



GOLDEN 21 INVESTMENT HOLDINGS LIMITED

金 豐 21 投 資 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

Stock code : 2312

2006
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Francis J. CHANG Chu Fai
LIM Siang Kai
SEE Lee Seng, Reason

Independent Non-Executive Directors

CHUNG Koon Yan
YUE Man Yiu, Matthew
ZHENG Weihe

COMPANY SECRETARY

TSE Kam Fai, *ACIS, ACS, MHKIoD*

QUALIFIED ACCOUNTANT

HUI Yin Ping, Teresa

AUDIT COMMITTEE

YUE Man Yiu, Matthew (*Chairman*)
CHUNG Koon Yan
ZHENG Weihe

REMUNERATION COMMITTEE

CHUNG Koon Yan (*Chairman*)
YUE Man Yiu, Matthew
LIM Siang Kai

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3308, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

INVESTMENT MANAGER

Golden Honour Assets Management Limited
Room 801-2, 8/F
59 Connaught Road
Central
Hong Kong

SOLICITORS

As to Hong Kong law:
Baker & McKenzie

As to Cayman Islands law:
Conyers Dill & Pearman

AUDITORS

Grant Thornton

CUSTODIAN

Bank of China (Hong Kong) Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Standard Chartered Bank

STOCK CODE

2312

STATEMENT FROM THE EXECUTIVE DIRECTORS

We are pleased to present to the shareholders the 2006 Annual Report of Golden 21 Investment Holdings Limited (the “Company”) and its subsidiary (collectively the “Group”) for the year ended 31 December 2006.

RESULTS

The total revenue of the Group was approximately HK\$678,000 (2005: HK\$468,000) and the total sales proceeds from the disposals of listed equity investment was approximately HK\$20,142,000 (2005: HK\$35,467,000). Loss attributable to equity holders of the Company during the year was approximately HK\$7,108,000 (2005: HK\$23,247,000), which has been reduced by 69.42% from the previous year.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

BUSINESS REVIEW

The principal activity of the Group is investing in both listed and unlisted securities in Hong Kong as well as in the People’s Republic of China (the “PRC”). There was no change in the nature of the Group’s principal activities during the year.

Unlisted Investments

The operating performance of our two unlisted companies, namely 北京綜藝達軟件技術有限公司 (“北京綜藝達”) and Nantong Einolda Smart Card Manufacturing Co., Ltd. (南通毅能達智能卡製造有限公司) (“南通毅能達”) remained disappointing and there was no evidence to indicate that there would be a drastic improvement in their operating performance in the foreseeable future. Hence, upon the recommendation of the Investment Manager, the Group resolved to dispose of these two companies in December 2006 so that management can devote its time and the Group’s resources to more promising investment opportunities. Subsequent to the balance sheet date of 31 December 2006, Sale and Purchase Agreements were executed on 13 February 2007 to dispose of the two unlisted investments for a total consideration of HK\$5,500,000.

Listed Investments

The Company has become more focused in the Hong Kong Stock market during 2006. Excluding the fair loss incurred on Jiangsu Nandasoft Company Ltd. (which has been held by the Company since November 2002), the Group recorded a fair value gain of approximately HK\$1,668,000 on its trading activities of listed equities in Hong Kong in 2006.

STATEMENT FROM THE EXECUTIVE DIRECTORS

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2006, the total value of the Group's listed and unlisted investments were approximately HK\$10,726,000 (2005: HK\$14,522,000). The fair value of listed equity securities amounted to approximately HK\$5,390,000 as at 31 December 2006 while the fair value of unlisted equity securities was approximately HK\$5,336,000.

The Group continued to exercise stringent cost control. Administrative expenses were further reduced from previous year's HK\$3,655,000 to HK\$3,222,000 in 2006.

The Group recorded sales from disposals of listed equity securities of approximately HK\$20,142,000 for the year ended 31 December 2006 which is approximately 43.21% below that of the previous year. Loss for the year was approximately HK\$7,108,000 (2005: HK\$23,247,000) which was mainly attributable to the impairment losses relating to the Group's direct investments in two unlisted companies in the PRC.

Investment Portfolio

Listed below are the Group's unlisted investments together with the impairment made, listed investments and the respective fair value or market value as at 31 December 2006.

