1. GENERAL INFORMATION

Apex Capital Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands. The principal place of business was Unit 2206, 22nd Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Hong Kong. On 9 March 2007, the principal place of business has been changed to 19th Floor, Beverly House, 93-107 Lockhart Road, Wanchai, Hong Kong.

At an extraordinary general meeting of shareholders of the Company held on 23 June 2006, a resolution was passed to change the name of the Company from Haywood Investments Limited to Apex Capital Limited.

The directors considered 中國天地行物流控股集團有限公司 to be the ultimate holding company.

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. The Company and its subsidiaries (together referred to as the "Group") principally invest in listed and unlisted companies in Hong Kong and in other parts of the People's Republic of China, excluding Hong Kong (the "PRC").

The financial statements set out on pages 19 to 53 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of 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 by the board of directors for issue on 26 April 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 From 1 January 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant change in the Group's and the Company's accounting policies.

2.2 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 directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

HKAS 1 (Amendment)	Capital Disclosures [1]
HKFRS 7	Financial Instruments — Disclosures [1]
HKFRS 8	Operating Segments [7]
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]
HK(IFRIC) — Interpretation 12	Service Concession Arrangements [8]

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost convention except for the revaluation of investment property and 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 of current events and actions, actual results may ultimately differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to 31 December each year.

(c) 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.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

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.

(d) Property, plant and equipment

(i) Depreciation

Depreciation of property, plant and equipment is calculated using the straight line method to allocate their cost over their estimated useful lives as follows:

Leasehold improvements	50%
Furniture, fixtures and equipment	20%
Motor vehicles	50%

The asset's useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

(ii) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred. When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by directors or external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Any gain or loss arising from either a change in the fair value or the sale of an investment property is immediately recognised in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

(g) Financial assets

The Group classifies its financial assets, other than investments in subsidiaries, into the following categories: loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial assets (Continued)

(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.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Financial assets may be classified at initial recognition as fair value through profit or loss if the following criteria met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

— the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

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. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial assets (Continued)

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and 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.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial asset

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity.

An impairment loss for available-for-sale equity investments stated at cost less impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

(iii) Loans and receivables

Loans and 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 assets' carrying amount and the present value of estimated future cash flows.

(h) Impairment of assets

Property, plant and equipment and investments in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recovered.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Accounting for income tax

Income tax comprises current tax 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.

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

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.

(j) Cash and cash equivalents

Cash and cash equivalents include cash at bank.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Share capital

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

Any transaction costs associated with the issuing of shares are deducted from the share premium, net of any related income tax benefits, to the extent they are incremental costs directly attributable to the equity transaction.

(l) Retirement benefits costs and short term employee benefits

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Short-term employee benefits are recognised for the number of paid leave days (usually holiday entitlement) remaining at the balance sheet date. They are included in other payables at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

(m) Financial liabilities

The Group's financial liabilities include bank borrowings, other payables and amounts due to directors. They are included in balance sheet line items "Borrowings" as current or non-current liabilities, "Other payables" and "Amounts due to directors" as current liabilities.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial liabilities (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other payables and amounts due to directors are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

(n) Recognition of revenue

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

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

(o) 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 translation of monetary assets and liabilities are recognised in the income statement under "other income" or "other operating expenses", respectively.

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.

(p) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that geographical segments be presented as the primary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, receivables, investment property, financial assets at fair value through profit and loss and available-for-sale investments, and mainly exclude cash at banks. Segment liabilities comprise operating liabilities and exclude items such as amount due to directors.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Segment reporting (Continued)

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenues are based on the country in which the investment is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMETNS

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.

4.1 Critical judgement in applying the entity's accounting policies

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether an investment in available-for-sale financial assets is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the expected time span the Group will hold on to this investment.

5. SEGMENT INFORMATION

The Group makes investments in Hong Kong and in other parts of the PRC. These geographical markets are the basis on which the Group reports its primary segment information.

