1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company acts as an investment holding company. The activities of the subsidiaries and associates are set out in notes 27 and 13 respectively.

The functional currency of the Group entities is Renminbi ("RMB"), the currency of the primary economic environment in which the respective Group entities operate. For the purpose of conveniences of the consolidated financial statements users, the consolidated financial statements are presented in United States dollars.

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

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

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective for the year ended 31 December 2006. The Group considers that it is not yet in a position to reasonably ascertain how the following new standards, amendment and interpretations may affect the preparation and presentation of the results of operations and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[8]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[5]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury shares transactions[6]
HK(IFRIC) – INT 12	Service concession arrangements[7]

[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.
[7] Effective for annual periods beginning on or after 1 January 2008.
[8] Effective for annual periods beginning on or after 1 January 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 have been eliminated on consolidation.

Investments in subsidiaries

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

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those designated at fair value through profit or loss on initial recognition. They comprise a group of financial assets which is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loans and receivables (see note 15), other receivables, and bank balances) are carried at amortised cost using the effective interest method, less any impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and are not quoted in an active market. At each balance sheet date subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities

Financial liabilities including other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income statement.

Revenue recognition

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Impairment

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such exchange differences are recognised in the consolidated income statement in the period which the foreign operation is disposed of.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include held-to-maturity financial assets, financial assets at fair value through profit or loss, other investments in financial assets, and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

The Group currently does not have a foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short term bank deposits at market rates and certain debt securities (see note 14). Since the bank deposits are all short term in nature, any future variations in interest rates will not have a significant impact on the results of the Group.

The Group is also exposed to fair value interest rate risk which results from the timing difference in the repricing of fixed rate on certain debt securities (see note 15). The Group manages such interest rate exposure through the investment manager, which would consider interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility, and formulating a cash management policy, which sets out certain investment guidelines to limit the risks on investing such financial assets. In addition, the Group has intention and ability to hold such financial assets to maturity. Hence, the Group considers that there is no significant impact on the financial position of the Group arising from the volatility of interest rates.

(iii) Price risk

The Group is exposed to equity securities price risk through its investments in equity securities designated as fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

The Group's financial assets include debt and equity investments, other receivables and bank balances.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets stated in the balance sheet.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies.

5. TURNOVER

Turnover represents the amounts received and receivable on investments during the year as follows:

	THE GROUP	
	2006	2005
	US$	US$
Interest income	**774,778**	810,203
Dividend income	**4,668,515**	2,308,446
	5,443,293	3,118,649

6. SEGMENTAL INFORMATION

During the year, the Group was principally involved in investing in companies with significant business involvement in the PRC. Accordingly, no analysis of segmental information by principal activity is presented. The Group's turnover, contribution to operating profit, assets and liabilities for the year ended 31 December 2006, analysed by geographical locations of the investee companies, were as follows:

For the year ended 31 December 2006

	Hong Kong	**The PRC**	**Others**	**Consolidated**
	US$	**US$**	**US$**	**US$**
TURNOVER				
Group turnover	**406,326**	**4,889,449**	**147,518**	**5,443,293**
RESULT				
Segment result	**1,546,536**	**155,168,770**	**147,518**	**156,862,824**
Other income				**1,434,878**
Unallocated corporate expenses				**(21,744,834)**
Share of results of associates	**–**	**1,203,233**	**–**	**1,203,233**
Profit before taxation				**137,756,101**
Taxation	**774**	**(22,339,600)**	**–**	**(22,338,826)**
Profit attributable to equity shareholders				**115,417,275**

6. SEGMENTAL INFORMATION *(continued)*

For the year ended 31 December 2006 *(continued)*

	Hong Kong US$	The PRC US$	Others US$	Consolidated US$
BALANCE SHEET				
At 31 December 2006				
ASSETS				
Segment assets	**10,659,430**	**17,081,617**	**37,835**	**27,778,882**
Interests in associates	**–**	**13,983,895**	**–**	**13,983,895**
Financial assets at fair value through profit or loss	**1,395,118**	**263,754,452**	**1,011,307**	**266,160,877**
Other investments in financial assets	**3,000,000**	**–**	**2,698,563**	**5,698,563**
Consolidated total assets	**15,054,548**	**294,819,964**	**3,747,705**	**313,622,217**
LIABILITIES				
Segment liabilities	**19,036,067**	**343**	**–**	**19,036,410**
Taxation payable and deferred taxation	**(118)**	**31,713,815**	**–**	**31,713,697**
Consolidated total liabilities	**19,035,949**	**31,714,158**	**–**	**50,750,107**

