1. GENERAL INFORMATION

Unity Investments Holdings Limited (the "Company") is a public company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information of the annual report. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are described in note 4.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2005 financial statements. The adoption of the new/revised HKFRS that are relevant to the Group and effective from the current year has had no significant effects on the Group's results and financial position for the current and prior years. A summary of the principal accounting policies adopted by the Company is set out below.

The measurement basis used in the preparation of these financial statements is historical cost, except for available-for-sale investments and investments held for trading, which are measured at fair value.

Consolidation

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

Subsidiaries are those entities in which the Company, directly or indirectly, has the power to govern the financial and operating policies, so as to obtain benefits from their activities.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

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 inter-company transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the annual rate of 33-1/3%.

Impairment loss

At each balance sheet date, the Group and the Company reviews internal and external sources of information to determine whether its property, plant and equipment and investment in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less cost to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment loss (Continued)

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Loans and receivables

Loans and receivables including other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to the income statement. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

When an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss, is transferred from equity to income statement. Reversal of impairment loss of available-for-sale equity instrument is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Financial liabilities

The Group's financial liabilities include other payables and unsecured short-term borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible notes

On the issue of convertible notes, the proceeds are split into liability and equity components. The fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount, net of transaction costs, is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of issue costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Issue costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Proceeds from sale of investments held for trading are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Dividend income is recognised when the Group's rights to receive payment have been established.

Interest income from financial assets is accrued on a time-apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in 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, the Group has chosen business segment information as the primary reporting format and geographical segment as the secondary reporting format for the purpose of these financial statements.

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 capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

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

Employee benefits

Defined contribution plans

The Group 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. Contributions are made based on a percentage of the employee's basic salaries. The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independent administered fund.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Share-based payment

Equity-settled share-based payments is offered to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value of share options granted is expensed to the income statement with a corresponding increase in a reserve within equity on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax 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 the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

2. PRINCIPAL 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.

Translation differences on non-monetary items, such as equity investments held that are classified as available for sale investments and investments held for trading, are reported as part of the fair value gain or loss.

Related parties

A party is related to the Group if (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group; (b) the party is an associate of the Group; (c) the party is a joint venture in which the Group is a venturer; (d) the party is a member of the key management personnel of the Group or its parent; (e) the party is a close member of the family of any individual referred to in (a) or (d); (f) 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 (d) or (e); or (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. FUTURE CHANGES IN HKFRS

At the date of authorisation of these financial statements, the Company has not early adopted the new/revised standards and interpretations issued by the HKICPA that are not yet effective for the current year. The Group has already commenced an assessment of impact of these new/revised standards and interpretations but is not yet in a position to state whether they would significantly impact on its results of operations and financial position.

4. TURNOVER AND REVENUE

The Group is principally engaged in the investment in listed and unlisted companies. Turnover and revenue recognised during the year are as follows:

	2006 **HK$**	2005 HK$
Turnover		
Proceeds from sale of investments held for trading	**295,055,810**	162,620,520
Other revenue		
Other income	**3,000**	—
Interest income	**306,263**	223,064
Dividend income — listed investments	**3,058,244**	1,802,376
	3,367,507	2,025,440
Total revenue	**298,423,317**	164,645,960

5. SEGMENT INFORMATION

The Group has determined not to present further business segment information as the Group's turnover, contribution to operating profit *(2005: loss)*, assets and liabilities are attributable to the investments in listed and unlisted companies.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the markets, and assets are attributed to the segments based on the location of the assets.

		2006		
	Hong Kong	**Taiwan**	**United Kingdom**	**Total**
	HK$	HK$	HK$	HK$
Segment revenue	298,423,067	250	—	298,423,317
Segment assets	197,129,816	22,953,105	5,211,514	225,294,435
Capital expenditure	2,925,703	—	—	2,925,703

No geographical analysis was presented for the year ended 31 December 2005 as the Group's assets were all located in Hong Kong.

6. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):	2006 HK$	2005 HK$
Staff costs		
Employee benefits expense, excluding directors' remuneration	**620,632**	26,501
Contributions to defined contribution plans	**24,935**	16,370
	645,567	42,871
Other items		
Auditors' remuneration		
— understatement in last year	**8,000**	—
— current year	**320,000**	240,000
Depreciation	**568,240**	135,661
Exchange loss	**316,520**	—
Impairment loss on deposit paid for the acquisition of equity interest in an investee company	**1,500,000**	—
Loss (Gain) on disposal of property, plant and equipment	**426,256**	(5,790)
Operating leases in respect of:		
— land and buildings	**171,995**	374,000
— hire of machinery	**48,569**	20,796

7. TAXATION

Hong Kong profits tax has not been provided in the financial statements as companies within the Group either incurred a loss or their estimated assessable profits for the year are wholly absorbed by unrelieved tax losses brought forward from pervious years *(2005: Nil)*.

Reconciliation of tax expense

	2006	2005
	HK$	HK$
Profit (Loss) before taxation	**12,204,259**	(44,513,118)
Income tax at applicable tax rate of 17.5% *(2005: 17.5%)*	**2,135,746**	(7,789,796)
Tax exempt revenue	**(535,243)**	(316,433)
Non-deductible expenses	**4,146,633**	3,024,439
Utilisation of previously unrecognised tax losses	**(5,734,394)**	—
Unrecognised tax losses	**—**	5,065,845
Unrecognised temporary difference	**(12,742)**	15,945
	—	—

8. PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders dealt with in the financial statements of the Company is HK$12,204,332 *(2005: loss of HK$65,087,550)*.

9. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings *(2005: loss)* per share is based on the Group's profit *(2005: loss)* attributable to the equity holders of HK$12,204,259 *(2005: loss of HK$44,513,118)* and the weighted average number of 103,001,719 *(2005 as restated: 65,678,840)* ordinary shares in issue during the year. The weighted average number of shares used in the basic earnings *(2005: loss)* per share calculation for the years of 2006 and 2005 is adjusted to reflect the effect of the share consolidation effective subsequent to the balance sheet date.

Diluted earnings (loss) per share is not presented for the years of 2006 and 2005 as there was no dilutive effect.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments of the Group are as follows:

	2006			
	Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement scheme contributions**	**Total**
	HK$	HK$	HK$	HK$
Executive directors				
Au Shuk Yee, Sue	—	26,000	1,000	27,000
Kitchell Osman Bin	—	400,200	9,410	409,610
Chung Wilson	—	291,867	7,000	298,867
Choi Ka Wing	—	76,774	2,755	79,529
Wong Man Hon, Frederick	—	88,000	4,400	92,400
Pang Shuen Wai, Nichols	—	—	—	—
Independent non-executive directors				
Lam Ping Cheung	60,000	—	—	60,000
Chen Henri Wei Hwa	61,000	—	—	61,000
Chung Kong Fei, Stephen	—	—	—	—
Tsang Wing Ki	60,000	—	—	60,000
	181,000	882,841	24,565	1,088,406

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	2005			
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$	HK$	HK$	HK$
Executive directors				
Pang Shuen Wai, Nichols	—	—	—	—
Au Shuk Yee, Sue	—	276,000	12,000	288,000
Kitchell Osman Bin	—	87,900	3,045	90,945
Independent non-executive directors				
Lam Ping Cheung	120,000	—	—	120,000
Wong Ying Seung, Asiong	—	—	—	—
Chung Kong Fei, Stephen	—	—	—	—
Tsang Wing Ki	60,000	—	—	60,000
	180,000	363,900	15,045	558,945

(b) Individuals with highest emoluments

Of the five individuals with highest emoluments of the Group, two *(2005: four)* are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the other three *(2005: one)* individuals are as follows:

	2006	2005
	HK$	HK$
Salaries and other emoluments	**512,951**	26,501
Retirement scheme contributions	**19,470**	1,370
	532,421	27,871

Their emoluments were within the following band:

	Number of employee	
	2006	2005
HK$Nil to HK$1,000,000	**3**	1

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(c) Share options granted to the directors of the Company

