$20,000.

The total cost charged to income statement of HK$48,455 (2005: HK$20,184) represents contributions payable to this scheme by the Company in respect of the current accounting year.

25. RELATED PARTY TRANSACTIONS

Under Listing rules Chapter 21.13, any investment manager, investment adviser or custodian (or any connected person thereof) is regarded as connected person.

The following transactions were carried out with related parties:

	2006	2005
	HK$	*HK$*
Investment management fee paid to		
United Gain Investment Limited	**479,499**	328,501
China Core Capital Management Limited *(Note)*	**–**	511,668
	479,499	840,169

Note: Wholly-owned by Mr. Ma Kam Fook, Robert, an Executive Director of the Company during the year.

Under the Investment Management Agreement, United Gain Investment Limited ("United Gain") was entitled to a monthly management fee equivalent to 1.25% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, United Gain was also entitled to an annual incentive fee equivalent to 5% of the Surplus Net Asset Value* of the Company for each financial year. The total fees paid to United Gain were subject to a maximum amount of HK$650,000 for the year ended 12 June 2006 and HK$158,001 for the period from 13 June to 31 December 2006.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

26. SHARE OPTION SCHEME

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

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

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

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

27. EVENTS AFTER THE BALANCE SHEET DATE

On 10 January 2007, the resolutions to approve the change of domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted Company under the laws of Bermuda and the Capital Reorganisation were passed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

27. EVENTS AFTER THE BALANCE SHEET DATE – continued

The Capital Reorganisation involves the Share Consolidation, Capital Reduction, Subdivision and Share Premium Cancellation. The Share Consolidation is implemented to consolidate every ten Shares of HK$0.1 each into one Consolidated Share of HK$1.0 each. Immediately after the Share Consolidation, the authorised share capital of the Company is HK$200,000,000 divided into 200,000,000 Consolidated Shares of HK$1 each. Therefore, the 123,600,000 Shares in issue and fully paid as at 31 December 2006 are consolidated into 12,360,000 Consolidated Shares of HK$1 each. The Consolidated Shares rank pari passu in all respects with each other.

The Capital Reduction of approximately HK$12.24 million involves a reduction of the nominal value of the then issued Consolidated Shares from HK$1.0 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.99 on each of the then issued Consolidated Shares. The Subdivision involves the sub-division of each authorised but unissued Consolidated Share into 100 Adjusted Shares of HK$0.01 each. The Share Premium Cancellation involves the cancellation of the entire amount of approximately HK$86.49 million as at 30 June 2006 standing to the credit of the share premium account of the Company.

The credit arising from the Capital Reduction and the Share Premium Cancellation is transferred to the contributed surplus account of the Company. A credit of an aggregate amount of approximately HK$98.73 million arises in the books of the Company as a result of the Capital Reduction and the Share Premium Cancellation, which approximately HK$37.42 million is used to setting off in full the accumulated losses of the Company as at 30 June 2006. The remaining HK$61.31 million may be applied in future in such manner as is permitted by the laws of Bermuda and the Bye-laws of the Company.

The Company has continued into Bermuda as an exempted company on 6 February 2007 and the Capital Reorganisation became effective on 8 February 2007.

In addition, a rights issue of 111,240,000 rights shares of HK$0.01 each (the "Rights Shares") at a price of HK$0.1 per Rights Share on the basis of nine Rights Shares for every Share held on the record date was approved by the shareholders on 23 March 2007 and dealings in the Right Shares are expected to commence on 23 April 2007.

The investment management agreement with United Gain Investment Limited expired on 31 December 2006 and the Company entered into a new investment management agreement with Success Talent Investments Limited ("Success Talent") on 20 March 2007, pursuant to which Success Talent has agreed to provide investment management services to the Company for a period of two years from the effective date of its appointment.