Unlisted Investments

Name of investee company	Nature of business	Percentage of interest held	Cost (HK\$'000)	Fair value estimated by the Directors as at 31 December 2006 (HK\$'000)	Dividend received for the year ended 31 December 2006 (HK\$'000)	Percentage of investments attributable to the Group's net assets as at 31 December 2006
南通毅能達 <i>Note (i)</i>	Production of sim-cards	24.00%	15,500	1,100	0	3.50%
北京綜藝達 <i>Note (ii)</i>	Software application	13.09%	18,527	4,236	0	13.47%

Notes:

- (i) 南通毅能達 is principally engaged in the production of Sim-cards for use in credit cards and data storage cards. The investment in 南通毅能達 is not equity accounted for under HKAS 28 "Investments in Associates". This is because the Directors are of the opinion that the Group has no participation in the financial and operating policy-making process of 南通毅能達.
- (ii) 北京綜藝達 is principally engaged in the research, development and manufacture of network commercial management software.

STATEMENT FROM THE EXECUTIVE DIRECTORS

Investment Portfolio (continued)

Listed Investments

Particulars of material trading securities holding as at 31 December 2006 are as follows:

Name of investee company	Percentage of interest held	Cost (HK\$'000)	Market value as at 31 December 2006 (HK\$'000)	Dividend received for the year ended 31 December 2006 (HK\$'000)	Percentage of investments attributable to the Group's net assets as at 31 December 2006
Jiangsu Nandasoft Company Limited	10.84%	10,937	3,043	N/A	9.68%

Liquidity, Financial Resources and Funding

As at 31 December 2006, the Group had maintained cash of approximately HK\$21,452,000 (2005: HK\$23,784,000). As all cash was placed in Hong Kong dollar deposits, there was minimal exposure to exchange fluctuation.

The Group had net assets of approximately HK\$31,442,000 (2005: HK\$38,550,000) and there were no borrowings or long-term liabilities as at 31 December 2006.

Capital Structure

There was no change in the capital structure of the Company during the year.

Material Acquisition and Disposals of Subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries during the year under review.

Employees Benefits

As at 31 December 2006, the Group had 5 employees, including 3 executive Directors. For the year ended 31 December 2006, the Group's staff costs (excluding Directors' remuneration) amounted to approximately HK\$315,000 (2005: HK\$293,000). The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice. During the year under review, the Group has not granted any share options to its employees or Directors under the share option scheme of the Company adopted on 7 October 2002.

Charges on Assets and Contingent Liabilities

During the year, there were no charges on the Group's assets and the Group did not have contingent liabilities as at 31 December 2006.

STATEMENT FROM THE EXECUTIVE DIRECTORS

FUTURE PROSPECTS AND APPRECIATION

The Chinese economy remains buoyant and China continues to attract strong foreign direct investment inflows into the country. The Board is very bullish on the long term growth prospects of China and will continue to seek suitable investment opportunities to enhance the shareholder's return.

On behalf of the Board, I would like to express our appreciation and gratitude to all our fellow Directors and staff for their support, hard work and dedication over the year.

On behalf of the Executive Board

See Lee Seng, Reason

Executive Director

Hong Kong, 12 April 2007

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholder value.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules which came into effect on 1 January 2005 as its own code of corporate governance practices.

During the year ended 31 December 2006, the Company was in compliance with the code provisions set out in the CG Code except for the following:

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this report, the Company has not appointed chairman and chief executive officer and the roles and functions of the chairman and the chief executive officer have been performed by all the executive Directors collectively. The Board considers this given the nature of the Company is investment holding and all investment decisions are made by the Board, the present structure is appropriate for the Company and has the advantages of allowing contributions from all executive Directors with different expertise.

Code provision A.4.2 of the CG Code requires every director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. To ensure compliance with the CG Code, at the annual general meeting of the Company held on 24 May 2006, a special resolution was passed by the then shareholders of the Company to amend the Articles of Association (“Articles”) to bring the constitution of the Company in alignment with the above code provision.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2006.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings regarding securities transactions by Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, investment and strategic decisions and performance. The Investment Manager was delegated with the authority and responsibility by the Board for the day-to-day operations of the Group while reserving certain key matters for the approval of the Board. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Francis J. Chang Chu Fai

Mr. Lim Siang Kai

Mr. See Lee Seng, Reason

Independent non-executive Directors

Mr. Chung Koon Yan

Mr. Yue Man Yiu, Matthew

Mr. Zheng Weihe

Save for the fact that Mr. Chang, Mr. Lim and Mr. See are also substantial shareholders of, and Mr. See is also a director of Golden Honour Assets Management Limited, the Investment Manager of the Company, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 17 to 18 of the Report of the Directors under the section headed "Biographical Details of Directors and Senior Management".