Under the share option scheme (the "Scheme") approved by the shareholders of the Company in 2003, the directors of the Company may grant options to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. No share options were issued to the directors under the Scheme during the year and in last year.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements HK$	Office equipment HK$	Furniture and fixtures HK$	Motor vehicle HK$	Total HK$
Reconciliation of carrying amount — year ended 31 December 2005					
At beginning of year	42,259	72,279	27,416	—	141,954
Additions	48,500	3,280	—	—	51,780
Disposals	—	—	(2,510)	—	(2,510)
Depreciation	(58,427)	(52,328)	(24,906)	—	(135,661)
At balance sheet date	32,332	23,231	—	—	55,563
Reconciliation of carrying amount — year ended 31 December 2006					
At beginning of year	32,332	23,231	—	—	55,563
Additions	533,200	87,424	163,462	2,141,617	2,925,703
Disposals	(426,256)	—	—	—	(426,256)
Depreciation	(139,276)	(37,305)	(34,723)	(356,936)	(568,240)
At balance sheet date	**—**	**73,350**	**128,739**	**1,784,681**	**1,986,770**
At 1 January 2006					
Cost	215,670	179,725	119,236	—	514,631
Accumulated depreciation	(183,338)	(156,494)	(119,236)	—	(459,068)
	32,332	23,231	—	—	55,563
At 31 December 2006					
Cost	—	267,149	282,698	2,141,617	2,691,464
Accumulated depreciation	—	(193,799)	(153,959)	(356,936)	(704,694)
	—	**73,350**	**128,739**	**1,784,681**	**1,986,770**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Leasehold improvements HK$	Office equipment HK$	Furniture and fixtures HK$	Total HK$
Reconciliation of carrying amount				
— year ended 31 December 2005				
At beginning of year	42,259	72,279	27,416	141,954
Additions	48,500	3,280	—	51,780
Disposals	—	—	(2,510)	(2,510)
Depreciation	(58,427)	(52,328)	(24,906)	(135,661)
At balance sheet date	32,332	23,231	—	55,563
Reconciliation of carrying amount				
— year ended 31 December 2006				
At beginning of year	32,332	23,231	—	55,563
Additions	533,200	87,424	163,462	784,086
Disposals	(426,256)	—	—	(426,256)
Depreciation	(139,276)	(37,305)	(34,723)	(211,304)
At balance sheet date	**—**	**73,350**	**128,739**	**202,089**
At 1 January 2006				
Cost	215,670	179,725	119,236	514,631
Accumulated depreciation	(183,338)	(156,494)	(119,236)	(459,068)
	32,332	23,231	—	55,563
At 31 December 2006				
Cost	—	267,149	282,698	549,847
Accumulated depreciation	—	(193,799)	(153,959)	(347,758)
	—	**73,350**	**128,739**	**202,089**

12. INVESTMENTS IN SUBSIDIARIES

	Company 2006 HK$	2005 HK$
Unlisted shares, at cost		
At 1 January	**79**	79
Addition	**24**	—
Write-off	**(78)**	—
At 31 December	**25**	79
Due from subsidiaries	**85,685,464**	49,018,787
Provision for doubtful debts	**(55,889,265)**	(36,518,787)
	29,796,199	12,500,000
Total	**29,796,224**	12,500,079

The amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment.

The following is a list of the details of the subsidiaries held by the Company at 31 December 2006:

Name of subsidiary	Place of incorporation and type of legal entity	Principal activities	Particulars of issued share capital	Proportion of nominal value of issued capital held by the Company Directly	Indirectly
Ample Spring International Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	—
Anchor Talent Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100%
Pacific Kingdom International Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	—

12. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and type of legal entity	Principal activities	Particulars of issued share capital	Proportion of nominal value of issued capital held by the Company Directly	Proportion of nominal value of issued capital held by the Company Indirectly
Runway Group Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	—
Triumph Way Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK$1 each	—	100%
Vision Gate Enterprises Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	—

All of the above subsidiaries were operated in Hong Kong.

13. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Equity investment				
Listed in Hong Kong	**30,881,560**	43,481,032	**30,881,560**	43,481,032
Listed overseas	**5,211,514**	—	**—**	—
	36,093,074	43,481,032	**30,881,560**	43,481,032
Unlisted in Hong Kong	**23,000,039**	23,000,039	**—**	—
Impairment loss	**(23,000,000)**	(23,000,000)	**—**	—
	39	39	**—**	—
Total	**36,093,113**	43,481,071	**30,881,560**	43,481,032

13. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

As at 31 December 2006, the carrying amount of the Company's shareholding in the following Hong Kong listed company exceeded 10% of the total assets of the Group and the Company.

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Qualipak International Holdings Limited	Bermuda	Sales of packaging products and travel bags, property development, property investment and securities trading and investment	Ordinary shares of HK$0.01 each	0.42%

With effective from 10 January 2007, Qualipak International Holdings Limited was renamed to "C C Land Holdings Limited" and with effective from 11 January 2007, every 10 existing shares of HK$0.01 each was consolidated into 1 new ordinary share of HK$0.1 each.

14. LOAN RECEIVABLE

	Group	
	2006	2005
	HK$	HK$
At carrying amount	**—**	12,500,000

In last year, the Company, through its wholly-owned subsidiary, (i) acquired approximate 5% equity interest in Found Macau Investments International Limited ("Found Macau") at the consideration of US$5 (included in available-for-sale investments); (ii) became a party to a shareholders agreement relating to Found Macau; and (iii) made a shareholder loan of HK$25 million to Found Macau (the "Found Macau Loan"). Found Macau is incorporated in BVI and its subsidiaries are principally engaged in investment holding and trading of prestige Hi-Fi equipment in Macau.

The Found Macau Loan is interest-free, unsecured and is repayable on demand after 8 years from 28 February 2005.

The amount was measured at amortised cost less accumulated impairment losses. As a result of impairment review conducted by the board of directors, an impairment loss of HK$12,500,000 *(2005: HK$6,729,086)* has been recognised in the income statement.

15. INVESTMENTS HELD FOR TRADING

	Group		Company	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Equity investment				
— listed in Hong Kong	**133,362,389**	106,055,712	**133,362,389**	106,055,712
— listed overseas	**41,746,275**	—	**18,975,000**	—
	175,108,664	106,055,712	**152,337,389**	106,055,712
Debt investment, unlisted	**11,000,000**	8,100,000	**11,000,000**	8,100,000
	186,108,664	114,155,712	**163,337,389**	114,155,712

As at 31 December 2006, the carrying amount of the Company's shareholding in the following company exceeded 10% of the total assets of the Group and the Company:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Y.T. Realty Group Limited	Bermuda	Property investment, property trading and providing property management services	Ordinary shares of HK$0.1 each	2.65%

15. INVESTMENTS HELD FOR TRADING (Continued)

As at 31 December 2006, the carrying amount of the Group's shareholding in the following Taiwan company exceeded 20% of the total issued share of the investee company:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Universal Technology Systems Inc. ("Universal")	Taiwan	System solutions and integrations, souring of computer softwares and hardwares	Ordinary share of TWD10 each	29.96% (note)

Note:

(i) Universal is not considered as an associate of the Group as the Group has no significant influence over its financial and operating policy decision.

(ii) A director of the investee company has an option to purchase certain of these investments at a later date subject to conditions. In the opinion of the directors, it is pre-mature to determine whether the conditions will be satisfied and therefore, all of these investments are classified as held for trading.

16. SHORT-TERM BORROWINGS

The amounts represented the loans from third parties and were unsecured, interest bearing ranging from prime rate plus 1% or 2% per annum and repayable within one year. All the amounts due were fully repaid during the year.

