NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2006

1. GENERAL

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal office of business in Hong Kong is at Room 2806, China United Centre, 28 Marble Road, North Point, Hong Kong.

The Group is principally engaged in investment holding and trading of financial assets at fair value through profit or loss.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting periods have been prepared and presented.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]

[1] Effective for annual periods beginning on or after 1st January 2007

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

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

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

[5] Effective for annual periods beginning on or after 1st November 2006

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in financial assets at fair value through profit or loss.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountant. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group companies are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Sales proceeds of investments in financial assets at fair value through profit or loss are recognised on a trade date basis.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rates applicable.

Dividend income from investments in financial assets at fair value through profit or loss is recognised when the Group's rights to receive payment have been established.

Borrowing costs

All borrowing costs are recognised as expenses in the year in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Retirement benefit schemes

(i) The retirement benefit costs charged to the consolidated income statement represent the Group's contributions payable in respect of the current year to the retirement funds scheme.

(ii) Employees' share options

The Company issues equity-settled share-based payments to certain employees and other eligible participants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that is probable the taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable the sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realized. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates:

Leasehold improvement	20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicle	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value are included in the consolidated income statement in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying value is included in the consolidated income statement.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost less any identified impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated or not classified as any of the other categories set out above. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent periods.

Operating leases

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

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Segment reporting *(continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the consolidated income statement.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group achieves its investment objective through investing in equities and debts and therefore is exposed to market price, credit, liquidity, interest rate and currency risks in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Group limits its exposure to market price risk by transacting securities and debts that the Group considers to be of good credit ratings.

The Group's investment activities expose it to the various types of market risks which are associated with the markets in which it invests and to the extent of the amount invested in equities and debts totaling HK$151,116,019 as at year end (2005: HK$141,710,438).

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *(continued)*

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Financial assets which potentially subject the Group to concentrations of credit risk consist principally of available-for-sale financial assets, financial assets at fair value through profit or loss, bank balances and amounts receivable on sale of investments.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Group considers to be well established. All transactions in listed securities are settled/ paid for upon delivery using approved and reputable brokers.

Accordingly, the Group has no significant concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in selling a financial asset quickly at close to its fair value.

The Group considered that its significant liquidity risk is on the unlisted investments totaling HK$11,286,796 as at year end (2005: HK$20,591,500).

(d) Interest rate risk

The Group is exposed to minimal interest rate risk as the Group invests mainly in equities and only the bank balances and debts are exposed to interest rate risk which is considered to be minimal.

(e) Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group has no significant currency risk because substantially all assets and liabilities are denominated in Hong Kong dollars or US dollars.

(f) Fair values

As at 31st December 2006, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the balance sheet at amounts approximating to their fair values.

5. TURNOVER

The Group is principally engaged in the investment holding and trading of financial assets at fair value through profit or loss. An analysis of turnover is as follows:

	2006 HK$	2005 HK$
Proceeds from sale of financial assets at fair value through profit or loss	**229,509,571**	245,715,260
Dividend income from financial assets at fair value through profit or loss	**1,188,277**	550,455
	230,697,848	246,265,715

6. SEGMENT INFORMATION

During the years ended 31st December 2005 and 2006 respectively, the Group's turnover and net losses were mainly derived from investment holding and trading of financial assets at fair value through profit or loss in Hong Kong. The directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is trading on financial assets it is not considered meaningful to provide a business segment analysis of operating losses. The Group's segment assets and liabilities for the year, analysed by geographical market, are as follows:

	PRC (except Hong Kong)		Hong Kong		Total	
	2006 HK$	2005 HK$	2006 HK$	2005 HK$	2006 HK$	2005 HK$
Segment assets	**1,161,796**	20,591,500	**165,096,002**	147,338,642	**166,257,798**	167,930,142
Segment liabilities	**–**	–	**5,812,525**	26,786,037	**5,812,525**	26,786,037

7. OTHER OPERATING INCOME

	THE GROUP	
	2006	2005
	HK$	*HK$*
Included in other operating income are as follows:		
Other interest income	**39,527**	25,308
Sundry income	**599,383**	36,519
	638,910	61,827