Chairman and Chief Executive Officer

Up to the date of this report, the Company has not appointed chairman and chief executive officer and the roles and functions of the chairman and chief executive officer have been performed by all the executive Directors of the Company collectively. The Board considers that given the nature of the Company is investment holding and all investment decisions are made by the Board, the present structure is appropriate for the Company and has the advantages of allowing contributions from all Directors with different expertise.

CORPORATE GOVERNANCE REPORT

Non-executive Directors

The three independent non-executive Directors are well-qualified professionals, with academic and professional qualifications in the accounting and legal fields. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

The independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Articles.

Board Meetings

The Board has 12 scheduled meetings which include 4 regular meetings a year at monthly interval and additional meetings will be held as and when required. The 12 scheduled Board meetings for a year are planned in advance. During regular meetings of the Board, the Directors review the operation and financial performances and review and approve the annual, interim and quarterly results.

During the financial year ended 31 December 2006, the Board held 19 meetings. All Directors are given an opportunity to include any matter in the agenda for regular Board meetings and are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Executive Directors	
Mr. Francis J. Chang Chu Fai	19/19
Mr. Lim Siang Kai	18/19
Mr. See Lee Seng, Reason	19/19
Independent non-executive Directors	
Mr. Chung Koon Yan	19/19
Mr. Yue Man Yiu, Matthew	19/19
Mr. Zheng Weihe	4/19

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged in respect of relevant actions against its Directors.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the investment business.

Furthermore, as the full Board is responsible for the selection and approval of candidate for appointment as Director to the Board, therefore the Company has not established a nomination committee for the time being.

During the year ended 31 December 2006, there was no change in the composition of the Board, and in this regard, no Board meeting was held for approving the nomination of Directors.

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee (the “Remuneration Committee”) on 28 June 2005 which consists of two independent non-executive Directors, namely Mr. Chung Koon Yan (as Chairman) and Mr. Yue Man Yiu, Matthew, and one executive Director, namely Mr. Lim Siang Kai.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the matters relating to the Company’s policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

One Remuneration Committee meeting was held during the year under review, with full attendance of the members, to discuss about the remuneration package of Directors, general manager and the qualified accountant.

The Company has adopted a share option scheme on 7 October 2002. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to any eligible participants which include Directors as incentives or rewards for their contribution to the Group. Details of the share option scheme are set out in the Directors’ Report and note 20 to the financial statements. Details of the Directors’ remuneration are set out in note 12 to the financial statements.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Grant Thornton, is set out below:

	Fee paid/payable HK\$'000
Services rendered	
Audit services	168,000
Non-audit services	–
	168,000

AUDIT COMMITTEE

The Company established an Audit Committee (the "Audit Committee") on 7 October 2002. The Audit Committee comprises three independent non-executive Directors, namely Mr. Yue Man Yiu, Matthew (as Chairman), Mr. Chung Koon Yan and Mr. Zheng Weihe.

The Audit Committee shall meet at least twice a year. The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system and internal control procedures.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee shall meet the external auditors to discuss any area of concern during the audit or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

Two Audit Committee meetings were held during the year.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (Continued)

Name of member	Number of attendance
Mr. Yue Man Yiu, Matthew	2/2
Mr. Chung Koon Yan	2/2
Mr. Zheng Weihe	1/2

During the year ended 31 December 2006, the Audit Committee reviewed the interim and annual results of the Group together with the Auditors of the Company; which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Articles. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of general meeting and explained during the proceedings of the meetings.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board Committees attended the 2006 annual general meeting to answer questions at the meeting.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of interim and annual results and reports to all shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's account for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a proper and effective system of internal control of the Group. The internal control system includes safeguard of the interest of shareholders and the Group's assets. The Board has delegated to management the implementation of all relevant financial, operational, compliance controls and risk management function within a defined framework. During the year ended 31 December 2006, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

REPORT OF THE DIRECTORS

The Board of Directors (“Board”) of the Company is pleased to submit their report together with the audited financial statements of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investing in listed and unlisted companies established and/or doing business in the Asia Pacific Region, mainly the People’s Republic of China, excluding Hong Kong and Macau (the “PRC”) and Hong Kong, and other Asian countries. Details of the principal activity of the subsidiary is set out in note 1 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

RESULTS AND APPROPRIATIONS

The Group’s loss for the year ended 31 December 2006 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 27 to 55.