For the year ended 31 December 2005

	Hong Kong US$	The PRC US$	Others US$	Consolidated US$
TURNOVER				
Group turnover	346,427	2,598,890	173,332	3,118,649
RESULT				
Segment result	300,857	12,883,834	173,332	13,358,023
Other income				976,529
Unallocated corporate expenses				(3,182,117)
Share of results of associates	–	(1,301,764)	–	(1,301,764)
Profit before taxation				9,850,671
Taxation	328	(2,020,973)	–	(2,020,645)
Profit attributable to equity shareholders				7,830,026

6. SEGMENTAL INFORMATION *(continued)*

For the year ended 31 December 2005 *(continued)*

	Hong Kong US$	The PRC US$	Others US$	Consolidated US$
BALANCE SHEET				
At 31 December 2005				
ASSETS				
Segment assets	2,879,080	14,518,439	37,835	17,435,354
Interests in associates	–	16,062,662	–	16,062,662
Financial assets at fair value through profit or loss	3,307,529	113,944,732	1,011,307	118,263,568
Other investments in financial assets	3,000,000	–	2,698,157	5,698,157
Consolidated total assets	9,186,609	144,525,833	3,747,299	157,459,741
LIABILITIES				
Segment liabilities	900,526	401,696	–	1,302,222
Taxation payable and deferred taxation	–	9,486,557	–	9,486,557
Consolidated total liabilities	900,526	9,888,253	–	10,788,779

7. PROFIT BEFORE TAXATION

	THE GROUP **2006 US$**	2005 US$
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	**65,531**	56,861
Net foreign exchange gain	**(1,419,700)**	(966,443)
Investment manager's management fee	**3,969,821**	2,869,994
Investment manager's performance fee	**17,324,174**	–
Directors' fees	**32,166**	34,732
Share of tax of associates (included in share of results of associates)	**476,868**	193,531

8. DIRECTORS' EMOLUMENTS

The Directors' fees paid or payable to each of the 15 (2005: 17) Directors were as follows:

	2006	2005
	US$	US$
Executive Directors:		
Dr. FU Yuning	**5,148**	5,144
Dr. HUANG Dazhan	**2,573**	2,573
Mr. CHU Lap Lik, Victor	**2,573**	2,573
Mr. XIE Kuixing	**2,573**	2,573
Mr. TSE Yue Kit	**2,573**	2,573
Ms. KAN Ka Yee, Elizabeth *(Alternate Director)*	**–**	–
Ms. ZHOU Linda L.*	**N/A**	–
	15,440	15,436
Non-executive Directors:		
Mr. WANG Xingdong	**3,860**	3,859
Mr. GONG Jianzhong	**2,573**	2,573
Mr. PHOON Siew Heng	**–**	2,573
Mr. TAN Cheong Hin *(Alternate Director)*	**–**	–
Mr. HIEW Yoon Khong*	**N/A**	–
	6,433	9,005
Independent Non-executive Directors:		
Dr. The Hon. David LI Kwok-po	**3,860**	3,859
Mr. KUT Ying Hay	**3,860**	3,859
Dr. POON Kwok Lim, Steven	**2,573**	2,573
Mr. LI Kai Cheong, Samson *(Alternate Director)*	**–**	–
Mr. MOK Hay Hoi *(Alternate Director)*	**–**	–
	10,293	10,291
	32,166	34,732

* The Directors resigned during the year 2005.

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2006 and 2005 were all Directors of the Company and details of their emoluments are included in note 8 above.

10. TAXATION

The profits tax charge for the year comprises:

	THE GROUP 2006 US$	2005 US$
The Company and its subsidiaries		
Current tax:		
Other regions in the PRC	**98,516**	50,432
	98,516	50,432
Overprovision in prior year		
Hong Kong	**(774)**	(328)
	97,742	50,104
Deferred taxation (Note 20)	**22,241,084**	1,970,541
	22,338,826	2,020,645

Hong Kong profits tax is calculated at 17.5% on the estimated assessable profits for both years. Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant regions.