17. SHARE CAPITAL

	Note	Number of ordinary shares of HK$0.1 each	Number of ordinary shares of HK$0.01 each	Nominal value HK$
Authorised:				
At 1 January 2005		400,000,000	—	40,000,000
Subdivision of shares		(400,000,000)	4,000,000,000	—
		—	4,000,000,000	40,000,000
Increase by the creation of additional 46,000,000,000 shares of HK$0.01 each		—	46,000,000,000	460,000,000
Share consolidation		5,000,000,000	(50,000,000,000)	—
At 31 December 2005, 1 January 2006 and 31 December 2006		5,000,000,000	—	500,000,000

17. SHARE CAPITAL (Continued)

	Note	Number of ordinary shares of HK$0.1 each	Number of ordinary shares of HK$0.01 each	Nominal value HK$
Issued and fully paid:				
At 1 January 2005		384,000,005	—	38,400,000
Issuance of shares		15,998,000	—	1,599,800
Issuance of shares under share option scheme		39,900,000	—	3,990,000
Capital reduction		(439,898,005)	439,898,005	(39,590,820)
		—	439,898,005	4,398,980
Issuance of shares		—	87,978,000	879,780
Share consolidation		52,787,600	(527,876,005)	—
Rights issue		527,876,000	—	52,787,600
Conversion of convertible notes		146,627,563	—	14,662,756
At 31 December 2005 and 1 January 2006		727,291,163	—	72,729,116
Issuance of shares	(i) & (ii)	395,000,000	—	39,500,000
At balance sheet date		1,122,291,163	—	112,229,116

Notes:

(i) On 27 February 2006, the Company allotted and issued 250,000,000 ordinary shares of HK$0.1 each of the Company to independent investors at the placing price of HK$0.14 per share. As a result of such issue, the issued and fully paid share capital and the share premium net of share issuing cost have been increased by HK$25,000,000 and HK$9,118,444 respectively.

(ii) On 15 May 2006, the Company allotted and issued 145,000,000 ordinary shares of HK$0.1 each of the Company to independent investors at the placing price of HK$0.2 per share. As a result of such issue, the issued and fully paid share capital and the share premium net of share issuing cost have been increased by HK$14,500,000 and HK$13,721,686 respectively.

All the shares issued during the year rank pari passu in all respects with the then existing shares.

18. RESERVES

(a) Group

	2005				
	Share premium HK$	Investment revaluation reserve HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
At beginning of year	83,335,443	20,002,327	—	(34,823,296)	68,514,474
Issues of shares	8,704,482	—	—	—	8,704,482
Share issue expenses	(2,248,302)	—	—	—	(2,248,302)
Change in fair value of available-for-sale investments	—	(6,827,288)	—	—	(6,827,288)
Transfer to profit or loss upon disposal of available-for-sale investments	—	458,149	—	—	458,149
Creation of contributed surplus pursuant to the Capital Reorganisation	—	—	39,590,820	—	39,590,820
Contributed surplus set off against accumulated losses pursuant to the Capital Reorganisation	—	—	(39,590,820)	39,590,820	—
Loss for the year	—	—	—	(44,513,118)	(44,513,118)
At balance sheet date	89,791,623	13,633,188	—	(39,745,594)	63,679,217

18. RESERVES (Continued)

(a) Group (Continued)

	2006				
	Share premium HK$	Investment revaluation reserve HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
At beginning of year	89,791,623	13,633,188	—	(39,745,594)	63,679,217
Issues of shares	24,500,000	—	—	—	24,500,000
Share issue expenses	(1,659,870)	—	—	—	(1,659,870)
Change in fair value of available-for-sale investments	—	26,320,743	—	—	26,320,743
Transfer to profit or loss upon disposal of available-for-sale investments	—	(25,012,199)	—	—	(25,012,199)
Profit for the year	—	—	—	12,204,259	12,204,259
At balance sheet date	**112,631,753**	**14,941,732**	**—**	**(27,541,335)**	**100,032,150**