The Directors do not recommend the payment of a final dividend.

ANNUAL GENERAL MEETING

The 2007 annual general meeting of the Company (“AGM”) will be convened and held on 23 May 2007.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 21 May 2007 to Wednesday, 23 May 2007, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company’s transfer office and share registrar in Hong Kong, Tengis Limited, 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 18 May 2007.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company’s authorised or issued share capital and share options during the year.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

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

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

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

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

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

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

No share option has been granted since the Adoption Date.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2006.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company had distributable reserves of HK\$20,900,000. Under the Companies Law (2004 Revision) of the Cayman Islands, the share premium account of the Company of HK\$85,277,000 as at 31 December 2006, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Mr. Francis J. Chang Chu Fai
Mr. Lim Siang Kai
Mr. See Lee Seng, Reason

Independent non-executive Directors

Mr. Chung Koon Yan
Mr. Yue Man Yiu, Matthew
Mr. Zheng Weihe

Pursuant to Article 88(1) of the Articles of Association, Mr. Francis J. Chang Chu Fai and Mr. Lim Siang Kai will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

REPORT OF THE DIRECTORS

INDEPENDENCE CONFIRMATION

The Company has received, from each of independent non-executive Directors, an annual confirmation of the independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Francis J. Chang Chu Fai, aged 52, has been an Executive director of the Company since 16 May 2002. He is a registered person under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”). Since 2000, Mr. Chang has been the managing director of Ceres Capital Limited, a licensed corporation under the SFO engaged in the provision of corporate finance advisory services. Mr. Chang has over 29 years of experience in banking, corporate finance, investment and management. He holds a Bachelor’s Degree in Commerce from Concordia University in Montreal, Canada since 1976 and a Master’s Degree in Business Administration from York University in Toronto, Canada since 1977.

Currently, he is also the chairman and an executive director of Trasy Gold Ex Limited, an independent non-executive director of Tian An China Investment Company Limited, Quality HealthCare Asia Limited, and Chitaly Holdings Limited all of which are listed on the Stock Exchange.

Mr. Chang is mainly responsible for overall investment strategies, risk management and financial management of the Company.

Mr. Lim Siang Kai, aged 50, joined the Company as an executive Director since 16 May 2002. He is also a member of the Remuneration Committee of the Company. He holds a bachelor of arts degree from University of Singapore, a bachelor of social science (honours) degree from the National University of Singapore and a master of arts in economics from the University of Canterbury, New Zealand. Prior to joining the Company, Mr. Lim held various positions in banks, financial services companies and a fund management company and has over 20 years of experience in the securities, private and investment banking and fund management industries.

Mr. Lim is mainly responsible for identifying investment opportunities for the Company, in particular, in Greater China and investor relations.

Mr. See Lee Seng, Reason, aged 48, joined the Company as an executive Director since 16 May 2002. He has over 26 years of experience in the finance and investment profession covering securities and commodities dealing, investment advisory, portfolio management and corporate finance. He is an investment adviser and commodity trading adviser registered with the SFC under Type 4 and 9 registrations. Currently, he is a director of China International Capital Ltd. (formerly known as Keen Shing Fund Manager & Consultant

REPORT OF THE DIRECTORS

Limited), an investment advisory and asset management company registered with the SFC under Type 4 and 9. He is also an executive director and Head of investment banking at a local financial institution, an investment house licensed with the SFC under Type 1, 4 and 6 registrations. Mr. See is also the managing director and chief investment officer of Golden Honour Assets Management Limited, an asset management company registered with the SFC under Type 4 and 9 registrations, and the investment manager of the Company. Mr. See holds a Master degree of Science in Corporate Governance & Directorship from the Hong Kong Baptist University.

Mr. See is mainly responsible for formulation of investment strategies and portfolio management of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Koon Yan, aged 43, appointed as an independent non-executive Director of the Company since 30 September 2004. He is also the Chairman of the Remuneration Committee of the Company and a member of the Audit Committee. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, and a member of The Institute Of Chartered Accountants in England and Wales. He graduated from The Hong Kong Polytechnic University with a Master of Professional Accounting. Mr. Chung is a director of an accounting firm namely Chiu, Choy & Chung CPA Ltd. and has more than 16 years' experience in accounting, auditing and taxation. Currently, he is also an independent non-executive director of Trasy Gold Ex Limited, a company listed on the Stock Exchange.

