NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 14 May 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Room 3308, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 October 2002.

The Company and the Group is principally engaged in investing in listed and unlisted companies established and/or doing business in the Asia Pacific Region, mainly the People's Republic of China, excluding Hong Kong and Macau (the "PRC"), Hong Kong and other Asian countries. During the year, the Company was also engaged in the trading of futures contracts traded on the Hong Kong Futures Exchange.

The financial statements on pages 27 to 55 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31 December 2006 were approved for issue by the board of directors on 12 April 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) From 1 January 2006 onwards, there were no new or revised standards or interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to the Group's operations.

(b) New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The adoption of such HKFRSs will not result in substantial changes to the Group's accounting policies.

Amendment to HKAS 1	"Presentation of Financial Statements" – Capital Disclosures [1]
HKFRS 7	"Financial Instruments: Disclosures" [1]
HK(IFRIC) Interpretation 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies" [2]
HK(IFRIC) Interpretation 8	"Scope of HKFRS 2" [3]
HK(IFRIC) Interpretation 9	"Reassessment of Embedded Derivatives" [4]
HK(IFRIC) Interpretation 10	"Interim Financial Reporting and Impairment" [5]
HK(IFRIC) Interpretation 11	"Group and Treasury Share Transactions" [6]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 March 2006
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006
6 Effective for annual periods beginning on or after 1 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary (together referred to as "the Group") made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Income and expense recognition

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

(i) interest income is recognised on a time-proportion basis using the effective interest method; and

(ii) dividend income is recognised when the right to receive payment is established.

Operating expenses are recognised in the income statement upon utilisation of the services.

3.5 Operating leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been charged/(credited) to the currency translation reserve in equity.

3.7 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Financial assets are classified into the following categories:

– financial assets at fair value through profit or loss
– available-for-sale financial assets
– loans and receivables

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial assets (Continued)

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

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

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

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 losses are not reversed in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial assets (Continued)

(iii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

3.8 Non-current assets held for sale

The available-for-sale financial assets are classified as non-current assets held for sale if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

The available-for-sale financial assets classified as held for sale are measured in accordance with the accounting policy as set out in note 3.7 above.

3.9 Financial liabilities

The Group's financial liabilities include other payables and accruals, financial liabilities at fair value through profit or loss and amount due to a broker.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

Payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial liabilities (Continued)

Subsequent to initial recognition, the financial liabilities included in this category are measured at fair value with changes in fair value recognised in income statement. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be re-classified.

3.10 Provisions, contingent liabilities and contingent assets

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

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

3.11 Accounting for income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Accounting for income taxes (Continued)

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, and demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

3.14 Retirement benefit costs and short term employee benefits

(i) Defined contribution plan

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 in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Short term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and have not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are vested than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as share premium.

3.16 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of geographical segment reporting, revenue and assets are attributable to the segments based on the location of assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Related parties

A party is considered to be related to the Group if :

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

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is a jointly-controlled entity;

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Group or its parent;

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

(vi) 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 (iv) or (v); or

(vii) 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group did not use any critical accounting estimates in the preparation of the financial statements.

In the process of applying the Group's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

Impairment of available-for-sale financial assets reclassified as held for sale

For available-for-sale financial assets reclassified as held for sale, a significant or prolonged decline in fair value below carrying value is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial information regarding the issuer/investee.

5. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, recognised during the year is as follows :

	2006	2005
	HK$'000	HK$'000
Bank interest income	**636**	421
Dividend income	**42**	47
Revenue	**678**	468

The results arising from the fair valuation of financial assets at fair value through profit or loss are now shown separately in the consolidated income statement under the line of "net gain / (loss) on financial assets at fair value through profit or loss". The gross proceeds from trading of securities for the year amounted to HK$20,142,000 (2005 : HK$35,467,000).

6. SEGMENT INFORMATION

The Group is principally engaged in investment in listed and unlisted companies. Accordingly, no further analysis by business segment is provided. In determining the Group's geographical segments, revenue and assets are attributed to the segments based on the location of assets.