Segment information about these geographical markets is presented below:

	Hong Kong		PRC		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue — turnover	**38**	177	**—**	—	**38**	177
Segment results	**(165)**	(352)	**(6,874)**	(2,043)	**(7,039)**	(2,395)
Unallocated corporate expenses					**(3,630)**	(2,828)
Finance costs					**(144)**	(25)
Gain on disposal of subsidiaries	**463**	—	**—**	—	**463**	—
Loss before income tax					**(10,350)**	(5,248)
Income tax expense					**—**	—
Loss for the year					**(10,350)**	(5,248)
Assets						
Segment assets	**370**	7,384	**—**	6,874	**370**	14,258
Unallocated corporate assets					**6,305**	52
Total assets					**6,675**	14,310
Liabilities						
Segment liabilities	**(1,186)**	(3,326)	**—**	—	**(1,186)**	(3,326)
Unallocated corporate liabilities					**(281)**	(500)
Total liabilities					**(1,467)**	(3,826)
Other information						
Capital expenditure	**—**	1,258	**—**	—	**—**	1,258
Depreciation	**155**	234	**—**	—	**155**	234
Impairment loss recognised in income statement	**—**	—	**6,874**	2,043	**6,874**	2,043

All of the Group's turnover and contribution to operating results are attributable to its investment activities.

6. REVENUE

	2006 HK$'000	2005 HK$'000
Interest income	**21**	127
Dividend income	**17**	50
	38	177

7. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006 HK$'000	2005 HK$'000
Unlisted equity security:		
Tianjin Standard International Building Materials Industry Co., Ltd天津標準國際建材工業有限公司 ("Tianjin Standard") (note 17(i))	**6,874**	2,043

8. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Finance charges on finance leases	**—**	25
Interest charges on bank loan not wholly repayable within five years	**144**	—
	144	25

9. LOSS BEFORE INCOME TAX

	2006	2005
	HK$'000	HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Auditors' remuneration		
— current year	**244**	123
— overprovision in prior year	**—**	(76)
Depreciation	**155**	234
Investment management fees	**600**	369
Net fair value (gain)/loss on financial assets at fair value through profit or loss	**(194)**	89
Loss on disposal of property, plant and equipment	**—**	62
Operating lease charges on office premises	**219**	226
Retirement benefits scheme contributions	**36**	22
Staff costs (including directors' remuneration (note 10(a)) but excluding retirement benefits scheme contributions)	**1,630**	1,155
Write off of other payables	**—**	(240)

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Remuneration of the directors

	Fees	**Salaries and allowances**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
2006				
Executive directors				
Mr. Phang Yul Cher Yeow	240	—	—	240
Mr. Chu Kin Wang, Peleus	360	—	12	372
Ms. Huang Song	120	—	12	132
Mr. Zhou Chao	480	—	12	492
Non executive directors				
Mr. Fong Chi Hou	70	—	—	70
Mr. Wang Yao Dong	60	—	—	60
Independent non-executive directors				
Ms. Lam Lin Chu	60	—	—	60
Mr. Liu Wing Ting, Stephen	120	—	—	120
Ms. Tse Po Chu	120	—	—	120
	1,630	—	36	1,666

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

(a) Remuneration of the directors (Continued)

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2005				
Executive directors				
Mr. Tham Ming Yong	50	—	—	50
Mr. Phang Yul Cher Yeow	312	—	8	320
Mr. Zhou Chao	280	—	—	280
Ms. Huang Song	60	—	—	60
Mr. Chu Kin Wang, Peleus	113	7	4	124
Non executive directors				
Mr. Wang Yao Dong	10	—	—	10
Independent non-executive directors				
Ms. Lam Lin Chu	45	—	—	45
Mr. Liu Wing Ting, Stephen	60	—	—	60
Ms. Tse Po Chu	35	—	—	35
Mr. Wong Wing Hang, Henry	30	—	—	30
	995	7	12	1,014

No directors waived or agreed to waive any emoluments in respect of the year (2005: Nil).