Mr. Yue Man Yiu, Matthew, aged 45, appointed as an independent non-executive Director of the Company since 4 June 2002. He is also the Chairman of the Audit Committee of the Company and a member of the Remuneration Committee. He graduated from The Chinese University of Hong Kong with a bachelor's degree of business administration in 1984. He is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. He has extensive experience in the financial control, project analysis and management functions in the financial service industry. He is presently the chief financial officer of a consultancy and investment company.

Mr. Zheng Weihe, aged 41, appointed as an independent non-executive director of the Company since 4 June 2002. He is also a member of the Audit Committee. He graduated from Nankai University (南開大學) in Tianjin, the PRC with a bachelor of law degree in 1988 and a master degree in the law of securities in 1991. From 1991 to 1994, he was a lawyer at a Shenzhen law firm. Since 1994, he has been a partner of Shu Jin & Co., a law firm licensed to practise in the PRC. Mr. Zheng has experience in the area of securities law and commercial law in the PRC. He has been involved in various initial public offerings of securities in the PRC as well as corporate restructuring, mergers and acquisitions. He is a lawyer authorised by the China Securities Regulatory Commission and the Ministry of Justice of the PRC and has acted as the legal consultant to more than 10 listed companies in the PRC.

REPORT OF THE DIRECTORS

SENIOR MANAGEMENT

Mr. Lee Kwok Hung, aged 47, is the general manager of the Company. He graduated from the Chinese University of Hong Kong in 1984 with Marketing as major. Mr. Lee has been in the field of China trade for over 18 years. Mr. Lee is in charge of overall administration of the Company.

Mr. Tse Kam Fai, *ACIS, ACS, MHKIoD*, aged 43, is the company secretary of the Company. Mr. Tse is an associate member of The Institute of Chartered Secretaries and Administrators and of The Hong Kong Institute of Company Secretaries. He is also a member of the Hong Kong Institute of Directors. He is currently the company secretary of two other companies whose shares are listed on The Stock Exchange and has more than 15 years' experience in handling listed company secretarial and compliance related matters.

Ms. Hui Yin Ping, Teresa, *CPA, CFP (US), FTIHK, MSC*, aged 59, is the qualified accountant of the Company since 16 June 2005. She holds a Master degree of Science in Corporate Governance & Directorship from Hong Kong Baptist University and holds a BBA degree from the University of Hawaii. She is a member in good standing and qualified to practice as a Certified Public Accountant in the State of Washington. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Taxation of Hong Kong as well as a Certified Financial Planner (US). She has over 20 years of experience in accounting and taxation areas. She is in charge of the accounting functions of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Messrs. Francis J. Chang Chu Fai, Lim Siang Kai and See Lee Seng, Reason entered into service agreement with the Company on 1 July 2005 for a term of two years commenced on 1 July 2005, it shall continue thereafter the expiration of the said two years term unless and until terminated by either party giving to the other not less than three months' notice in writing and is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles.

Each of Mr. Chang and Mr. See is entitled to a monthly remuneration of HK\$15,000 and HK\$5,000 respectively as stipulated in the service agreement and he is also entitled to participate a discretionary bonus of such amount as shall be determined by the Board.

Mr. Lim is entitled to a monthly housing allowance of HK\$15,000 as stipulated in the service agreement and he is also entitled to participate a discretionary bonus of such amount as shall be determined by the Board.

No Director proposed for re-election at the AGM has a service contract with the Company with is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Other than the related party and connected transactions which are disclosed under the heading "RELATED PARTY AND CONNECTED TRANSACTIONS" below, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its subsidiary was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2006, the interest or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO)), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), are set out below:

Interests in shares, underlying shares and debentures of the Company

Name of Director	Type of interest	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Francis J. Chang Chu Fai	Beneficial interest	Long position	1,355,000	1.3%
Mr. Lim Siang Kai	Beneficial interest	Long position	1,355,000	1.3%
Mr. See Lee Seng, Reason	Beneficial interest	Long position	1,355,000	1.3%

Save as disclosed above, as at 31 December 2006, none of the Directors and chief executives of the Company had any interests and short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those as disclosed above relating to the SO scheme adopted on 7 October 2002, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiary a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2006, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Long position in the shares and underlying shares of the Company