8. LOSS FROM OPERATIONS

	THE GROUP	
	2006	2005
	HK$	*HK$*
Loss from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	**155,000**	283,000
Under-provision in prior years	**18,000**	–
Depreciation of plant and equipment	**147,106**	143,147
Loss on disposal of property, plant and equipment	**–**	75,248
Net unrealised holding loss on investments in unlisted financial assets at fair value through profit or loss	**19,753,704**	27,408,547
Operating lease rentals in respect of rented premises	**273,730**	443,516
Staff costs		
Wages and salaries	**1,547,050**	1,675,324
Pension costs	**53,138**	30,284
Net unrealised holding loss on investments in listed financial assets at fair value through profit or loss	**15,097,071**	52,390,348

9. FINANCE COSTS

	THE GROUP	
	2006	2005
	HK$	*HK$*
Interest on borrowings wholly repayable within five years	**932,074**	796,027

10. DIRECTORS' EMOLUMENTS

	THE GROUP	
	2006	2005
	HK$	*HK$*
Fees		
Executive directors	**–**	–
Independent non-executive directors	**420,000**	320,388
Other emoluments of executive directors		
Management remuneration	**743,000**	976,936
Contributions to pension schemes	**12,950**	18,284
Total emoluments	**1,175,950**	1,315,608

The aggregate emoluments of each of the directors during the year were within the emoluments band ranging from HK$ nil to HK$ 1,000,000.

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office and no directors had waived any emoluments during the year.

10. DIRECTORS' EMOLUMENTS *(continued)*

The emoluments paid or payable to each of the nine (2005: 11) directors were as follows:

The Group

				2006	2005
	Fees	**Management remuneration**	**Employer's contributions to pension schemes**	**Total emoluments**	Total emoluments
	HK$	*HK$*	*HK$*	***HK$***	*HK$*
Executive directors					
Chung Yuk Lun	–	10,000	–	**10,000**	10,000
Nakajima Toshiharu	–	384,000	–	**384,000**	384,000
Shimazaki Koji	–	135,000	6,750	**141,750**	111,500
Chung Wilson *(note 1)*	–	194,000	5,200	**199,200**	–
Szeto Siu Kit *(note 2)*	–	20,000	1,000	**21,000**	347,840
Greer Thomas Francis Jr.	–	–	–	**–**	56,000
Ma Chi Wing	–	–	–	**–**	128,461
Independent non-executive directors					
Chan Sze Hung	120,000	–	–	**120,000**	120,000
Wong Kai Cheong	60,000	–	–	**60,000**	60,000
Kan Kwok Shu, Albert	120,000	–	–	**120,000**	968
Wong Wai Man, Raymond *(note 3)*	120,000	–	–	**120,000**	–
Lin Michael	–	–	–	**–**	85,000
Kwok Wai Ming *(note 4)*	–	–	–	**–**	11,839
Total	420,000	743,000	12,950	**1,175,950**	1,315,608

Notes:

1. Appointed on 11th January 2006 and resigned on 5th June 2006
2. Appointed on 11th January 2005 and resigned on 27th February 2006
3. Appointed on 3rd January 2006
4. Appointed on 6th January 2005 and resigned on 6th January 2006

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2005: four) were Directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining one individual was as follows:

	THE GROUP	
	2006	2005
	HK$	*HK$*
Basic salaries and other benefits	**360,000**	378,000
Contributions to pension schemes	**12,000**	12,000
Total emoluments	**372,000**	390,000

The aggregate emoluments of each of the employees during the year were within the emoluments band ranging from HK$ nil to HK$1,000,000.

12. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the Year.

Deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

12. TAXATION *(continued)*

The taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2006 HK$	2005 HK$
Loss before taxation	**(28,541,032)**	(92,273,442)
Tax at applicable rate	**(4,994,681)**	(16,147,852)
Tax effect of non-deductible expenses	**5,772,453**	14,024,804
Tax effect of non-taxable revenues	**(227,989)**	(166,014)
Tax effect of tax losses not recognised	**(549,783)**	2,289,062
Tax credit for the year	**–**	–

At the balance sheet date, the Group has unused estimated tax losses of HK$40,700,000 (2005: HK$43,940,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

13. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2005: nil).

14. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the net loss from ordinary activities attributable to shareholders for the year of HK$28,541,032 (2005:HK$92,273,442) and the weighted average number of 723,449,600 (2005:1,506,340,912) ordinary shares in issue during the year. The basic loss per share has been adjusted to reflect the consolidation of shares during the year and the rights issue subsequent to the balance sheet date.

No diluted loss per share for the years ended 31st December 2006 and 2005 have been disclosed as no diluting events existed during these years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$*	Furniture and fixtures *HK$*	Office equipment *HK$*	Motor vehicle *HK$*	Total *HK$*
THE GROUP AND THE COMPANY					
COST					
At 1st January 2005	32,990	12,240	60,472	473,664	579,366
Additions	5,290	–	12,500	527,764	545,554
Disposals	–	–	–	(473,664)	(473,664)
At 31st December 2005 and 1st January 2006	38,280	12,240	72,972	527,764	651,256
Additions	88,050	21,450	44,079	–	153,579
At 31st December 2006	**126,330**	**33,690**	**117,051**	**527,764**	**804,835**
DEPRECIATION AND IMPAIRMENT					
At 1st January 2005	20,344	7,752	28,952	86,838	143,886
Charge for the year	6,774	2,448	14,386	119,539	143,147
Write back on disposals	–	–	–	(118,416)	(118,416)
At 31st December 2005 and 1st January 2006	27,118	10,200	43,338	87,961	168,617
Charge for the year	18,186	3,828	19,539	105,553	147,106
At 31st December 2006	**45,304**	**14,028**	**62,877**	**193,514**	**315,723**
NET BOOK VALUE					
At 31st December 2006	**81,026**	**19,662**	**54,174**	**334,250**	**489,112**
At 31st December 2005	11,162	2,040	29,634	439,803	482,639

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$	*HK$*
Overseas unlisted shares, at cost	**10,000,031**	10,000,031
Less: Impairment loss	**(10,000,031)**	(10,000,031)
	–	–
Amount due from subsidiaries less provision	**158,227,898**	136,148,462
	158,227,898	136,148,462

Details of the subsidiaries are set out as follows:

Name of subsidiary	Place of incorporation	Paid up issued/ registered ordinary share capital	Percentage of equity attributable to the Company: Direct	Indirect	Principal activities and place of operation
		US$	%	%	
Winning Horsee Limited	British Virgin Islands	1	100	–	Trading of financial assets at fair value through profit or loss in Hong Kong
Fortuneway Limited	British Virgin Islands	1	100	–	Investment holdings
Sunluck Investments Limited	British Virgin Islands	1	100	–	Investment holdings
Wellsmart Limited	British Virgin Islands	1	100	–	Dormant
Next Method Limited	British Virgin Islands	1	100	–	Investment holdings
Win-Win Business Limited	British Virgin Islands	1	–	100	Investment holdings
Winning Point Limited	British Virgin Islands	1	–	100	Investment holdings

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2006	2005
	HK$	*HK$*
Financial assets at fair value through profit or loss:		
Listed in Hong Kong	**136,267,542**	141,710,438
Listed overseas	**14,848,477**	–
Unlisted	**11,286,796**	20,591,500
	162,402,815	162,301,938
Market value of listed financial assets at fair value through profit or loss as at 31st December	**151,116,019**	141,710,438

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Particulars of the 10 largest investments as at 31st December 2006 are as follows:

	Name of investee company	Number of shares held	Proportion of investee's capital owned	Cost *HK$*	Market value *HK$*	Unrealised holding gain/(loss) arising on revaluation *HK$*	Dividend received/ receivable during the year *HK$*
a)	Willie International Holdings Limited	180,259,363	5.14%	48,670,028	20,008,789	(28,661,239)	–
b)	Unity Investments Holdings Limited	103,930,000	9.26%	14,550,200	5,092,570	(9,457,630)	–
c)	Yu Ming Investments Limited	12,500,000	0.74%	5,018,100	4,437,500	(580,600)	–
d)	Heritage International Holdings Limited	90,018,500	0.76%	2,117,389	2,160,444	43,055	–
e)	China Sci-Tech Holdings Limited	112,506,200	6.55%	14,565,288	11,138,114	(3,427,174)	–
f)	Y.T. Realty Group Limited	6,736,000	0.84%	8,059,814	8,958,880	899,066	167,650
g)	139 Holdings Limited	92,782,000	6.82%	6,865,868	48,246,640	41,380,772	–
h)	Panva Gas Holdings Limited	728,000	0.07%	3,370,441	3,567,200	196,759	–
i)	Freeman Corporation Limited	131,972,000	7.62%	34,615,666	22,435,240	(12,180,426)	–
j)	Wonson International Holdings Limited	27,971,280	5.26%	4,475,405	4,922,945	447,540	–