The profits tax charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2006 US$	2005 US$
Profit before taxation	**137,756,101**	9,850,671
Share of results of associates	**(1,203,233)**	1,301,764
Profit before taxation attributable to the Company and its subsidiaries	**136,552,868**	11,152,435
Tax at the domestic income tax rate of 15% (Note)	**20,482,931**	1,672,865
Tax effect of expenses not deductible for tax purpose	**3,242,014**	359,195
Tax effect of income not taxable for tax purpose	**(1,153,168)**	(436,011)
Tax effect of tax losses/deductible temporary differences not recognised	**1,915**	556,097
Utilisation of tax losses previously not recognised	**(161,513)**	(28,102)
Effect of different tax rates of subsidiaries operating in other regions in the PRC	**(72,579)**	(95,108)
Overprovision in prior year	**(774)**	(328)
Others	**–**	(7,963)
Taxation	**22,338,826**	2,020,645

Note: The domestic tax rate (which is PRC Enterprise Income Tax rate applicable to the Company's subsidiary in the PRC) in the jurisdiction where the investments of the Group are substantially located.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	THE GROUP	
	2006	2005
Earnings for the purpose of basic earnings per share (US$)	**115,417,275**	7,830,026
Number of ordinary shares for the purpose of basic earnings per share	**137,145,600**	137,145,600

12. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	US$	US$
Unlisted shares, at cost	**10,000,006**	10,000,006

Particulars of the Company's subsidiaries at 31 December 2006 are set out in note 27.

13. INTERESTS IN ASSOCIATES

	THE GROUP	
	2006	2005
	US$	US$
Cost of unlisted investments in associates	**14,499,075**	16,508,147
Share of post-acquisition results, net of dividends received	**(1,507,066)**	(2,265,093)
Share of exchange reserve	**991,886**	551,008
	13,983,895	14,794,062
Amounts due from associates	**6,545,995**	7,814,595
Allowance on amounts due from associates	**(6,545,995)**	(6,545,995)
	–	1,268,600
Total	**13,983,895**	16,062,662

The amounts due from associates are unsecured, interest free and repayable on demand.

13. INTERESTS IN ASSOCIATES

As at 31 December 2006, the Group had investments in the following associates:

Name of company	Place of incorporation/ registration and operation	Class of share held	Principal activities	Proportion of nominal value of issued capital/ registered capital held by the Group
Daily on Property Limited	HK/PRC	Ordinary	Property development	22%
Hansen Enterprises Limited	British Virgin Islands ("BVI")/PRC	Ordinary	Property investment	35%
Zhaoyuan Jinbao Electronics Company Limited	PRC/PRC	Registered capital	Manufacturing electronics products	30%
Langfang Oriential Education Facilities Development Company Limited	PRC/PRC	Registered capital	Dormitories investment	25%

The summarised financial information in respect of the Group's associates is set out below:

	2006 US$	2005 US$
Total assets	**254,897,276**	239,342,547
Total liabilities	**(204,302,663)**	(187,939,335)
Net assets	**50,594,613**	51,403,212
Group's share of net assets of associates	**13,983,895**	16,062,662
Turnover	**154,212,732**	99,735,831
Profit (loss) for the year	**8,309,222**	(3,293,879)
Group's share of results of associates for the year (exclude unrecognised share of profits of associates)	**1,203,233**	(1,301,764)

13. INTERESTS IN ASSOCIATES *(continued)*

The Group has discontinued recognition of its share of profits of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant audited/management accounts of associates, both for the year and cumulatively, are as follows:

	2006 US$	2005 US$
Unrecognised share of profits for the year	**(168,769)**	(75,409)
Accumulated unrecognised share of losses of associates	**3,801,761**	3,970,530

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2006 US$	2005 US$
Equity securities:		
— listed in Hong Kong (note a)	**1,395,118**	3,307,529
— listed elsewhere (note a)	**297,880**	104,762
— non-circulating (note b)	**181,449,790**	64,957,430
— unlisted (note c)	**82,049,089**	48,924,847
	265,191,877	117,294,568
Debt securities:		
— unlisted (note d)	**969,000**	969,000
Total	**266,160,877**	118,263,568

	THE COMPANY	
	2006 US$	2005 US$
Equity securities:		
— unlisted (note c)	**17,725,455**	14,958,416

The above financial assets are designated by the Group and the Company as financial assets at fair value through profit or loss at initial recognition.

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

Notes:

(a) The fair values of the above listed securities are determined based on the quoted market bid prices available on the relevant exchanges.

(b) The non-circulating equity securities represented the Group's interest held in China Merchants Bank Company, Limited ("CMB"). The fair value of the investment is estimated by reference to the market prices of CMB's circulating shares after adjusting the marketability factor due to its non-circulation.