Name of shareholder	Type of interest	Long position/ Short position	Number of ordinary shares held	Total number of ordinary shares held	Percentage of the Company's issued share capital
Zhang Yunxia (Note a)	Interest of controlled corporation	Long position	22,760,000	22,760,000	21.59%
Profitone Company Limited (Note a)	Beneficial owner	Long position	22,760,000	22,760,000	21.59%
Lee Wing Ngai (Note b)	Beneficial owner Interest of spouse	Long position Long position	3,690,000 1,970,000	5,660,000	5.37%
Wong Wai (Note b)	Beneficial owner Interest of spouse	Long position Long position	1,970,000 3,690,000	5,660,000	5.37%
Leung Kin Keung (Note c)	Beneficial owner Interest of spouse	Long position Long position	8,768,000 342,000	9,110,000	8.64%
Fung Pui Ming (Note c)	Beneficial owner Interest of spouse	Long position Long position	342,000 8,768,000	9,110,000	8.64%

Notes:

- By virtue of the SFO, Ms. Zhang Yunxia is deemed to be interested in 22,760,000 shares in the Company. These shares are held by Profitone Company Limited, a company incorporated in the BVI with limited liability and is beneficially owned by Ms. Zhang Yunxia.
- These shares are held by Mr. Lee Wing Ngai and his spouse, Ms. Wong Wai.
- These shares are held by Mr. Leung Kin Keung and his spouse, Ms. Fung Pui Ming.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, no other parties were recorded in the register of Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2006.

RELATED PARTY AND CONNECTED TRANSACTIONS

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

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

For the year ended 31 December 2006, the investment management fee paid / payable to the Investment Manager for the services rendered amount to HK\$1,015,422.28.

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

REPORT OF THE DIRECTORS**RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)**

In accordance Rule 14A.37 of the Listing Rules, the independent non-executive Directors of the Company confirm that:

- (a) the above transaction has been entered into in the ordinary and usual course of the business of the Company;
- (b) the above transaction has been entered into on normal commercial terms and on an arm's length basis;
- (c) the above transaction has been entered into on terms that are fair and reasonable so far as the shareholders of the Company and the Company are concerned; and
- (d) the aggregate amount of the investment management fee and the incentive fee paid / payable to the Investment Manager did not exceed HK\$3,000,000.

The auditors of the Company have reviewed the above transaction and provided a letter to the Company confirming that the above transaction:

- 1. have received the approval of the Board;
 - 2. have been entered into in accordance with the relevant agreement governing the transaction; and
 - 3. did not exceed HK\$3,000,000.
- (ii) Pursuant to the sub-tenancy agreement dated 10 June 2003 entered into between the Company and Ceres Capital Limited ("Ceres"), the Company agreed to sublet its office premises from Ceres, which is owned as to approximately 33% by Mr. Chang, for a period commencing from 1 July 2003 to 30 June 2005 (both dates inclusive) at HK\$8,500 per month, with a rent free period of one month in May 2004.

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

The above transactions constitute connected transactions under Chapter 14A of the Listing Rules and related party transactions under the applicable accounting standard issued by the Hong Kong Institute of Certified Public Accountants. Details of these related party and connected transactions are disclosed in note 24 to the financial statements.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company has an audit committee (the “Committee”) which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises the three independent non-executive Directors, Mr. Yue Man Yiu, Matthew, Mr. Chung Koon Yan and Mr. Zheng Weihe. The Committee has reviewed the financial results of the Group for the year ended 31 December 2006.

AUDITORS

A resolution will be submitted to the AGM to re-appoint Grant Thornton as auditors of the Company.

On behalf of the Board
See Lee Seng, Reason
Executive Director

Hong Kong, 12 April 2007

INDEPENDENT AUDITORS' REPORT

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton 
均富會計師行

To the members of Golden 21 Investment Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Golden 21 Investment Holdings Limited (the "Company") set out on pages 27 to 55, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton

Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

12 April 2007

CONSOLIDATED INCOME STATEMENT*for the year ended 31 December 2006*

	Notes	2006 HK\$'000	2005 HK\$'000
Revenue	5	678	468
Net gain/(loss) on financial assets at fair value through profit or loss		20	(2,233)
Impairment loss of available-for-sale financial assets	14	(2,814)	(17,827)
Impairment loss of amount due from an investee	15	(1,770)	–
Administrative expenses		(3,222)	(3,655)
Loss before income tax	7	(7,108)	(23,247)
Income tax expense	8	–	–
Loss for the year	9	(7,108)	(23,247)
Loss per share for loss attributable to equity holders of the Company during the year	10		
– Basic		(HK6.74 cents)	(HK22.1 cents)
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET*as at 31 December 2006*