A brief description of the business and financial information of the listed investee companies which represents a significant proportion of the Group's assets, based on their latest published annual reports is as follows:

a) Willie International Holdings Limited ("Willie") (formerly known as "China United International Holdings Limited") was incorporated in Hong Kong and principally engaged in (i) property related investments; (ii) investment in securities; (iii) provision of brokerage and financial services and (iv) automobile sales and repairing in the PRC.

For the year ended 31st December 2006, the audited consolidated loss from ordinary activities attributable to shareholders of Willie was HK$114,761,000 and the basic loss per share was HK3.4 cents. As at 31st December 2006, its audited consolidated net asset value was HK$329,614,000.

b) Unity Investments Holdings Limited ("Unity") was incorporated in the Cayman Islands and principally engaged in investments in listed and unlisted companies.

For the year ended 31st December 2005, the audited consolidated loss from ordinary activities attributable to shareholders of Unity was HK$44,513,118 and the basic loss per share was HK7.64 cents. As at 31st December 2005, its audited consolidated net asset value was HK$136,408,333.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

c) Yu Ming Investments Limited ("Yu Ming") was incorporated in Hong Kong and principally engaged in holding of listed and unlisted securities and properties.

For the year ended 31st December 2006, the audited consolidated loss attributable to shareholders of Yu Ming was HK$115,595,718 and the basic loss per share was HK9.21 cents. As at 31st December 2006, its audited consolidated net asset value was HK$924,716,644.

d) Heritage International Holdings Limited ("Heritage") was incorporated in Bermuda and principally engaged in (i) property investment; (ii) the investment in securities; (iii) money lending; (iv) and investment holding.

For the year ended 31st March 2006, the audited consolidated net loss attributable to shareholders of Heritage was HK$24,176,000 and the basic loss per share was HK0.45 cents. As at 31st March 2006, its audited consolidated net asset value was HK$821,035,000.

e) China Sci-Tech Holdings Limited ("Sci-Tech") was incorporated in the Cayman Islands and principally engaged in (i) investment holding; (ii) secretarial services; (iii) securities investment; and (iv) property investment.

For the year ended 31st March 2006, the audited consolidated profit from ordinary activities attributable to shareholders of Sci-Tech was HK$25,499,000 and the basic earning per share was HK1.48 cents. As at 31st March 2006, its audited consolidated net asset value was HK$362,173,000.

f) Y.T. Realty Group Limited ("Y.T. Realty") was incorporated in Bermuda and principally engaged in (i) property investment; and (ii) business management services (iii) property management and (iv) property trading and investment holding.

For the year ended 31st December 2006, the audited consolidated profit from ordinary activities attributable to shareholders of Y.T. Realty was HK$288,088,000 and the earnings per share was HK36 cents. As at 31st December 2006, its audited consolidated net asset value was HK$2,634,151,000.

g) 139 Holdings Limited ("139 Holdings") was incorporated in Bermuda and principally engaged in (i) investment holding; (ii) trading of electronics products; (iii) trading securities and (iv) financial services.

For the year ended 31st March 2006, the audited consolidated loss from ordinary activities attributable to shareholders of 139 Holdings was HK$46,482,000 and the basic loss per share was HK4.1 cents. As at 31st March 2006, its audited consolidated net asset value was approximately HK$357,520,000.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

h) Panva Gas Holdings Limited ("Panva") was incorporated in Cayman Islands and principally engaged in (i) investment holding; (ii) provision of natural gas and related services and gas pipeline construction; and (iii) wholesaling and retailing.

For the year ended 31st December 2006, the audited consolidated loss from ordinary activities attributable to shareholders of Panva was HK$246,639,000 and the basic loss per share was HK27.13 cents. As at 31st December 2006, its audited consolidated net asset value was HK$2,039,005,000.

i) Freeman Corporation Limited ("Freeman") (formerly known as Inner Mongolia Development (Holdings) Limited) was incorporated in the Cayman Islands and principally engaged in (i) investment holding; and (ii) provision of corporate management services.

