

Earnest

Investments Holdings Limited

(Continued into Bermuda with limited liability)

(Stock Code : 339)



Annual Report 2007

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. CHAN Chak Paul
Mr. WANG Daming
Mr. NGAI Wah Sang

Independent Non-executive Directors

Mr. Benny LUI
Mr. Oliver Yeung Kam LAI
Mr. CHAN Francis Ping Kuen

COMPANY SECRETARY

Ms. CHUI Yee Man

AUDITOR

Messrs. RSM Nelson Wheeler
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 801-802
8/F., Ginza Square
565-567 Nathan Road
Kowloon, Hong Kong

STOCK CODE

339

INVESTMENT MANAGER

Success Talent Investments Limited

DIRECTORS OF THE INVESTMENT MANAGER

Mr. CHOI Wai Yin
Mr. LEE Kwok Leung

AUDIT COMMITTEE

Mr. Benny LUI
Mr. Oliver Yeung Kam LAI
Mr. CHAN Francis Ping Kuen

PRINCIPAL REGISTRARS

Reid Management Limited
Argyle House
41A Cedar Avenue
Hamilton HM12
Bermuda

BRANCH REGISTRARS

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

PRINCIPAL BANKER

Hang Seng Bank

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Earnest Investments Holdings Limited (the "Company") for the year ended 31 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 December 2007, the Company has recorded a turnover of approximately HK\$23 million (2006: HK\$0.2 million) and net profit attributable to shareholders of approximately HK\$97 million (2006: loss of HK\$2.6 million). The increase in turnover and profit during the year were mainly due to the increase in trading volume and gain on trading securities, and the increase in unrealised holding gains from Hong Kong listed securities.

Business Review

For the year ended 31 December 2007, the Company had not made any new investment other than Hong Kong listed securities.

The Company's portfolio of Hong Kong listed securities as at 31 December 2007 consisted of Sinocop Resources (Holdings) Limited (formerly known as "China Elegance (Holdings) Limited"), Shougang Concord International Enterprises Company Limited, Shougang Concord Century Holdings Limited, New Times Group Holdings Limited and APAC Resources Limited.

The Company's investments in unlisted companies as at 31 December 2007 had not generated any significant investment return for the year ended 31 December 2007. During the year, one of the unlisted companies had made an impairment loss against its assets due to adverse market condition and as such, the Company recorded an impairment loss of HK\$2.7 million. The Board will closely monitor the investments in unlisted companies and will take appropriate action if necessary.

As at 31 December 2007, approximately 87% (2006: 32%) of the Company's investments were in a portfolio of Hong Kong listed securities, 8% (2006: 46%) in the equity interests of unlisted companies, and the remaining 5% (2006: 22%) in cash which was deposited with a bank in Hong Kong.

CHAIRMAN'S STATEMENT

Liquidity, Financial Resources and Funding

For the year under review, the Company generally financed its operations and investment activities by internal resources. As at 31 December 2007, the net asset value of the Company amounted to HK\$128,623,583 (2006: HK\$31,479,467) with net asset value per share of HK\$1.59 (2006: HK\$0.39).

The Company's total liabilities consist of mainly a provision for deferred tax liabilities and has no other significant liabilities. The gearing ratio of the Company, calculated on the basis of the Company's total liabilities over total shareholders' funds, is 0.112 as at 31 December 2007 (2006: 0.006).

All the Company's cash and cash equivalents were denominated in Hong Kong dollars as at the balance sheet date. The directors believe that the Company has minimal exposure to foreign exchange risk.

Employees

During the year, the Company did not employ any employees other than the directors of the Company, total staff costs for the year amounted to HK\$345,600 (2006: HK\$345,600). The Company's remuneration policies are in line with the prevailing market practice.

Charges on the Company's Assets and Contingent Liabilities

As at 31 December 2007, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

Prospects

The Company will continue to identify and pursue investment opportunities and manage its existing investments in accordance with the Company's investment objectives. The Board believes that the Company is able to further its investment objectives and to make timely investment as well as to capture opportunities as and when they arise.

Appreciation

On behalf of the Board, I would like to thank all our shareholders for their continued trust and support, and the Investment Manager for their dedicated efforts.

Chan Chak Paul

Chairman

Hong Kong, 17 March 2008

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. CHAN Chak Paul, aged 47, was appointed as an Executive Director on 19 November 2001 and as the Chairman of the Board on 30 December 2004. Mr. CHAN is responsible for general corporate management. He has extensive experience in trading industries and the PRC investments.

Mr. WANG Daming, aged 47, was appointed as an Executive Director on 17 May 2002. Mr. WANG holds a Bachelor's Degree in Economics from the PRC and has extensive experience in finance. He has formerly worked for the Agricultural Bank of China and also has worked for a number of PRC enterprises and Sino-Foreign Joint Venture companies of various industries including financial services and information technology. Mr. WANG was qualified as Assistant Economist of the PRC in 1987, and then as Economist and Senior Economist in 1990 and 1996 respectively.