	Notes	2006 HK\$'000	2005 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Available-for-sale financial assets	14	–	8,150
Amount due from an investee	15	–	1,770
		–	9,920
Current assets			
Financial assets at fair value through profit or loss	16	5,390	6,372
Deposits and other receivables		173	29
Amount due from a broker		5	251
Cash and cash equivalents	17	21,452	23,784
		27,020	30,436
Non-current assets classified as held for sale	18	5,336	–
		32,356	30,436
Current liabilities			
Financial liabilities at fair value through profit or loss	16	–	23
Other payables and accruals		914	782
Amount due to a broker		–	1,001
		914	1,806
Net current assets		31,442	28,630
Total assets less current liabilities		31,442	38,550
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	19	10,542	10,542
Reserves	21	20,900	28,008
Total equity		31,442	38,550

Lim Siang Kai
Director

See Lee Seng, Reason
Director

BALANCE SHEET

as at 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary	13	1	1
Available-for-sale financial assets	14	–	8,150
Amount due from an investee	15	–	1,770
		1	9,921
Current assets			
Financial assets at fair value through profit or loss	16	5,390	6,372
Deposits and other receivables		173	29
Amount due from a broker		5	251
Amount due from a subsidiary	13	22	17
Cash and cash equivalents	17	21,452	23,784
		27,042	30,453
Non-current assets classified as held for sale	18	5,336	–
		32,378	30,453
Current liabilities			
Financial liabilities at fair value through profit or loss	16	–	23
Other payables and accruals		914	782
Amount due to a broker		–	1,001
		914	1,806
Net current assets		31,464	28,647
Total assets less current liabilities		31,465	38,568
EQUITY			
Share capital	19	10,542	10,542
Reserves	21	20,923	28,026
Total equity		31,465	38,568

Lim Siang Kai
Director

See Lee Seng, Reason
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*for the year ended 31 December 2006*

	Share capital HK\$'000	Share premium account HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2005	10,542	85,277	(34,022)	61,797
Loss for the year (Total recognised income and expense for the year)	–	–	(23,247)	(23,247)
At 31 December 2005 and 1 January 2006	10,542	85,277	(57,269)	38,550
Loss for the year (Total recognised income and expense for the year)	–	–	(7,108)	(7,108)
At 31 December 2006	10,542	85,277*	(64,377)*	31,442

* The aggregated amount of the above balances of HK\$20,900,000 (2005: HK\$28,008,000) represented the reserves in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT*for the year ended 31 December 2006*

	2006 HK\$'000	2005 HK\$'000
Cash flows from operating activities		
Loss before income tax	(7,108)	(23,247)
Adjustments for :		
Impairment loss of available-for-sale financial assets	2,814	17,827
Impairment loss of amount due from an investee	1,770	–
Bank interest income	(636)	(421)
Dividend income	(42)	(47)
Operating loss before working capital changes	(3,202)	(5,888)
Decrease in financial assets at fair value through profit or loss	982	5,445
Increase in deposits and other receivables	(144)	(2)
Decrease/(increase) in amount due from a broker	246	(238)
(Decrease)/increase in financial liabilities at fair value through profit or loss	(23)	23
Increase/(decrease) in other payables and accruals	132	(502)
(Decrease)/increase in amount due to a broker	(1,001)	1,001
Cash used in operations	(3,010)	(161)
Bank interest received	636	421
Dividend income received	42	47
Net cash (used in)/from operating activities	(2,332)	307
Net (decrease)/increase in cash and cash equivalents	(2,332)	307
Cash and cash equivalents at beginning of year	23,784	23,477
Cash and cash equivalents at end of year	21,452	23,784

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

1. CORPORATE INFORMATION

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

2. ADOPTION OF NEW OR AMENDED HKFRSs

- (a) From 1 January 2006 onwards, there were no new or revised standards or interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are relevant to the Group’s operations.
- (b) New or amended HKFRSs that have been issued but are not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 January 2007

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

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

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

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

⁶ Effective for annual periods beginning on or after 1 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation

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

3.3 Subsidiaries

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

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

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

3.4 Income and expense recognition

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

- (i) interest income is recognised on a time-proportion basis using the effective interest method; and
- (ii) dividend income is recognised when the right to receive payment is established.