No emoluments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2005: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included five (2005: four) directors whose emoluments are reflected in the analysis presented above. The emolument payable to the remaining one individual, within the band ranging from Nil to HK$1,000,000, during the year ended 31 December 2005 is as follows:

	HK$'000
Salaries, allowances and benefits in kind	71
Retirement benefits scheme contributions	—
	71

No emoluments were paid to the highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2005.

11. INCOME TAX EXPENSE

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

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

	2006 HK$'000	2005 HK$'000
Loss before income tax	**(10,350)**	(5,248)
Tax at applicable rate of 17.5% (2005: 17.5%)	**(1,811)**	(918)
Tax effect of non-deductible expenses	**1,713**	468
Tax losses not recognised as deferred tax asset	**98**	450
Income tax expense	**—**	—

At 31 December 2006, a deferred tax asset of approximately HK$2,784,000 (2005: HK$2,686,000) in respect of tax losses available to offset future profits was not recognised in the financial statements as it is not certain that the Group will generate future taxable profits to enable it to utilise such tax losses. This tax loss has no expiry date.

12. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss for the year of HK$10,350,000 (2005: HK$5,248,000), a loss of HK$11,544,000 (2005: HK$4,171,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the consolidated loss for the year attributable to the equity holders of the Company of HK$10,350,000 (2005: HK$5,248,000) and on the weighted average number of 195,068,493 (2005: 136,547,945) ordinary shares in issue during the year.

Diluted loss per share amounts have not been presented because there were no dilutive potential shares.

14. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2005				
Cost	29	231	—	260
Accumulated depreciation	(7)	(26)	—	(33)
Net book amount	22	205	—	227
Year ended 31 December 2005				
At 1 January 2005	22	205	—	227
Additions	321	97	840	1,258
Disposals	(34)	(262)	(736)	(1,032)
Depreciation	(107)	(23)	(104)	(234)
At 31 December 2005	202	17	—	219
At 31 December 2005				
Cost	302	20	—	322
Accumulated depreciation	(100)	(3)	—	(103)
Net book amount	202	17	—	219
Year ended 31 December 2006				
At 1 January 2006	202	17	—	219
Depreciation	(151)	(4)	—	(155)
At 31 December 2006	51	13	—	64
At 31 December 2006				
Cost	302	20	—	322
Accumulated depreciation	(251)	(7)	—	(258)
Net book amount	51	13	—	64

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company (Continued)

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 1 January 2005			
Cost	29	231	260
Accumulated depreciation	(7)	(26)	(33)
Net book amount	22	205	227
Year ended 31 December 2005			
At 1 January 2005	22	205	227
Additions	302	20	322
Disposals	(22)	(205)	(227)
Depreciation	(100)	(3)	(103)
At 31 December 2005	202	17	219
At 31 December 2005			
Cost	302	20	322
Accumulated depreciation	(100)	(3)	(103)
Net book amount	202	17	219
Year ended 31 December 2006			
At 1 January 2006	202	17	219
Depreciation	(151)	(4)	(155)
At 31 December 2006	51	13	64
At 31 December 2006			
Cost	302	20	322
Accumulated depreciation	(251)	(7)	(258)
Net book amount	51	13	64

15. INVESTMENT PROPERTY — GROUP

	2006 HK$'000	2005 HK$'000
Carrying amount as at 1 January	**3,860**	—
Additions	**—**	3,860
Disposal of a subsidiary (note 28)	**(3,860)**	—
Carrying amount as at 31 December	**—**	3,860

Investment property is located in Hong Kong and held under a medium term lease.

As at 31 December 2005, the investment property was pledged as security for certain bank borrowings as set out in note 19.