Mr. NGAI Wah Sang, aged 49, was appointed as an Executive Director on 2 January 2003, as the Chief Executive Officer on 22 August 2005 and as Deputy Chairman of the Board on 13 September 2007. Mr. NGAI is a fellow member of both The Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants. Mr. NGAI has extensive experience in dealing with business development and investment in both Hong Kong and the PRC.

Independent Non-executive Directors

Mr. Benny LUI, aged 50, was appointed as an Independent Non-executive Director on 30 November 2001. Mr. LUI is a practising solicitor in Australia and has extensive exposure in commercial law and advisory work for the banking industry.

Mr. Oliver Yeung Kam LAI, aged 56, was appointed as an Independent Non-executive Director on 27 September 2004. Mr. LAI holds a Bachelor's Degree in Social Science from Hong Kong, and a Graduate Diploma in financial management from Australia. Mr. LAI is also an associate member of The Institute of Chartered Accountants in Australia, CPA Australia, and the Hong Kong Institute of Certified Public Accountants. He is also a practising accountant in Australia and is the proprietor of Oliver Lai & Co., a public accounting practice in Australia.

Mr. CHAN Francis Ping Kuen, aged 49, was appointed as an Independent Non-executive Director on 7 February 2005. Mr. CHAN holds a Bachelor's Degree in Economics from Australia. He is an associate member of The Institute of Chartered Accountants in Australia and also an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. CHAN has over 20 years of experience in auditing, accounting and financial management.

REPORT OF THE DIRECTORS

The directors submit herewith their report together with the audited financial statements of Earnest Investments Holdings Limited (the "Company") for the year ended 31 December 2007.

PRINCIPAL ACTIVITY

The Company is an investment company engaged principally in investment in and trading of listed and unlisted investments.

No segment information is presented as all of the turnover and revenue, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong and the People's Republic of China (the "PRC").

MAJOR CUSTOMERS AND SUPPLIERS

The Company's turnover is derived from the Company's investments in listed and unlisted equity securities and the disclosure of information regarding customers and suppliers would not be meaningful.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2007 and the state of the Company's affairs as at that date are set out in the financial statements on pages 17 and 42 respectively.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2007 (2006: Nil).

RESERVES

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity as set out in the financial statements on page 19.

At 31 December 2007, the reserve available for distribution to shareholders pursuant to the Companies Act 1981 of Bermuda amounted to HK\$121,243,583 (2006: HK\$24,099,467).

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

The following tables summarise the results, assets and liabilities of the Company for each of the five years ended 31 December 2007:

Results

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	23,433,835	198,691	1,108,358	541,814	1,175,919
Profit/(loss) before tax	111,515,381	(2,574,681)	(2,800,571)	(6,142,836)	(3,813,105)
Income tax expense	(14,371,265)	-	-	-	-
Profit/(loss) for the year attributable to equity holders of the Company	97,144,116	(2,574,681)	(2,800,571)	(6,142,836)	(3,813,105)

Assets and liabilities

	As at 31 December				
	2007	2006	2005	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$
Total assets	143,256,649	31,662,188	27,187,819	29,867,095	36,163,300
Total liabilities	(14,633,066)	(182,721)	(333,671)	(212,376)	(365,745)
Total equity	128,623,583	31,479,467	26,854,148	29,654,719	35,797,555

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 16 and 17 to the financial statements respectively.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved by shareholders at the annual general meeting held on 26 May 2006 (the "Adoption Date"). The Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Scheme is valid and effective for a period of 10 years commencing on the Adoption Date and the purpose of the Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. Pursuant to the Scheme the Board may at its discretion, subject always to any limits and restrictions specified in the Listing Rules, offer to grant an option to any participant; impose terms and conditions; and determine such number of shares to be subscribed for at the option price.

The minimum option price for any option granted under the Scheme shall not be less than the higher of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the aggregate of the shares in issue as at the Adoption Date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed 30% of the shares in issue from time to time.

During the year, no option was granted, exercised, cancelled or lapsed under the Scheme and there was no outstanding option as at 31 December 2007.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. CHAN Chak Paul (*Chairman*)

Mr. NGAI Wah Sang (*Deputy Chairman and Chief Executive Officer*)

Mr. WANG Daming

Independent Non-executive Directors

Mr. Benny LUI

Mr. Oliver Yeung Kam LAI

Mr. CHAN Francis Ping Kuen

In accordance with Section 99 of the Company's Bye-Laws, Mr. Oliver Yeung Kam LAI and Mr. CHAN Francis Ping Kuen will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 31 December 2007, no share option was granted to directors under the Scheme.