(b) Company

	2005				
	Share premium HK$	Investment revaluation reserve HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
At beginning of year	83,335,443	20,002,327	—	(14,248,838)	89,088,932
Issues of shares	8,704,482	—	—	—	8,704,482
Share issue expenses	(2,248,302)	—	—	—	(2,248,302)
Change in fair value of available-for-sale investments	—	(6,827,288)	—	—	(6,827,288)
Transfer to profit or loss on disposal of available-for-sale investments	—	458,149	—	—	458,149
Creation of contributed surplus pursuant to the Capital Reorganisation	—	—	39,590,820	—	39,590,820
Contributed surplus set off against accumulated losses pursuant to the Capital Reorganisation	—	—	(39,590,820)	39,590,820	—
Loss for the year	—	—	—	(65,087,550)	(65,087,550)
At balance sheet date	89,791,623	13,633,188	—	(39,745,568)	63,679,243

18. RESERVES (Continued)

(b) Company (Continued)

	2006				
	Share premium HK$	Investment revaluation reserve HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
At beginning of year	89,791,623	13,633,188	—	(39,745,568)	63,679,243
Issues of shares	24,500,000	—	—	—	24,500,000
Share issue expenses	(1,659,870)	—	—	—	(1,659,870)
Change in fair value of available-for-sale investments	—	26,167,529	—	—	26,167,529
Transfer to profit or loss on disposal of available-for-sale investments	—	(25,012,199)	—	—	(25,012,199)
Profit for the year	—	—	—	12,204,332	12,204,332
At balance sheet date	**112,631,753**	**14,788,518**	**—**	**(27,541,236)**	**99,879,035**

The Company had a distributable reserve of HK$85,090,517 as at 31 December 2006 *(2005: HK$50,046,055)*, represented by the sum of share premium and accumulated losses of the Company. Under the Companies Law of the Cayman Islands, share premium of the Company is distributable to the shareholders, which is subject to a solvency test.

19. PLEDGE OF ASSETS

As at 31 December 2006, margin facilities from several securities brokers were granted to the Company which were secured by the Company's available-for-sale investments and investments held for trading. As at 31 December 2006, a total amount of HK$12,202,326 *(2005: HK$17,167,218)* had been utilised against these facilities and the total carrying amount of the available-for-sale investments and investments held for trading pledged to the securities brokers is HK$163,844,749 *(2005: HK$148,208,064)*.

20. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% *(2005: 17.5%)*.

Unrecognised deferred tax assets arising from

	2006	2005
	HK$	HK$
Deductible temporary difference	**88,907**	169,478
Tax losses	**22,622,037**	54,619,245
At the balance sheet date	**22,710,944**	54,788,723

Both the tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

21. CASH USED IN OPERATIONS

	2006	2005
	HK$	HK$
Profit (Loss) before taxation	**12,204,259**	(44,513,118)
Depreciation	**568,240**	135,661
Loss (Gain) on disposals of property, plant and equipment	**426,256**	(5,790)
Unrealised loss on investments held for trading	**21,601,011**	9,328,737
Impairment loss on available-for-sale investments	**—**	3,000,000
(Gain) Loss on disposal of available-for-sale investments	**(25,012,199)**	607,864
Impairment loss on deposit paid for acquisition of an investee company	**1,500,000**	—
Interest income	**(306,263)**	(223,064)
Interest expenses	**2,056,841**	3,051,172
Dividend income	**(3,058,244)**	(1,802,376)
Change in fair value of loan receivable	**12,500,000**	12,500,000
Change in working capital		
Investments held for trading	**(93,553,963)**	(69,884,179)
Deposits, prepayments and other receivables	**2,392,701**	(4,172,910)
Other payables and accruals	**(4,715,657)**	13,003,943
Cash used in operations	**(73,397,018)**	(78,974,060)

22. OPERATING LEASE COMMITMENTS

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

	2006	2005
	HK$	HK$
Within one year	**351,756**	20,796
In the second to fifth years inclusive	**396,966**	58,922
	748,722	79,718

23. CONNECTED AND RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, the following connected and related party transaction was transacted by the Group during the year, details of which are set out below:

Relationship with the Company	**Nature of transaction**	**2006 HK$**	2005 HK$
A company under common directorship (Note i) and being the Company's investment manger	Investment management fee paid (Note ii)	**600,000**	600,000

Note:

(i) Dr. Pang Shuen Wai, Nichols, was a director of CU Investment Management Limited ("CUIM") during the year until 30 June 2006 and he resigned as an executive director of the Company on 12 June 2006.