The following table presents revenue and assets of the Group's geographical segments :

	Hong Kong		**The PRC**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue	**678**	468	**–**	–	**678**	468
Segment assets	**27,020**	30,436	**5,336**	9,920	**32,356**	40,356

7. LOSS BEFORE INCOME TAX

	2006	2005
	HK$'000	HK$'000
Loss before income tax is arrived at after charging:		
Auditors' remuneration	**168**	168
Operating lease charges in respect of land and buildings	**125**	125
Staff costs (excluding directors' remuneration) – *note 11*	**315**	293

8. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided in the financial statements as the Group did not generate any assessable profits arising in Hong Kong during the year (2005: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rate is as follows :

	2006	2005
	HK$'000	HK$'000
Loss before income tax	**(7,108)**	(23,247)
Tax at applicable rate of 17.5% (2005: 17.5%)	**(1,244)**	(4,068)
Tax effect of non-taxable income	**(119)**	(82)
Tax effect of non-deductible expenses	**815**	3,121
Tax effect on tax losses not recognised	**548**	1,029
Income tax expense	**–**	–

At 31 December 2006, the Group had deferred tax assets of approximately HK$6,458,000 (2005: HK$5,910,000) arising from tax losses. The deferred tax assets are not recognised as it is uncertain whether future taxable profit will be available for utilising tax losses. Under the current tax legislation, the tax losses can be carried forward indefinitely.

9. LOSS FOR THE YEAR

Of the loss for the year of HK$7,108,000 (2005: HK$23,247,000), a loss of HK$7,103,000 (2005: HK$23,240,000) has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK$7,108,000 (2005: HK$23,247,000) and on 105,420,000 (2005: 105,420,000) ordinary shares of the Company in issue during the year.

No diluted loss per share has been presented because there were no potential ordinary shares in issue during both years.

11. EMPLOYEE BENEFIT EXPENSE (EXCLUDING DIRECTORS' EMOLUMENTS)

	2006	2005
	HK$'000	HK$'000
Wages, salaries and other allowances	**300**	279
Retirement benefits scheme contributions	**15**	14
	315	293

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' emoluments

The emoluments paid or payable to the directors were as follows :

	Fees	**Salaries, allowances and benefits in kind**	**Employer's retirement benefits scheme contributions**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2006				
Executive directors				
Chang Chu Fai, Johnson Francis	–	180	9	189
See Lee Seng, Reason	–	60	3	63
Lim Siang Kai	–	180	–	180
Sub-total	–	420	12	432
Independent non-executive directors				
Chung Koon Yan	60	–	–	60
Yue Man Yiu, Matthew	60	–	–	60
Zheng Weihe	30	–	–	30
Sub-total	150	–	–	150
Total	**150**	**420**	**12**	**582**

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(i) Directors' emoluments (Continued)

The emoluments paid or payable to the directors were as follows :

	Fees	Salaries, allowances and benefits in kind	Employer's retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2005				
Executive directors				
Chang Chu Fai, Johnson Francis	–	180	9	189
See Lee Seng, Reason	–	60	3	63
Lim Siang Kai	–	184	2	186
Sub-total	–	424	14	438
Independent non-executive directors				
Chung Koon Yan	60	–	–	60
Yue Man Yiu, Matthew	60	–	–	60
Zheng Weihe	30	–	–	30
Sub-total	150	–	–	150
Total	150	424	14	588

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

During the year, no emoluments were paid by the Group to the Company's directors or any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2005: Nil).

The above remuneration paid to directors also represents the amount of short-term employee benefits of HK$570,000 (2005: HK$574,000) and employer's retirement benefits scheme contributions of HK$12,000 (2005: HK$14,000) paid to the Group's key management during the year ended 31 December 2006. There were no other long-term benefits, termination benefits and share-based payment paid to the Group's key management during the year (2005: nil).