As at 31 December 2007, none of the directors or chief executives of the Company or their associates had any interest and short position in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

At no time during the year was the Company a party to any arrangements to enable the directors or chief executives of the Company or any of their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following shareholders had an interest of 5% or more in the shares and underlying shares of the Company:

Name	Number of shares held	Percentage of total shares in issue as at 31 December 2007
Winsome Worldwide Limited (<i>note 1</i>)	22,275,000*	27.50%
SIU Kwan (<i>note 1</i>)	22,275,000#	27.50%
YAU Mei Han	14,051,250*	17.35%
Supreme Zone Investments Limited (<i>note 2</i>)	11,812,500*	14.58%
KEUNG Kwai Yung (<i>note 2</i>)	11,812,500#	14.58%

* Beneficial owner

Interest of controlled corporation

Notes:

- (1) The 22,275,000 shares were held by Winsome Worldwide Limited which was wholly owned by Ms. SIU Kwan. By virtue of the SFO, Ms. SIU Kwan was deemed to be interested in the 22,275,000 shares.
- (2) The 11,812,500 shares were held by Supreme Zone Investments Limited which was wholly owned by Ms. KEUNG Kwai Yung. By virtue of the SFO, Ms. KEUNG Kwai Yung was deemed to be interested in the 11,812,500 shares.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

All the interests disclosed above represent long position in the ordinary shares of the Company.

Save as disclosed above, no other person had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company neither purchased, sold nor redeemed any of its own listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions of pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Bye-Laws and there is no restriction against such rights under the laws of Bermuda.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Board, as at the date of this annual report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

AUDITOR

A resolution to re-appoint the retiring auditor, Messrs. RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

On behalf of the Board

Chan Chak Paul

Chairman

Hong Kong, 17 March 2008

CORPORATE GOVERNANCE REPORT

The Board has always valued transparency and accountability as the keys to achieve a high standard of corporate governance, and directors are committed to applying the principles and complying with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007.

THE BOARD

The Board is collectively responsible for the leadership, control and overall strategic development of the Company, as well as overseeing internal control and financial performance. The Board also makes investment decisions in accordance with the Company's investment objectives having given regard to the advice from the Investment Manager.

The Board comprises three Executive Directors and three Independent Non-executive Directors. More than one-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

Each of the Independent Non-executive Directors has made an annual confirmation of independence, and the Company considers that all of the Independent Non-executive Directors are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

Board meetings are scheduled to be held at about quarterly interval. The number of Board meetings and the attendance by each director during the year under review is set out below:

Name of Directors	Number of attendance/ Number of board meetings held
CHAN Chak Paul	23/23
NGAI Wah Sang	23/23
WANG Daming	6/23
Benny LUI	6/23
Oliver Yeung Kam LAI	6/23
CHAN Francis Ping Kuen	6/23

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company, Mr. CHAN Chak Paul, takes up the role of providing leadership for the Board, to ensure that the Board works effectively as well as discharges its responsibility. He also ensures that, with the assistance of the Company Secretary, good corporate governance practices are in force from time to time, and all key issues are discussed by the Board in a timely manner.

The Chief Executive Officer and Deputy Chairman of the Company, Mr. NGAI Wah Sang, is responsible for implementing the Company's investment strategies, and managing day-to-day business of the Company.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") comprises two Independent Non-executive Directors, Mr. Benny LUI and Mr. Oliver Yeung Kam LAI, and the Chairman of the Company, Mr. CHAN Chak Paul. Mr. CHAN also serves as the Chairman of the Committee. Two meetings were held during the year and all members of the Committee had attended the meetings.

The major roles and functions of the Committee as per the terms of reference are as follows:

- to make recommendations to the Board on the Company's policy and structure for the remuneration of the directors;
- to review and recommend the remuneration packages of all executive directors for approval by the Board; and
- to review and approve compensation payable to directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of director.

The Committee has every right to access professional advice relating to remuneration proposal if considered necessary.

NOMINATION OF DIRECTORS

Directors are responsible for identifying suitable qualified individual for directorship and making recommendation to the Board for consideration. The Board will identify and recommend the proposed candidate to the Board for approval of an appointment as a director based on certain criteria such as appropriate experience and personal skills that the nominated individual can bring into the Board, his or her capability to maintain and improve the competitiveness of the Company, and his or her ability to contribute to the Board in formulating the Company's policy and strategies, as well as effective ways of discharging the Board's responsibilities.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding directors' securities transactions.

Specific enquiry has been made of all the directors of the Company who have confirmed in writing their compliance with the required standards set out in the Code of Conduct during the year under review.