16. INTERESTS IN SUBSIDIARIES — COMPANY

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**10**	10
Amounts due from subsidiaries	**55,010**	53,774
Less: Impairment loss	**(48,918)**	(42,086)
	6,102	11,698

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

16. INTERESTS IN SUBSIDIARIES — COMPANY (Continued)

Particulars of subsidiaries at 31 December 2006 are as follows:

Name	Place of incorporation/ operations	Particulars of issued capital	Percentage of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Gold Canal International Limited	British Virgin Islands ("BVI")	10 ordinary shares of US$1 each	—	100%	Investment holding
Mega Way	Hong Kong	10,000 ordinary shares of HK$1 each	100%	—	Investment in Hong Kong listed shares
New Portfolio Limited	BVI	1 ordinary share of US$1	100%	—	Investment holding
Speedy Zone Limited	BVI	1 ordinary share of US$1	100%	—	Inactive

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2006 **HK$'000**	2005 HK$'000
Unlisted equity securities	—	6,874

Particulars of available-for-sale financial assets at 31 December 2006 are as follows:

Name of investee company	Note	Place of incorporation	Percentage interest held	Cost		Accumulated impairment losses		Carrying value	
				2006 **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000
Tianjin Standard Koffman Asset	(i)	PRC	21%	**17,461**	17,461	**(17,461)**	(10,587)	**—**	6,874
Holdings Limited ("Koffman Asset")	(ii)	BVI	9.1%	**3,064**	3,064	**(3,064)**	(3,064)	**—**	—
				20,525	20,525	**(20,525)**	(13,651)	**—**	6,874

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP (Continued)

(i) Tianjin Standard is principally engaged in the manufacture and trading of building materials and the provision of related consultancy services. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Tianjin Standard as the Group has no representative in the board of directors of Tianjin Standard. Accordingly, Tianjin Standard is accounted for as an available-for-sale financial asset.

In March 2007, there was a substantial change in the composition of the management and board of directors of the Company as a result of the changes in the major shareholders of the Company. In respect of the Tianjin Standard investment, the current board of directors (the "New Directors") have very little background information and knowledge, and have not met nor have they been able to contact the management of Tianjin Standard. The New Directors, despite their best efforts, were unable to obtain any financial information, including unaudited management accounts of Tianjin Standard for 2006. In view of the above, and for the sake of prudence, the New Directors have made full impairment provision against the carrying value of this asset at 31 December 2006 amounting to HK$6,874,000.

(ii) Koffman Asset is a company principally involved in an insurance brokerage business which operated in Hong Kong. Koffman Asset was in financial difficulties and ceased operations in 2004, and accordingly an impairment charge was made against the full investment cost in 2004.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Company	
	Notes	**2006**	2005	**2006**	2005
		HK$'000	HK$'000	**HK$'000**	HK$'000
Securities listed in Hong Kong	(a)	—	2,710	—	110
Unlisted security	(b)	—	386	—	386
		—	3,096	—	496

(a) All securities listed in Hong Kong were disposed of during the year.

(b) Unlisted security

		Group and Company	
	Notes	**2006**	2005
		HK$'000	HK$'000
Designated as fair value through profit or loss on initial recognition			
Investment in Rise Profits Holdings Limited ("Rise Profits")	(i)	—	—
Loan to Rise Profits	(ii)	—	386
		—	386

Note:

(i) The Group subscribed for 3 ordinary shares of Rise Profits of HK$1 per ordinary share on 21 July 2005 which represents 30% equity interest in that company. Rise Profits is principally involved in the investment holding of a taxi and its licence in Hong Kong. The Group acquired its interest in Rise Profits with a short-term outlook and with view to a trade sale of the taxi and the taxi licence once an acceptable price had been offered. The taxi and its licence were sold during the year.

(ii) The amount due was unsecured, interest free and had no fixed terms of repayment.

19. BANK BORROWINGS, SECURED — GROUP

At 31 December 2006, the Group's bank borrowings were repayable as follows:

	2006	2005
	HK$'000	HK$'000
Current		
Within one year	—	121
Non-current		
In the second year	—	128
In the third to fifth year	—	446
After the fifth year	—	1,991
	—	2,565
	—	2,686

Bank borrowings were denominated in Hong Kong Dollar, secured by the investment property of the Group (Note 15) and jointly and severally guaranteed by Mr. Zhou Chao and Ms. Huang Song, directors of the Company, which is at nil consideration, and bear interest at variable interest rate, which was 5.25% per annum at 31 December 2005.