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2005: three) of the directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2005: remaining two) highest paid individuals during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Wages, salaries and other allowances	**300**	245
Retirement benefits scheme contributions	**15**	12
	315	257

The emoluments fell within the following band :

	Number of individuals	
	2006	2005
Emolument band		
HK$nil - HK$1,000,000	**2**	2

13. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE FROM A SUBSIDIARY

Company

	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amount due from a subsidiary	**22**	17

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

13. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE FROM A SUBSIDIARY (Continued)

Particulars of the subsidiary at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation and operation/ kind of legal entity	Particulars of issued and fully paid share capital	Percentage of issued capital held by the Company directly	Principal activity
Golden 21 (BVI) Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Dormant

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group and Company

	2006 HK$'000	2005 HK$'000
Unlisted equity securities outside Hong Kong, at cost	–	34,027
Impairment loss	–	(25,877)
	–	8,150

Pursuant to the Board of Directors' resolution dated 8 December 2006, the Company accepted an offer from 林錟先生, who is the Vice General Manager and the Director of 北京綜藝達軟件技術有限公司(「北京綜藝達」), for the acquisition from the Company of its entire interests in the available-for-sale financial assets, which represents 13.09% and 24% of the entire issued share capital of 北京綜藝達and Nantong Einolda Smart Card Manufacturing Co., Ltd. ("Nantong Einolda") respectively, at a total cash consideration of HK$5,500,000. Accordingly, the available-for-sale financial assets of the Company are reclassified as non-current assets held for sale and presented separately from other assets in the balance sheet under HKFRS 5. Details of the non-current assets held for sale are set out in note 18.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

The operating performance of both 北京綜藝達 and Nantong Einolda continued to be below expectation in 2006. With reference to the offer price of HK$4,400,000 and HK$1,100,000 for the proposed sales of the interest in 北京綜藝達 and Nantong Einolda respectively, the directors of the Company considered it appropriate to make a further impairment loss to the carrying amount of the investments as follows:

	北京綜藝達	Nantong Einolda	Total
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2006	4,236	3,914	8,150
Impairment loss charge for the year	–	(2,814)	(2,814)
Carrying amount immediately before being classified as held for sale	4,236	1,100	5,336
Less: Transfer to non-current assets classified as held for sale *(note 18)*	(4,236)	(1,100)	(5,336)
Carrying amount at 31 December 2006	–	–	–

15. AMOUNT DUE FROM AN INVESTEE

The amount due from an investee company represents the dividend receivable from 北京綜藝達 and is unsecured and interest-free.

In 2004, the directors of the Company decided to acquire further interest in北京綜藝達and the related consideration would be satisfied by the amount due from 北京綜藝達. This intended acquisition and settlement of consideration had been agreed by the holding company of 北京綜藝達. Up to the year end date of 2006, the intended acquisition was not completed and the directors of the Company considered that the amount due from 北京綜藝達was not recoverable and full impairment was made during the year.

16. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	2006	2005
	HK$’000	HK$’000
Listed equity securities in Hong Kong, at market value	**5,390**	6,372
Fair value loss on futures contracts	**–**	(23)

The above financial assets and liabilities are classified as held for trading.

16. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

At 31 December 2006, no open position of futures contracts was held by the Group and the fair value loss on futures contracts in year 2005 represented the open positions of Hang Seng Index futures contracts held by the Group.