AUDITOR'S REMUNERATION

For the year ended 31 December 2007, the remuneration payable to the Company's external auditor is approximately HK\$180,000 for audit service and HK\$12,000 for tax compliance service.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has an Audit Committee comprising three Independent Non-executive Directors, Mr. Benny LUI, Mr. Oliver Yeung Kam LAI, and Mr. CHAN Francis Ping Kuen who is the Chairman of the Audit Committee. Two meetings were held during the year ended 31 December 2007 and all members of the Audit Committee had attended the meetings.

During the year, the Audit Committee had reviewed the Company's interim report for the six months ended 30 June 2007 and the annual report for the year ended 31 December 2006. The principal duties of the Audit Committee include:

- monitoring integrity of the Company's financial statements and reports;
- reviewing financial controls, internal controls, and risk management system; and
- reviewing the Company's financial and accounting policies and practices.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if necessary.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall responsibility for the system of internal controls and risk management of the Company and to review its effectiveness. During the year, the Board had reviewed the internal control process and ensured that it had been properly carried out in making investment or divestment decision with the Investment Manager; documents and records were properly maintained; and the investment or divestment was in compliance with relevant legislations and regulations.

During the year, the Company was exposed to market risk for its available-for-sale financial assets which included investments in unlisted companies, as the Company may not be able to liquidate such investments in time to meet its cashflow requirements. In response to this situation, the Board has maintained a portfolio of listed securities and relatively strong cash position.

The portfolio of listed securities, classified as financial assets at fair value through profit and loss in the balance sheet, may be exposed to market price risk. The Board will continue to monitor the portfolio with an aim to reduce such risk by diversification.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. The Directors ensure that the financial statements for the year ended 31 December 2007 were prepared in accordance with statutory requirements and applicable accounting standards, and will ensure that the publication of which will be in a timely manner.

INDEPENDENT AUDITOR'S REPORT**RSM! Nelson Wheeler****羅 申 美 會 計 師 行**

Certified Public Accountants

29/F Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong**TO THE SHAREHOLDERS OF
EARNEST INVESTMENTS HOLDINGS LIMITED***(Continued into Bermuda with limited liability)*

We have audited the financial statements of Earnest Investments Holdings Limited (the "Company") set out on pages 17 to 42, which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and 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 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 (the "HKICPA") 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.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S 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, in accordance with section 90 of the Companies Act 1981 of Bermuda 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 HKICPA. 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 auditor's 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 auditor considers 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2007 and of its results 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.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

17 March 2008

INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK\$	2006 HK\$
Turnover	6	23,433,835	198,691
Cost of sales		(4,598,100)	(73,000)
Gross profit		18,835,735	125,691
Net unrealised holding gains/(losses) from financial assets at fair value through profit or loss		97,497,670	(265,530)
Impairment of available-for-sale financial assets		(2,700,000)	–
Administrative and other operating expenses		(2,118,024)	(2,434,842)
Profit/(loss) before tax		111,515,381	(2,574,681)
Income tax expense	8	(14,371,265)	–
Profit/(loss) for the year attributable to equity holders of the Company	9	97,144,116	(2,574,681)
Earnings/(loss) per share			
Basic	11	1.199	(0.038)

BALANCE SHEET

At 31 December 2007

	Notes	2007 HK\$	2006 HK\$
Non-current assets			
Property, plant and equipment	12	–	–
Available-for-sale financial assets	13	11,800,000	14,500,000
		11,800,000	14,500,000
Current assets			
Financial assets at fair value through profit or loss	14	124,336,070	9,911,820
Prepayments, deposits and other receivables		63,149	203,630
Bank and cash balances		7,057,430	7,046,738
		131,456,649	17,162,188
Current liabilities			
Accruals and other payables		261,801	182,721
Net current assets			
		131,194,848	16,979,467
Total assets less current liabilities			
		142,994,848	31,479,467
Non-current liabilities			
Deferred tax liabilities	15	14,371,265	–
NET ASSETS			
		128,623,583	31,479,467
Capital and reserves attributable to equity holders of the Company			
Share capital	16	1,620,000	1,620,000
Reserves	18	127,003,583	29,859,467
TOTAL EQUITY			
		128,623,583	31,479,467
Net asset value per share			
	19	1.59	0.39

CHAN Chak Paul
Executive director

WANG Daming
Executive director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital HK\$ (note 16)	Share premium account HK\$ (notes 16 and 18)	Contributed surplus account HK\$ (notes 16 and 18)	(Accumulated losses)/Retained profits HK\$	Total equity HK\$
At 1 January 2006	7,200,000	50,294,617	–	(30,640,469)	26,854,148
Loss for the year and total recognised income and expense for the year	–	–	–	(2,574,681)	(2,574,681)
Capital reduction	(7,020,000)	–	7,020,000	–	–
Share premium cancellation	–	(50,294,617)	50,294,617	–	–
Credit transfer	–	–	(29,274,606)	29,274,606	–
Issue of open offer shares	1,440,000	5,760,000	–	–	7,200,000
At 31 December 2006	1,620,000	5,760,000	28,040,011	(3,940,544)	31,479,467
Profit for the year and total recognised income and expense for the year	–	–	–	97,144,116	97,144,116
At 31 December 2007	1,620,000	5,760,000	28,040,011	93,203,572	128,623,583

CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007	2006
	HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	111,515,381	(2,574,681)
Adjustments for:		
Depreciation	-	4,612
Net unrealised holding (gains)/losses from financial assets at fair value through profit or loss	(97,497,670)	265,530
Impairment of available-for-sale financial assets	2,700,000	-
Realised gains on disposals of financial assets at fair value through profit or loss	(18,398,210)	(20,400)
Operating loss before working capital changes	(1,680,499)	(2,324,939)
Decrease/(increase) in prepayments, deposits and other receivables	140,481	(203,422)
Increase/(decrease) in accruals and other payables	79,080	(150,950)
Purchase of financial assets at fair value through profit or loss	(21,524,680)	(8,240,300)
Proceeds from disposals of financial assets at fair value through profit or loss	22,996,310	93,400
Net cash generated from/(used in) operating activities	10,692	(10,826,211)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	7,200,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,692	(3,626,211)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	7,046,738	10,672,949
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		
Representing bank and cash balances	7,057,430	7,046,738

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. CORPORATE INFORMATION

The Company changed its domicile from the Cayman Islands to Bermuda with effect from 6 January 2006 by way of discontinuation in the Cayman Islands and continuation as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business is Units 801-802, 8/F., Ginza Square, 565-567 Nathan Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment in and trading of listed and unlisted investments.

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

In the current year, the Company has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Company's accounting policies and amounts reported for the current year and prior years.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(b) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at a rate sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis at 25% per annum.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Company transfers substantially all the risks and rewards of ownership of the assets; or the Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

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

(d) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

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

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(e) Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents.

(g) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(h) Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Equity instruments

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

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

- (i) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholders' rights to receive payment are established;
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method.
- (iii) Proceeds from disposal of investments, listed and unlisted, are recognised on the trade date when a sale and purchase contract is entered into.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

(k) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

(l) Related parties

A party is related to the Company if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Company; has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company 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 Company, or of any entity that is a related party of the Company.

(m) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

(m) Impairment of assets (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a present legal or constructive obligation arising as a result of a past event, 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 expenditures expected to settle the obligation.

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 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 is remote.

(o) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Available-for-sale financial assets

The Company's investments in unlisted securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any impairment losses.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of available-for-sale financial assets

The directors estimate the fair value of the Company's available-for-sale financial assets. An impairment loss of HK\$2,700,000 was made during the year, details of which are set out in note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

5. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: price risk, credit risk, liquidity risk and interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Price risk

The Company's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Company is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2007, if the quoted market price of the Company's listed securities had been 10% higher/lower, then profit (2006: loss) after tax for the year would have been HK\$10,382,062 (2006: HK\$991,182) higher/lower, the effect of which will be classified as unrealised holding gains/losses from financial assets at fair value through profit or loss.

As at the date of approval of these financial statements, the unrealised holding losses from financial assets at fair value through profit or loss held as at 31 December 2007 amounted to HK\$56,404,830.

(b) Credit risk

The Company has no significant concentrations of credit risk.

(c) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Interest rate risk

The Company's exposure to interest-rate risk arises from its bank deposit. This deposit bears interest at variable rates varied with the then prevailing market condition.

(e) Fair values

The carrying amounts of the Company's financial assets and financial liabilities as reflected in the balance sheet approximate their respective fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

6. TURNOVER

	2007	2006
	HK\$	HK\$
Dividend income	62,974	9,580
Proceeds from disposals of financial assets at fair value through profit or loss	22,996,310	93,400
Bank interest income	374,551	95,711
	23,433,835	198,691

No segment information is presented as all of the turnover and revenue, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong and the People's Republic of China (the "PRC").

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director for the year ended 31 December 2007 were as follows:

	Fees	
	2007	2006
	HK\$	HK\$
Executive directors		
Mr. CHAN Chak Paul	57,600	57,600
Mr. NGAI Wah Sang	57,600	57,600
Mr. WANG Daming	57,600	57,600
Independent Non-executive directors		
Mr. Benny LUI	57,600	57,600
Mr. Oliver Yeung Kam LAI	57,600	57,600
Mr. CHAN Francis Ping Kuen	57,600	57,600
	345,600	345,600

During the year, there was no arrangement under which a director waived or agreed to waive any emoluments. No emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office.