For the year ended 31st March 2006, the audited consolidated loss from ordinary activities attributable to shareholders of Freeman was HK$159,770,000 and the basic loss per share was HK67.46 cents. As at 31st March 2006, its audited consolidated net asset value was HK$501,643,000.

j) Wonson International Holdings Limited ("Wonson") was incorporated in Bermuda and principally engaged in (i) investment holding; (ii) developing and trading of communication equipment; (iii) metals trading; and (iv) securities investment.

For the year ended 31st December 2005, the audited consolidated loss attributable to shareholders of Wonson was HK$51,706,000 and the basic loss per share was HK17.72 cents. As at 31st December 2005, its audited consolidated net asset value was HK$207,457,000.

18. BORROWINGS

	2006	2005
	HK$	*HK$*
Other loans – unsecured and wholly repayable within one year	–	15,000,000

19. SHARE CAPITAL

Authorised:	*Notes*	**Number of ordinary shares of HK$0.04 each**	**Number of ordinary shares of HK$0.02 each**	***HK$***
At 1st January 2005		–	5,000,000,000	100,000,000
Increase by creation of additional 5,000,000,000 shares of HK$0.02 each		–	5,000,000,000	100,000,000
At 31st December 2005 and 1st January 2006		–	10,000,000,000	200,000,000
Share consolidation	(a)	5,000,000,000	(10,000,000,000)	–
At 31st December 2006		5,000,000,000	–	200,000,000
Issued and fully paid:				
At 1st January 2005		–	2,264,790,000	45,295,800
Issue of shares by placing		–	1,021,758,000	20,435,160
Issue of shares by exercising the share options		–	260,879,000	5,217,580
Share consolidation		–	(3,099,804,300)	(61,996,086)
Issue of shares by rights issue		–	344,422,700	6,888,454
At 31st December 2005 and 1st January 2006		–	792,045,400	15,840,908
Share consolidation	(a)	396,022,700	(792,045,400)	–
Issue of shares by placing	(b)	354,000,000	–	14,160,000
Issue of shares by exercising the share options	(c)	39,600,000	–	1,584,000
At 31st December 2006		**789,622,700**	**–**	**31,584,908**

19. SHARE CAPITAL *(continued)*

During the year, the movements in the Company's share capital are as follows:

(a) By a special resolution passed at the extraordinary general meeting held on 30th December 2005, every 2 shares in the issued and unissued share capital of the Company of HK$ 0.02 each be consolidated into 1 consolidated share of HK$0.04 each.

(b) On 16th January 2006, 7th March 2006, and 23rd August 2006 the Company respectively issued and allotted 150,000,000, 79,000,000, and 125,000,000 new shares at HK$0.15, HK$0.12 and HK$0.093 each by placing.

(c) On 8th November 2006, 39,600,000 shares were issued and allotted to employees and investee companies' employees at HK$0.107 each by exercising the share options.

20. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 7th February 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 7th February 2015 (the "Option Period"). Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, etc. to subscribe for shares in the Company.

At 31st December 2006, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was nil. 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.

20. SHARE OPTION SCHEME *(continued)*

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time during the Option Period. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The following table discloses details of the Company's share options and movements in such holdings during the year:

	2006	2005
At beginning of year	**–**	–
Granted	**39,600,000**	260,879,000
Exercised	**(39,600,000)**	(260,879,000)
At balance sheet date	**–**	–

Total consideration received during the year for taking up the options granted is amounted to HK$6.