(ii) CUIM has been engaged in providing the Group with investment management services. Pursuant to an agreement dated 25 October 2004, which was renewed on 15 December 2005 under the same terms to cover the period up to 31 December 2006, CUIM was entitled to receive a monthly management fee payable in advance at a flat rate of HK$50,000.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debt and equity investments, other receivables and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Financial risk factors

Interest rate risk

One of the financing strategies adopted by the Group was obtaining short-term borrowings. The Group's interest rates on its short-term borrowings are mainly the bank's prime rate plus or minus certain percentage.

Liquidity risk

The Group's liquidity risk is minimal and is managed by matching the settlement of trading in securities.

Price risk

The Group's available-for-sale investments and investments held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Fair value estimation

The fair value of financial instruments including available-for-sale investments and investments held for trading is based on the quoted market bid prices available on the relevant Stock Exchanges.

Certain unlisted securities included in available-for-sale investments are stated at fair value after the carrying amounts are determined to be impaired.

The fair value of unlisted debt securities included in investments held for trading, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate, approximate their corresponding carrying amounts.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Impairment of investments

The Company assesses annually if investment in subsidiaries has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from those entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

25. POST BALANCE SHEET EVENTS

(i) Capital reorganisation

At the extraordinary general meeting of the Company held on 17 November 2006, the resolutions in respect of the Capital Reorganisation including reduction of capital, adjustment of nominal value of the issued shares of the Company were approved by the shareholders. The Capital Reduction was approved by the Grand Court of the Cayman Islands on 9 February 2007 and become effective after 4:00 p.m. on 13 February 2007 (the "Effective Date"), details of which are as follows:

(a) the paid-up and nominal value of the issued shares was reduced by HK$0.09 per share by cancelling an equivalent amount of paid-up capital per share so that the nominal value of each such share will be reduced from HK$0.1 to HK$0.01. Based upon the number of shares in issue as at the Effective Date, the issued share capital of the Company of HK$112,229,116 consisting of 1,122,291,163 ordinary shares of HK$0.1 each was reduced by HK$101,006,204 to HK$11,222,912 consisting of 1,122,291,163 ordinary shares of HK$0.01 each (the "Reduced Share");

(b) Every 10 issued Reduced Shares of HK$0.01 each be consolidated into one Consolidated Share of HK$0.1 (the "Adjusted Share"), thus the adjusted share capital of will become HK$11,222,912 consisting of 112,229,116 ordinary shares of HK$0.1 each; and

(c) the credit amount of HK$101,006,204 arising from the reduction referred to in (a) above was credited to the contributed surplus account of the Company. The amounts in the contributed surplus account can be applied to a distributable reserve of the Company at the discretion of the directors of the Company in accordance with the articles of association of the Company and all applicable laws, including fully utilised to eliminate the accumulated losses of the Company.

25. POST BALANCE SHEET EVENTS (Continued)

(ii) Share option granted and exercised

On 15 February 2007, share options totally 7,270,000 had been granted to the directors and independent investors of the Company under the Share Option Scheme at an exercise price of HK$0.53 per share. These options had been fully exercised on 2 March 2007.

	Number of options
Directors	3,300,000
Independent investors	3,970,000
	7,270,000

(iii) Rights issue

On 12 March 2007, the Company proposed a rights issue of 1,194,991,160 Rights Shares on the basis of ten Rights Share for every existing share held by qualifying shareholders, which proposal has been approved by its shareholders at an extraordinary general meeting on 19 April 2007.

26. COMPARATIVE FIGURES

Realised loss on disposal of available-for-sale investments of HK$607,864, which was included in other operating expenses for the year 2005, has been separately presented on the consolidated income statement to conform with the current year's presentation.

Loss per share for the year of 2005 has been restated because of an arithmetic error in the calculation of the weighted average number of shares for the year ended 31 December 2005.