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

Particulars of certain listed equity securities as at 31 December 2006, disclosed pursuant to Listing Rules and Section 129 of the Hong Kong Companies Ordinance, are as follows:

Name	Nature of business	Place of establishment/ incorporation	Holdings	Cost	Fair value	Dividend received/ earned	% of net assets
				HK$'000	HK$'000	HK$'000	
Jiangsu Nandasoft Co., Ltd – H Shares	Develop, Manufacture and market network security software	PRC	25,356,000	10,937	3,043 (2005: 4,691)	N/A	9.68% (2005: 12.17%)
Petrochina Co. Ltd – H Shares	Exploration, development and production of crude oil and natural gas	PRC	90,000	929	992	26	3.15%
Bank of Communications Co., Ltd – H Shares	Corporate banking, retail banking and treasury operations	PRC	120,000	962	1,133	N/A	3.60%
China Merchants Bank Co., Ltd – H Shares	Provide a broad range of corporate and retail banking products	PRC	3,500	31	57	N/A	0.18%
Zhaojin Mining Industry Co. Ltd. – H Shares	Mining, processing, smelting and sales of gold	PRC	5,000	64	77	N/A	0.25%
China BlueChemical Ltd. – H Shares	Production of nitrogenous fertilizer and methanol	PRC	28,000	54	88	N/A	0.28%

17. CASH AND CASH EQUIVALENTS

Group and Company

Cash and cash equivalents include the following components :

	2006	2005
	HK$'000	HK$'000
Cash at banks	**10,422**	12,970
Short-term bank deposits	**11,030**	10,814
	21,452	23,784

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made at fixed rates for varying periods of between one day and three months depending on the immediate cash requirement of the Group and the effective interest rate is 3.59% per annum (2005: 3.5% per annum). They have a maturity of less than one month.

18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Group and Company

	北京綜藝達	**Nantong Einolda**	**Total**
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2006	–	–	–
Add: Available-for-sale financial assets classified as held for sale *(note 14)*	4,236	1,100	5,336
Carrying amount at 31 December 2006	4,236	1,100	5,336

As stated in note 14, the Company accepted an offer from林錟先生 for the acquisition from the Company of its entire interests in the available-for-sale financial assets at a total cash consideration of HK$5,500,000. The consideration for the sale shall be payable by林錟先生 in cash of HK$1,000,000 upon signing of the sale and purchase agreement ("Agreement") for the proposed offer, and HK$1,000,000 be payable within 30 days from the signing of the Agreement, and the remaining balance of HK$3,500,000 be payable within 90 days from the signing of the Agreement.

The sale and purchase agreement was subsequently signed on 13 February 2007. The Company has received from林錟先生 the first payment of HK$1,000,000 and the second payment of HK$1,000,000 prior to the date of these financial statements. The transaction is expected to be completed upon the final payment of HK$3,500,000.

18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Particulars of the non-current assets held for sale representing investments in unlisted equity securities as at 31 December 2006, disclosed pursuant to Section 129 of the Hong Kong Companies Ordinance, are as follows:

Name	Place of registration	Principal activities	Particulars of issued capital held	Acquisition cost HK$'000	Carrying amount HK$'000	Percentage of interest held
Nantong Einolda	PRC	(i)	Registered capital of RMB15,919,686	15,500	1,100	24.00
北京綜藝達	PRC	(ii)	Registered capital of RMB1,870,230	18,527	4,236	13.09
				34,027	5,336	

Notes :

(i) Nantong Einolda is principally engaged in the production of sim-cards for use in credit cards and data storage cards. The investment in Nantong Einolda is not equity accounted for under HKAS 28 "Investments in Associates". This is because the directors are of the opinion that the Group has no participation in the financial and operating policy-making process of Nantong Einolda.

(ii) 北京綜藝達is principally engaged in the research, development and manufacture of network commercial management software.

19. SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
105,420,000 ordinary shares of HK$0.10 each	**10,542**	10,542

20. SHARE-BASED EMPLOYEE COMPENSATION

The Company conditionally adopted a share option scheme (the "SO Scheme") on 7 October 2002 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any persons being employees, officers, agents, consultants or representatives of the Group. The SO Scheme became unconditional on 28 October 2002 upon the listing of the Company's shares on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the Listing Rules.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within a 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options shall remain open for acceptance for a period of 28 days from the date of the offer of the grant. The grant of share options is effective upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

Further details of the SO Scheme are disclosed in the prospectus of the Company dated 15 October 2002.

20. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

At 31 December 2005, 2006 and up to the date of approval of these financial statements, no share options have been granted under the SO Scheme.

21. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

Company

	Share premium account HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005	85,277	(34,011)	51,266
Loss for the year	–	(23,240)	(23,240)
At 31 December 2005 and 1 January 2006	85,277	(57,251)	28,026
Loss for the year	–	(7,103)	(7,103)
At 31 December 2006	**85,227**	**(64,354)**	**20,923**

In accordance with the Companies Law (2004 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 the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

22. COMMITMENTS

At the balance sheet date, the Group and the Company had no significant capital and operating lease commitments.

23. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities as at 31 December 2006 and 2005.

24. RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, in addition to those disclosed elsewhere in these financial statements, the Group had the following significant related party transactions:

	Notes	**2006** HK$'000	2005 HK$'000
Investment management fee paid/ payable to Golden Honour Assets Management Limited	(i)	**1,015**	1,431
Rental expenses paid to Ceres Capital Limited	(ii)	**125**	125

Notes:

(i) Pursuant to the investment management agreement dated 7 October 2002 (the "Investment Management Agreement") entered into between the Company and Golden Honour Assets Management Limited (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services (excluding general administrative services) for a three-year period commencing on 28 October 2002, the date of the commencement of the trading of the Company's shares on the Stock Exchange. The Investment Management Agreement will continue for successive periods of three years, unless terminated at any time by either the Company or the Investment Manager serving not less than six month's notice in writing to the other party, and will expire on the last day of the three-year period or any of the relevant successive periods.

Under the Investment Management Agreement, the Investment Manager is entitled to a monthly management fee equivalent to 2.5% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month (or such other dealing day as considered appropriate by the board of directors for the purpose of calculating the net asset value of the Company), calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to an annual incentive fee equivalent to 15% of the surplus in the net asset value of the Company over a financial year or period.

Mr. Chang Chu Fai, Johnson Francis ("Mr. Chang") and Mr. Lim Siang Kai, executive directors of the Company, each have a 15% equity interest in the Investment Manager. Mr. See Lee Seng, Reason, an executive director of the Company, has a 35% equity interest in the Investment Manager and is one of the directors of the Investment Manager.

(ii) Pursuant to the sub-tenancy agreement dated 10 June 2003 entered into between the Company and Ceres Capital Limited ("Ceres"), the Company agreed to sublet its office premises from Ceres, which is owned as to approximately 33% by Mr. Chang, for a period commencing from 1 July 2003 to 30 June 2005 (both dates inclusive) at HK$8,500 per month, with a rent free period of one month in May 2004.

Pursuant to a board of directors' resolution passed on 28 June 2005, the Company will continue to sublet its office premises from Ceres from 1 July 2005 at HK$12,318 per month (including management fee of HK$1,819 per month). As at the date of these financial statements, no new sub-tenancy agreement was signed between the Company and Ceres.

The related party transactions set out above also constitute connected transactions under the Listing Rules.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The significant financial risks to which the Group is exposed to are described below.

(i) Foreign currency risk

The Group holds non-current assets classified as held for sale denominated in Renminbi ("RMB"). The Group is therefore exposed to currency risk, as the value of the assets and RMB will fluctuate due to change in exchange rate.

(ii) Interest rate risk

The Group has no significant interest rate risk as there are no significant long term external borrowings which bear floating interest rates.

(iii) Credit risk

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

The carrying amounts of financial assets at fair value through profit or loss, deposits and other receivables, amount due from a broker and cash and cash and equivalents represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

(iv) Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

26. POST BALANCE SHEET EVENTS

On 13 February 2007, the Company entered into a sale and purchase agreement to sell the entire equity interests of two companies, Nantong Einolda and 北京綜藝達 at a total consideration of HK$5.5 million. Upon the completion of the transaction, the Company shall cease to have any interests in Nantong Einolda and 北京綜藝達. Details of the transaction are set out in note 14 and 18 to the financial statements.