21. RESERVES

THE GROUP

	Share premium	Capital redemption reserves	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*
At 31st December 2004 and 1st January 2005	186,156,413	168,800	(69,637,909)	116,687,304
Issue of shares by placing	12,809,916	–	–	12,809,916
Issue of shares for share options exercised	2,662,589	–	–	2,662,589
Capital reduction	–	–	61,996,086	61,996,086
Rights issue	23,420,744	–	–	23,420,744
Loss for the year	–	–	(92,273,442)	(92,273,442)
At 31st December 2005 and 1st January 2006	225,049,662	168,800	(99,915,265)	125,303,197
Issue of shares by placing	29,445,000	–	–	29,445,000
Issue of shares by exercising the share options	2,653,200	–	–	2,653,200
Loss for the year	–	–	(28,541,032)	(28,541,032)
At 31st December 2006	**257,147,862**	**168,800**	**(128,456,297)**	**128,860,365**

21. RESERVES *(continued)*

THE COMPANY

	Share premium HK$	Capital redemption reserves HK$	Accumulated losses HK$	Total HK$
At 31st December 2004 and 1st January 2005	186,156,413	168,800	(59,140,305)	127,184,908
Issue of shares by placing	12,809,916	–	–	12,809,916
Issue of shares for share options exercised	2,662,589	–	–	2,662,589
Capital reduction	–	–	61,996,086	61,996,086
Rights issue	23,420,744	–	–	23,420,744
Loss for the year	–	–	(102,771,046)	(102,771,046)
At 31st December 2005 and 1st January 2006	225,049,662	168,800	(99,915,265)	125,303,197
Issue of shares by placing	29,445,000	–	–	29,445,000
Issue of shares by exercising the share options	2,653,200	–	–	2,653,200
Loss for the year	–	–	(28,541,032)	(28,541,032)
At 31st December 2006	**257,147,862**	**168,800**	**(128,456,297)**	**128,860,365**

At 31st December 2006, the Company's reserves available for cash distribution amounted to HK$128,860,365 (2005: HK$125,303,197). Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any 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.

22. COMMITMENTS

At the balance sheet date, the Group had outstanding minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2006	2005
	HK$	*HK$*
Within one year	**240,000**	439,296
In the second to fifth years inclusive	**190,000**	457,600
	430,000	896,896

Operating Leases are negotiated and payments are fixed for an average of 2 years.

23. PLEDGE OF ASSETS

At the balance sheet date, the Group's investments in listed financial assets at fair value through profit or loss with carrying value accounting to HK$151,753,841 (2005: HK$134,727,958) were pledged to brokers to secure margin financing provided to the Group.

24. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

25. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions during the year which were carried out in the normal course of the Group's business:

Name of related party	**Nature of transaction**	**2006**	2005
		HK$	*HK$*
CU Investment Management Limited *(Note)*	Investment management fee	**960,000**	1,903,765

Note:

(i) On 3rd November 2003, the Company and CU Investment Management Limited ("CUIM") entered into an investment management agreement for appointing the CUIM as investment manager of the Group for a term of three years commencing on 3rd November 2003. On 16th November 2005, the Company and the CUIM entered into a supplemental investment management agreement for agreeing to reduce the investment management fee to HK$80,000 per month with effect from 1st January 2006.

(ii) Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	2006	2005
	HK$	*HK$*
Directors' fee	**420,000**	320,388
Salaries, allowance and benefits in kind	**743,000**	976,936
Mandatory Provident Fund Contribution	**12,950**	18,284
	1,175,950	1,315,608

26. POST BALANCE SHEET EVENTS

(a) On 22nd January 2007, a rights issue of one rights share for every two shares held by members on the register of members was made at an issue price of HK$0.04 per rights share (the "Rights Issue"), resulting in the issue of 394,811,350 ordinary shares of HK$0.04 each for a total cash consideration, before expenses, of approximately HK$ 15,800,000. Further details of the share consolidation are also set out in a circular of the Company dated 2nd January 2007.

(b) On 14th February 2007, the Company entered into a placing agreement with an independent investor to place a total of 157 million new ordinary shares of the Company of HK$0.04 each at a placing price of HK$0.073 per share. The placing was completed on 2nd March 2007. The net proceeds from the placement of HK$10.991 million will be mainly used for the investment opportunities of the Group. Further details of the placing of new shares are also set out in the announcement of the Company dated 14th February 2007.

(c) On 8th March 2007, the Company proposed every 5 shares in the issued and unissued share capital of the Company be consolidated into one consolidated share, and the nominal value of every issued consolidated share will be reduced from HK$0.2 to HK$0.02 and become a new share. The reduction of the nominal value of the issued consolidated share will involve the cancellation of the paid-up capital of the Company to the extent of HK$0.18 per issued consolidated share. The consolidation is expected to complete on 1st August 2007.