(c) The fair values are determined by reference to recent transaction prices.

(d) The unlisted debt securities carry floating interest rate and will mature on 20 August 2013 unless triggered by automatic early redemption. The fair value is obtained from the issuer.

Particulars of the Group's non-circulating and unlisted investment portfolio which exceed 10% of the assets of the Group at 31 December 2006 disclosed pursuant to Section 129(2) of the Companies Ordinance are as follows:

Name of company	Place of registration	Class of share capital	Percentage of equity held by the Group
China Merchants Bank Company, Limited	PRC	Equity	0.83%
Industrial Bank Company, Limited	PRC	Equity	2.10%

15. OTHER INVESTMENTS IN FINANCIAL ASSETS

	THE GROUP	
	2006	2005
	US$	US$
Listed debt securities – held-to-maturity financial assets (note a)	**2,698,563**	2,698,157
Loans and receivables – long term callable deposits (note b)	**3,000,000**	3,000,000
Total	**5,698,563**	5,698,157

Notes:

(a) The maturity of the debt securities which carry effective interest rates ranged from 4.29% to 6.19% falls into:

	THE GROUP	
	2006	2005
	US$	US$
Over one year but less than five years	**998,909**	998,566
Over five years	**1,699,654**	1,699,591
	2,698,563	2,698,157

(b) The long term callable deposits carry fixed interest rates and have maturity dates at 9 December 2008 and 16 March 2009, respectively. The fair value of the long term callable deposits at 31 December 2006 was approximate to the corresponding carrying amount.

16. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2006	2005
	US$	US$
Amounts due from subsidiaries	**73,927,275**	77,692,030
Less: Allowance on amounts due from subsidiaries	**(10,882,392)**	(10,929,392)
	63,044,883	66,762,638
Amount due to a subsidiary	**(1,073,393)**	–
Analysed of amount due from subsidiaries		
Current	**53,496,742**	66,762,638
Non-current	**9,548,141**	–
	63,044,883	66,762,638

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

The Directors consider the carrying amounts of amounts due from (to) subsidiaries were approximate to their fair values.

17. OTHER RECEIVABLES

	THE GROUP	
	2006	2005
	US$	US$
Interest receivable	**83,450**	58,363
Other receivables	**23,316**	22,780
	106,766	81,143

	THE COMPANY	
	2006	2005
	US$	US$
Interest receivable	**7,619**	2,391
Other receivables	**20,999**	19,446
	28,618	21,837

The fair value of the Group's and the Company's interest and other receivables at 31 December 2006 were approximate to the corresponding carrying amounts.

18. CASH AND BANK BALANCES

The Group and the Company

Bank balances comprised short-term bank deposits at prevailing market interest rates. The fair value of these assets at 31 December 2006 was approximate to the corresponding carrying amount.

The Group's cash and bank balances were denominated in the following currencies other than the functional currency of the relevant group entities.

	As of 31 December	
	2006	2005
	US$	US$
US dollar	**6,983,409**	866,354
HK dollar	**3,640,527**	1,985,066

19. OTHER PAYABLES

The Group and the Company

Other payables mainly comprise of amount due to the Investment Manager.

The fair value of other payables at 31 December 2006 was approximate to the corresponding carrying amount.

20. DEFERRED TAXATION

The Group

The Group's deferred tax liability relates to the taxation on capital gains for certain investments in securities in the PRC. The following is the deferred tax liability recognised by the Group and movements thereon during the current and prior years:

	THE GROUP	
	2006	2005
	US$	US$
Balance at 1 January	**9,421,080**	7,450,539
Charge to income statement for the year	**22,241,084**	1,970,541
Balance at 31 December	**31,662,164**	9,421,080

At the balance sheet date, the Group had deductible temporary differences and estimated unused tax losses available for offsetting against future taxable profits of US$5,856,387 (2005: US$6,134,480) and US$2,828,174 (2005: US$3,016,108) respectively. The losses can be carried forward indefinitely.

No deferred tax asset has been recognised in relation to such deductible temporary differences and tax losses due to the unpredictability of future relevant taxable profit against which the deductible temporary differences and tax losses can be utilised.