The Company did not employ any employee other than the directors of the Company for the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

8. INCOME TAX EXPENSE

	2007	2006
	HK\$	HK\$
Current tax-Hong Kong Profits Tax		
Provision for the year	–	–
Deferred tax (note 15)	14,371,265	–
	14,371,265	–

No provision for Hong Kong Profits Tax has been made as the Company has no assessable profit for the year (2006: Nil).

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2007	2006
	HK\$	HK\$
Profit/(loss) before tax	111,515,381	(2,574,681)
Tax at 17.5% (2006: 17.5%)	19,515,192	(450,569)
Tax effect of income that is not taxable	(76,566)	(1,673)
Tax effect of expenses that are not deductible	472,500	98,219
Tax effect of other temporary differences not recognised	(1,533)	(1,108)
Tax effect of utilisation of tax losses not previously recognised	(4,667,342)	–
Tax effect of tax losses not recognised	–	355,131
Tax effect of temporary differences arising from the change in Hong Kong Profits Tax rate from 17.5% to 16.5% for the year of assessment 2008/2009	(870,986)	–
Income tax expense	14,371,265	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

9. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Company's profit/(loss) for the year attributable to equity holders of the Company is stated after charging/(crediting) the followings:

	2007	2006
	HK\$	HK\$
Auditor's remuneration	180,000	170,000
Total staff costs (note 7)	345,600	345,600
Depreciation	–	4,612
Realised gains on disposals of financial assets at fair value through profit or loss	(18,398,210)	(20,400)
Investment management fee	360,000	360,000

10. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2007 (2006: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of HK\$97,144,116 (2006: loss of HK\$2,574,681) and the weighted average number of ordinary shares of 81,000,000 (2006: 67,680,370) in issue during the year.

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary shares during two years ended 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$
Cost	
At 1 January 2006 and 31 December 2006 and 2007	55,340
Accumulated depreciation	
At 1 January 2006	50,728
Charge for the year	4,612
At 31 December 2006 and 2007	55,340
Carrying amount	
At 31 December 2007	–
At 31 December 2006	–

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007 HK\$	2006 HK\$
Unlisted securities, at cost		
Equity securities–Hong Kong	4,000,000	4,000,000
Equity securities–outside Hong Kong	10,500,000	10,500,000
	14,500,000	14,500,000
Less: Impairment	(2,700,000)	–
	11,800,000	14,500,000

The unlisted securities are stated at cost as they do not have a quoted market price in an active market and their fair values cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

In the absence of quoted market price in an active market, the directors estimate the fair value of the Company's investment in 北京大明潤誠投資顧問有限公司 ("北京大明潤誠") by considering information from a variety of sources, including the latest management financial information and the performance of 北京大明潤誠. Due to the changes in market condition of the business of 北京大明潤誠, an impairment of HK\$2,700,000 was made against the investment in 北京大明潤誠 during the year.

Particulars of the Company's available-for-sale financial assets as at 31 December 2007 are as follows:

Name of investee company	Place of incorporation	Particulars of issued shares/ registered capital	Proportion of investee's capital owned	Principal activities	Cost HK\$	Impairment loss HK\$	Carrying amount HK\$	Dividend	Dividend cover	Net assets
								income received during the year HK\$		attributable to the Company HK\$
北京大明潤誠 (a)&(b)	PRC	RMB2,000,000	25.5%	Provision of investment and business management consulting services	5,500,000	(2,700,000)	2,800,000	-	N/A	5,236,280
Artronic Productions (Australia) Pty Limited (c)	Australia	100 ordinary shares of AUD1 each	15%	Manufacturing and trading of printed circuit board	5,000,000	-	5,000,000	-	N/A	1,565,908
Ocean Pharmaceutical (HK) Limited (a)&(d)	Hong Kong	1,000 ordinary shares of HK\$1 each	20%	Sourcing and trading of pharmaceutical products	4,000,000	-	4,000,000	-	N/A	1,025,259
					14,500,000	(2,700,000)	11,800,000			

- (a) The Company's investments in 北京大明潤誠 and Ocean Pharmaceutical (HK) Limited with attributable equity interests held between 20% to 25.5% are classified as available-for-sale financial assets. These companies are not treated as associates because the Company is not in a position to exercise any significant influence over the financial and operating policies of these companies or to participate in their operations.
- (b) The Company's investment in 北京大明潤誠 is held through two intermediate holding companies which act as investment vehicles for the sole purpose of investing in 北京大明潤誠. These intermediate holding companies have no other activities.
- (c) The Company's investment in Artronic Productions (Australia) Pty Limited is held through two intermediate holding companies which act as investment vehicles for the sole purpose of investing in Artronic Productions (Australia) Pty Limited. These intermediate holding companies have no other activities.
- (d) The Company's investment in Ocean Pharmaceutical (HK) Limited is held through an intermediate holding company which act as an investment vehicle for the sole purpose of investing in Ocean Pharmaceutical (HK) Limited. This intermediate holding company has no other activities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 HK\$	2006 HK\$
Held for trading:		
Equity securities listed in Hong Kong, at cost	29,899,957	15,179,499
Net unrealised holding gains/(losses)	94,436,113	(5,267,679)
Fair value as at 31 December	124,336,070	9,911,820

The fair values of the listed securities are based on quoted market prices.