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

3.5 Operating leases

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

NOTES TO FINANCIAL STATEMENTS*for the year ended 31 December 2006***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.6 Foreign currency translation**

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

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

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

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

3.7 Financial assets

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

Financial assets are classified into the following categories:

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial assets (Continued)

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

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

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

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

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

(ii) *Available-for-sale financial assets*

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

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

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO FINANCIAL STATEMENTS*for the year ended 31 December 2006***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7 Financial assets (Continued)***(iii) Receivables*

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

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

3.8 Non-current assets held for sale

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

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

3.9 Financial liabilities

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial liabilities (Continued)

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

3.10 Provisions, contingent liabilities and contingent assets

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

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

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

3.11 Accounting for income taxes

Income tax comprises current and deferred tax.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.11 Accounting for income taxes (Continued)**

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

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

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

3.12 Cash and cash equivalents

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

3.13 Share capital

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

3.14 Retirement benefit costs and short term employee benefits*(i) Defined contribution plan*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Short term employee benefits

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Share-based employee compensation

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

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

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

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

3.16 Segment reporting

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Related parties

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

- (i) directly, or indirectly through one or more intermediaries, the party :
 - controls, is controlled by, or is under common control with, the Group;
 - has an interest in the Group that gives it significant influence over the Group; or
 - has joint control over the Group;
- (ii) the party is a jointly-controlled entity;
- (iii) the party is an associate;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

5. REVENUE AND TURNOVER

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

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

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

6. SEGMENT INFORMATION

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

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

7. LOSS BEFORE INCOME TAX

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

8. INCOME TAX EXPENSE

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

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

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

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

9. LOSS FOR THE YEAR

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

10. LOSS PER SHARE

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

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

11. EMPLOYEE BENEFIT EXPENSE (EXCLUDING DIRECTORS' EMOLUMENTS)

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

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' emoluments

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

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

(i) Directors' emoluments (Continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

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

(ii) Five highest paid individuals

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

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

The emoluments fell within the following band :

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

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

Company

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

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

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

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

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group and Company

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

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

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

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

15. AMOUNT DUE FROM AN INVESTEE

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

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

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

Group and Company

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

17. CASH AND CASH EQUIVALENTS

Group and Company

Cash and cash equivalents include the following components :

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

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

18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Group and Company

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

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

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

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

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

Notes :

- (i) Nantong Einolda is principally engaged in the production of sim-cards for use in credit cards and data storage cards. The investment in Nantong Einolda is not equity accounted for under HKAS 28 "Investments in Associates". This is because the directors are of the opinion that the Group has no participation in the financial and operating policy-making process of Nantong Einolda.
- (ii) 北京綜藝達 is principally engaged in the research, development and manufacture of network commercial management software.

19. SHARE CAPITAL

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

20. SHARE-BASED EMPLOYEE COMPENSATION

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

*for the year ended 31 December 2006***20. SHARE-BASED EMPLOYEE COMPENSATION (Continued)**

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

21. RESERVES**Group**

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

Company

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

In accordance with the Companies Law (2004 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

22. COMMITMENTS

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

23. CONTINGENT LIABILITIES

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2006

24. RELATED PARTY AND CONNECTED TRANSACTIONS

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

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

Notes:

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS*for the year ended 31 December 2006***25. RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

(i) Foreign currency risk

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

(ii) Interest rate risk

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

(iii) Credit risk

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

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

(iv) Fair values

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

26. POST BALANCE SHEET EVENTS

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last four financial year and the period from 14 May 2002 (date of incorporation) to 31 December 2002, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December 2006 HK\$'000	Year ended 31 December 2005 HK\$'000	Year ended 31 December 2004 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 14 May 2002 (date of incorporation) 31 December 2002 HK\$'000
REVENUE	678	468	80	2,186	215
LOSS BEFORE INCOME TAX	(7,108)	(23,247)	(16,443)	(13,033)	(4,546)
INCOME TAX EXPENSE	-	-	-	-	-
LOSS ATTRIBUTABLE TO EQUITY HOLDERS	(7,108)	(23,247)	(16,443)	(13,033)	(4,546)

ASSETS AND LIABILITIES

	At 31 December 2006 HK\$'000	At 31 December 2005 HK\$'000	At 31 December 2004 HK\$'000	At 31 December 2003 HK\$'000	At 31 December 2002 HK\$'000
TOTAL ASSETS	32,356	40,356	63,081	80,213	96,124
TOTAL LIABILITIES	(914)	(1,806)	(1,284)	(1,973)	(4,851)
	31,442	38,550	61,797	78,240	91,273