As the subsidiary borrowing this loan was disposed of during the year, there was no outstanding loan as at 31 December 2006.

20. AMOUNTS DUE TO DIRECTORS

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

21. SHARE CAPITAL

	Notes	Number of shares	HK$'000
Authorised:			
Ordinary shares of HK$0.01 each at 1 January 2005		200,000,000	2,000
Increase in ordinary shares of HK$0.01 each on 17 March 2005	(a)	800,000,000	8,000
Consolidation of five ordinary shares of HK$0.01 each to two ordinary shares of HK$0.025 each on 17 March 2005	(a)	(600,000,000)	—
Ordinary shares of HK$0.025 each at 31 December 2005 and 2006		**400,000,000**	**10,000**
Issued and fully paid:			
Ordinary shares of HK$0.01 each at 1 January 2005		200,000,000	2,000
Consolidation of five ordinary shares of HK$0.01 each to two ordinary shares of HK$0.025 each on 17 March 2005	(a)	(120,000,000)	—
Issue of ordinary shares of HK$0.025 each on 18 April 2005	(b)	80,000,000	2,000
Ordinary shares of HK$0.025 each at 31 December 2005 and 1 January 2006		160,000,000	4,000
Issue of ordinary shares of HK$0.025 each on 19 July 2006	(c)	80,000,000	2,000
Ordinary shares of HK$0.025 each at 31 December 2006		**240,000,000**	**6,000**

Notes:

(a) Pursuant to the shareholders' approval at the extraordinary general meeting held on 17 March 2005, the authorised share capital of the Company was increased from HK$2,000,000 divided into 200,000,000 shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each by creation of an additional 800,000,000 unissued shares of HK$0.01 each. On the same date, a share consolidation of every five existing ordinary shares of HK$0.01 par value each into two new ordinary shares of HK$0.025 par value each ("New Shares") was approved. The New Shares rank pari passu in all respects with the then issued share capital of the Company.

(b) On 28 January 2005, the Company entered into an underwriting agreement for the open offer of 80,000,000 new shares at HK$0.065 per share ("2005 Offer Share") on the basis of one offer share for every New Share held on record date ("2005 Open Offer"). An ordinary resolution in respect of the 2005 Open Offer was passed at the extraordinary general meeting held on 17 March 2005. The 2005 Offer Shares rank pari passu in all respects with the existing share capital of the Company. The 2005 Open Offer was completed on 18 April 2005.

(c) On 12 May 2006, the Company entered into an underwriting agreement for the open offer of 80,000,000 new shares at HK$0.07 per share ("2006 Offer Share") on the basis of one offer share for every 2 shares held on record date ("2006 Open Offer"). An ordinary resolution in respect of the 2006 Open Offer was passed at the extraordinary general meeting held on 26 June 2006. The 2006 Offer Shares rank pari passu in all respects with the existing share capital of the Company. The 2006 Open Offer was completed on 19 July 2006.

22. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 23 May 2002. The directors may, at their absolute discretion, make an offer to any participant to take up options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer being duly signed by the grantee and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 12,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted or to be granted to each participant under the Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The Scheme will remain in force for a period of 10 years from 23 May 2002.

No options have been granted since the adoption of the Scheme.

23. RESERVES — GROUP

	2006 **HK$'000**	2005 HK$'000
Share premium	**112,189**	109,115
Investment revaluation reserve	**—**	—
Accumulated losses	**(112,981)**	(102,631)
	(792)	6,484

Movements in the Group's reserves during the year are set out in the consolidated statement of changes in equity to the financial statements.