20. DEFERRED TAXATION *(continued)*

The Company

The Company's deferred tax liability relates to the taxation on capital gains for investment in securities in the PRC. The following is the deferred tax liability recognised by the Company and movements thereon during the current and prior years:

	THE COMPANY	
	2006	2005
	US$	US$
Balance at 1 January	**–**	–
Charge to income statement for the year	**242,672**	–
Balance at 31 December	**242,672**	–

At the balance sheet date, the Company had estimated unused tax losses available for offsetting against future taxable profits of US$12,763 (2005: Nil). The losses can be carried forward indefinitely.

No deferred tax asset has been recognised in relation to such tax loss due to the unpredictability of future relevant taxable profit against which the tax losses can be utilised.

21. SHARE CAPITAL

	2006 & 2005
	US$
Authorised:	
150,000,000 ordinary shares of US$0.10 each	15,000,000
Issued and fully paid:	
137,145,600 ordinary shares of US$0.10 each	13,714,560

22. RESERVES

	THE COMPANY		
	Share premium	**Retained profits (accumulated loss)**	**Total**
	US$	US$	US$
Balance at 1 January 2005	81,525,984	1,005,339	82,531,323
Loss for the year	–	(1,599,277)	(1,599,277)
Final dividend paid for 2004	–	(960,019)	(960,019)
Balance at 1 January 2006	81,525,984	(1,553,957)	79,972,027
Loss for the year	–	(12,663,976)	(12,663,976)
Balance at 31 December 2006	81,525,984	(14,217,933)	67,308,051

23. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of US$262,872,110 (2005: US$146,670,962) and 137,145,600 ordinary shares (2005: 137,145,600 ordinary shares) of US$0.10 each in issue.

24. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006 **US$**	2005 US$
Within one year	**6,693**	–

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases and rentals are negotiated for a term of one year.

25. EVENT AFTER BALANCE SHEET DATE

On 23 January 2007, a substantial shareholder of the Company and the Company entered into a placing and subscription agreement with a placing agent. Under the placing and subscription agreement, the placing agent would procure, on a fully underwritten basis, purchasers to acquire, and the substantial shareholder would sell, 12,000,000 existing shares at the placing price of HK$20.40 per share. After deduction of the commissions and other expenses of the placing and the subscription, the aggregate net proceeds of the placing was approximately HK$226.82 million (or US$29.17 million), equivalent to the net price of HK$18.90 per share. The Company would then issue 12,000,000 new shares to the substantial shareholder. The subscription was completed on 6 February 2007.

26. RELATED PARTY TRANSACTIONS

(a) The Company has appointed China Merchants China Investment Management Limited ("Investment Manager") as the investment manager for both listed and unlisted investments. Certain Directors of the Company are also Directors and/or shareholders of the Investment Manager.

During the year, management fees totalling US$3,969,821 (2005: US$2,869,994) and performance fee totaling US$17,324,174 (2005: nil) were paid or payable to the Investment Manager, which are calculated based on a fixed percentage on the value of the Group's assets as stipulated in the investment management agreement. The amount due to the Investment Manager included in other payables at 31 December 2006 was US$18,933,294 (2005: US$789,099).

Amount due to the Investment Manager is unsecured, interest free and repayable on demand. The fair value of amount due to the Investment Manager at the balance sheet date was approximate to the corresponding carrying amount.

(b) During the year, the Group entered into an agreement with China Merchants Financial Services Limited, a substantial shareholder of the Company, to dispose of its 10% equity interest in Houlder China Insurance Brokers Limited at a cash consideration of US$625,039. The Group recorded a loss of approximately US$26,282 from the transaction.

(c) During the year, rental fees in respect of the office properties totalling US$6,558 (2005: nil) were paid or payable to a wholly-owned subsidiary of a substantial shareholder of the Company.

(d) Details of compensation of the Directors are set out in note 8.

27. PARTICULARS OF SUBSIDIARIES

Particulars of all subsidiaries at 31 December 2006, which are all wholly-owned and directly held by the Company, are as follows:

Name	Place of incorporation/ registration and operation	Principal activities	Particulars of issued share capital
CMCDI Zhaoyuan Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
China Merchants Industry Development (Shenzhen) Limited	PRC/PRC	Investment holding	Paid up capital of US$10,000,000 (Wholly owned foreign enterprise)
Everich Dynamic Investments Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Ryan Pacific Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Star Group Limited	HK/HK	Investment holding	2 ordinary shares of HK$1 each (Limited liability company)
Sinovest Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Wheaton International Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Wisetech Limited	BVI/PRC	Dormant	1 share of US$1 each (Limited liability company)

None of the subsidiaries had any debt securities subsisting at 31 December 2006 or at any time during the year.