Particulars of the Company's financial assets at fair value through profit or loss as at 31 December 2007 are as follows:

Equity securities listed on the Stock Exchange:

Name of investee company	Place of incorporation	Number of shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Unrealised holding gains/(losses) HK\$	Dividend income received during the year HK\$	Dividend cover	Net assets attributable to the Company HK\$
(a) APAC Resources Limited ("APAC Resources")	Bermuda	220,000	Less than 1%	363,400	316,800	(46,600)	-	N/A	63,662
(b) Sinocop Resources Holdings Limited ("Sinocop Resources") (formerly known as China Elegance Holdings Limited)	Bermuda	54,375,000	4.3%	6,233,372	108,206,250	101,972,878	-	N/A	6,003,174
(c) New Times Group Holdings Limited ("New Times Group")	Bermuda	13,000,000	1.7%	20,150,000	10,920,000	(9,230,000)	-	N/A	3,839,627
(d) Shougang Concord International Enterprises Company Limited ("Shougang International")	Hong Kong	74,000	Less than 1%	46,620	236,060	189,440	24,570	52.7%	38,228
(e) Shougang Concord Century Holdings Limited ("Shougang Century")	Hong Kong	4,312,000	Less than 1%	3,106,565	4,656,960	1,550,395	36,740	1.2%	3,120,574
				29,899,957	124,336,070	94,436,113			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

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

A brief description of the business and financial information of the listed investee companies, based on their published annual and interim reports, is as follows:

- (a) APAC Resources is principally engaged in (i) trading in base metals and commodities trading portfolio primarily focused on natural resources and related sectors; and (ii) trading in fabric products and other merchandises with investment in the resources and related industries and listed securities as trading portfolio. The audited consolidated profit attributable to equity holders of APAC Resources for the year ended 31 December 2006 was approximately HK\$24,982,000. As at 31 December 2006, the audited consolidated net asset value attributable to equity holders of APAC Resources was approximately HK\$129,976,000. The unaudited consolidated profit attributable to equity holders of APAC Resources for the six months ended 30 June 2007 was approximately HK\$142,137,000. As at 30 June 2007, the unaudited consolidated net asset value attributable to equity holders of APAC Resources was approximately HK\$1,367,670,000.
- (b) Sinocop Resources is principally engaged in investment holding, metals and minerals trading, and the manufacturing, trading and distribution of consumer products. The audited consolidated loss attributable to equity holders of Sinocop Resources for the year ended 31 March 2007 was approximately HK\$14,440,000 (2006: HK\$11,043,000). As at 31 March 2007, the audited consolidated net asset value attributable to equity holders of Sinocop Resources was approximately HK\$21,544,000 (2006: HK\$25,428,000). The unaudited consolidated loss attributable to equity holders of Sinocop Resources for the six months ended 30 September 2007 was approximately HK\$25,073,000 (2006: HK\$6,345,000). As at 30 September 2007, the unaudited consolidated net asset value attributable to equity holders of Sinocop Resources was approximately HK\$138,920,000 (2006: HK\$27,041,000).
- (c) New Times Group is principally engaged in the business of zinc core concentrate and zinc ingots trading, property investments and development. The audited consolidated loss attributable to equity holders of New Times Group for the nine months ended 31 December 2006 was approximately HK\$26,117,000. As at 31 December 2006, the audited consolidated net asset value attributable to equity holders of New Times Group was approximately HK\$144,279,000. The unaudited consolidated loss attributable to equity holders of New Times Group for the six months ended 30 June 2007 was approximately HK\$14,084,000. As at 30 June 2007, the unaudited consolidated net asset value attributable to equity holders of New Times Group was approximately HK\$229,680,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

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

- (d) Shougang International is principally engaged in manufacturing, sale and trading of steel products, manufacturing and installation of kitchen and laundry equipment, shipping, and electricity generation. The audited consolidated profit attributable to equity holders of Shougang International for the year ended 31 December 2006 was approximately HK\$221,618,000. As at 31 December 2006, the audited consolidated net asset value attributable to equity holders of Shougang International was approximately HK\$2,943,594,000. The unaudited consolidated profit attributable to equity holders of Shougang International for the six months ended 30 June 2007 was approximately HK\$464,673,000 (2006: HK\$84,246,000). As at 30 June 2007, the unaudited consolidated net asset value attributable to equity holders of Shougang International was approximately HK\$3,611,346,000 (2006: HK\$2,786,715,000).
- (e) Shougang Century is principally engaged in processing and trading of copper and brass products, manufacturing of steel cords, property development and investment, provision of management and information technology services. The audited consolidated profit attributable to equity holders of Shougang Century for the year ended 31 December 2006 was approximately HK\$76,031,000. As at 31 December 2006, the audited consolidated net asset value attributable to equity holders of Shougang Century was approximately HK\$957,354,000. The unaudited consolidated profit attributable to equity holders of Shougang Century for the six months ended 30 June 2007 was approximately HK\$24,004,000 (2006: HK\$44,707,000). As at 30 June 2007, the unaudited consolidated net asset value attributable to equity holders of Shougang Century was approximately HK\$1,001,845,000 (2006: HK\$745,106,000).

15. DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognised by the Company in relation to unrealised holding gains on financial assets at fair value through profit or loss as follows:

	2007	2006
	HK\$	HK\$
At 1 January	–	–
Charge to income statement for the year (<i>note 8</i>)	14,371,265	–
At 31 December	14,371,265	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

16. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.02 each		
At 1 January 2006	1,000,000,000	20,000,000
Share Consolidation (note (a)(i))	(975,000,000)	–
Capital Reduction (note (a)(ii)) and Share Sub-division (note (a)(iii))	975,000,000	–
At 31 December 2006 and 2007	1,000,000,000	20,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2006	360,000,000	7,200,000
Share Consolidation (note (a)(i))	(351,000,000)	–
Capital Reduction (note (a)(ii))	–	(7,020,000)
Open Offer (note (b))	72,000,000	1,440,000
At 31 December 2006 and 2007	81,000,000	1,620,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

16. SHARE CAPITAL (CONTINUED)

Notes:

- (a) On 12 October 2005, the Company announced to propose a capital reorganisation (the "Capital Reorganisation") which involved:
- (i) consolidating every 40 existing shares of HK\$0.02 each into one consolidated share ("Consolidated Shares") of HK\$0.8 each ("Share Consolidation");
 - (ii) reducing the nominal value of the then issued Consolidated Shares from HK\$0.8 to HK\$0.02 each by cancelling the paid up capital to the extent of HK\$0.78 on each of the then issued Consolidated Shares (the "Capital Reduction") with a credit of approximately HK\$7,020,000 arising from the Capital Reduction be transferred to the contributed surplus account;
 - (iii) sub-dividing each authorised but unissued Consolidated Share (including the authorised but unissued Consolidated Shares arising from the Capital Reduction) into 40 adjusted shares ("Adjusted Shares") of HK\$0.02 each ("Share Sub-division");
 - (iv) cancelling the entire amount standing to the credit of the share premium account of the Company as at 30 June 2005 (the "Share Premium Cancellation") and crediting the credit of approximately HK\$50,295,000 arising from the Share Premium Cancellation to the contributed surplus account; and
 - (v) Offsetting the aggregate amount credited to the contributed surplus account arising from Capital Reduction and Share Premium Cancellation against the accumulated losses of the Company as at 30 June 2005.

After the Capital Reorganisation had become effective on 2 February 2006, the Company's authorised share capital remains at HK\$20,000,000 but is now divided into 1,000,000,000 Adjusted Shares of HK\$0.02 each and the Company's issued share capital was reduced to HK\$180,000 represented by 9,000,000 Adjusted Shares.

- (b) On 12 October 2005, the Company also proposed an open offer of 72,000,000 offer shares at HK\$0.1 per offer share on the basis of eight offer shares for every Adjusted Share held by the qualifying shareholders on the record date (the "Open Offer"). The Open Offer was approved by an ordinary resolution passed on a special general meeting held on 9 January 2006, and completed on 15 March 2006. After the completion of the Open Offer, the Company's issued share capital and share premium account were increased by HK\$1,440,000 and HK\$5,760,000 respectively.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

17. SHARE OPTIONS

During the two years ended 31 December 2007, no option was granted, exercised or cancelled under the share option scheme of the Company. There were no outstanding share options as at 31 December 2007 (2006: Nil).

18. RESERVES

The amounts of the Company's reserves and the movements therein for the two years ended 31 December 2007 are presented in the statement of changes in equity.

Nature and purpose of reserves

(a) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(b) Contributed surplus account

The contributed surplus account arose in the previous year represented the net effect of the Capital Reduction, the Share Premium Cancellation and the elimination of accumulated losses of the Company.

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

19. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Company as at 31 December 2007 of HK\$128,623,583 (2006: HK\$31,479,467) and the number of ordinary shares of 81,000,000 (2006: 81,000,000) in issue as at that date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. Unrealised holding gains/(losses) from financial assets at fair value through profit or loss are presented on the face of the income statement as the directors consider the new presentation is more appropriate to the financial statements of the Company for the current year.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 17 March 2008.