23. RESERVES — GROUP (Continued)

Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

The investment revaluation reserve represents the net unrealised gain on revaluation of available-for-sale financial assets at the balance sheet date.

24. RESERVES — COMPANY

	Share premium HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005	106,426	47	(97,356)	9,117
Transfer to income statement on disposal of available-for-sale financial assets (net expense recognised directly in equity)	—	(47)	—	(47)
Loss for the year	—	—	(4,171)	(4,171)
Total recognised income and expense for the year	—	(47)	(4,171)	(4,218)
Shares issued at premium (note 21(b))	3,200	—	—	3,200
Share issue expenses	(511)	—	—	(511)
At 31 December 2005 and 1 January 2006	109,115	—	(101,527)	7,588
Loss for the year (total recognised income and expense for the year)	—	—	(11,544)	(11,544)
Shares issued at premium (note 21(c))	3,600	—	—	3,600
Share issue expenses	(526)	—	—	(526)
At 31 December 2006	**112,189**	**—**	**(113,071)**	**(882)**

Details of the share premium account and investment revaluation reserve of the Company are set out in note 23 above.

25. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2006 of HK$5,208,000 (2005: HK$10,484,000) and 240,000,000 (2005: 160,000,000) ordinary shares in issue as at that date.

26. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable by the Group and the Company as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**125**	476	**125**	368
In the second to fifth years	**—**	130	**—**	125
	125	606	**125**	493

The Group leases a property under an operating lease. The leases run for an initial period of two years, without an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the landlord. The lease does not include contingent rentals.

27. RELATED PARTY TRANSACTIONS

During the year, the Company had the following related party transactions:

	2006	2005
	HK$'000	HK$'000
Management fee expenses to Hua Yu Investment Management Limited ("Hua Yu")	**600**	369

(a) The Group entered into an agreement with Altus Capital Limited ("Altus") on 4 March 2004, whereby Altus had agreed to provide investment management services to the Company for a period from the effective date of its appointment until 30 December 2005.

The investment management fee was calculated at the higher of 1.5% per annum of the net asset value as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days or an amount of not less than HK$30,000 per month.

The Group entered into an agreement with Altus on 20 May 2005, whereby both parties had conditionally agreed to terminate the above mentioned agreement. No management fee had been charged by Altus for the year ended 31 December 2005.

27. RELATED PARTY TRANSACTIONS (Continued)

(b) On 12 May 2005, the Company entered into an investment management agreement with Hua Yu with effect from 20 May 2005 to replace Altus.

Investment management fees to Hua Yu are calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 per three months.

(c) Key management personnel compensation

Details of key management compensation are set out in note 10 to the financial statements.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

(a) During the year, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group disposed of its entire equity interest in Summit Asset Holdings Limited ("Summit Asset") and the entire loan to Summit Asset of approximately HK$1,688,000 to the buyer at the considerations of approximately HK$10 and HK$1,688,000, of which HK$118,000 had not been settled as at 31 December 2006, respectively.

(b) Double Dragon Profits Limited and Good Place Investments Limited were de-registered on 22 December 2006 and 10 March 2006 respectively.

(c)

	2006 HK$'000
Net liabilities disposed of:	
Investment property	3,860
Prepayments, deposits and other receivables	7
Cash at bank	24
Amount due to a shareholder	(1,688)
Other payables	(69)
Bank borrowings	(2,597)
	(463)
Gain on disposal of subsidiaries	463
Total consideration	—

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

Disposal of subsidiaries (Continued)

(c) (Continued)

An analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2006
	HK$'000
Satisfied by cash	—
Cash and bank balance disposed	(24)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(24)

29. 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 Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

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

(a) Foreign currency risk

The Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

(b) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's other receivables are actively monitored to avoid significant concentrations of credit risk.

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Cash flow and fair value interest rate risks

The Group has no significant interest-bearing assets and liabilities as at 31December 2006.

(d) Fair value

The fair value 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. The fair value of long-term borrowings is not disclosed because the carrying value is not materially different from the fair value.