Wonson International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 651)

2006

Annual Report

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chiu Kong — *Chairman*

Mr. Hui Richard Rui — *Deputy Chairman*

Ms. Cheung Sze Man

Mr. Tang Chi Ming

Mr. Tsui Ching Hung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ling, Eva

Mr. Chan Sek Nin Jackey

Mr. Sin Chi Fai

COMPANY SECRETARY

Mr. Chow Kim Hang

AUDITORS

Deloitte Touche Tohmatsu

35th Floor

One Pacific Place

88 Queensway

Hong Kong

PRINCIPAL BANKERS

Hongkong & Shanghai Banking Corporation Limited

Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 4504-5, 45th Floor

China Resources Building

26 Harbour Road

Hong Kong

SHARE REGISTRARS

The Bank of Bermuda Limited

Bank of Bermuda Building

6 Front Street

Hamilton HM11

Bermuda

BRANCH REGISTRARS IN HONG KONG

Abacus Share Registrars Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

Chairman's Statement

For the financial year ended 2006, the Company and its subsidiaries (the "Group") recorded a net loss of approximately HK$61.79 million. Further details of the Group's past performance are explained under the "Management Discussion and Analysis" section. The Board of Directors does not recommend the payment of any final dividend for the year ended 31 December 2006.

I would like to take this opportunity to express my appreciation to all management and staff members for their contribution during the past year.

Chiu Kong
Chairman

Hong Kong, 25 April 2007

Management Discussion and Analysis

The Group's revenue for the year 2006 decreased by approximately 21% to approximately HK$8.35 million. The Group's metal trading business has been tough and it accounted for about HK$5.88 million of revenue. Investments in securities yielded about HK$2.47 million dividend income but fair value changes on investments held for trading recorded a loss of about HK$21.18 million as the market has been quite volatile. Other income increased by approximately HK$1.41 million mainly because of the increase in interest income from bank deposits and loan to an investee company. Administrative expenses has dramatically decreased since no share options have been granted during the year 2006 as opposed to the year 2005. In view of the recurring losses incurred by Found Macau Investments International Limited ("Found Macau"), the Group reviewed the carrying amounts of available-for-sale investment and the loan to Found Macau based on the expected recoverable amount and had made full impairment losses on them. During the year 2006, the Group has also disposed subsidiaries of which investments mainly include the Group's jointly controlled entities and recorded a total gain of about HK$7 million. Finance costs decreased as there was no expense related to convertible notes as opposed to the year 2005. Overall, net loss for the year 2006 increased by approximately HK$10.08 million to approximately HK$61.79 million.

Looking forward, although the interest rate has stopped rising for the moment, we are still uncertain on its trend and there also have risks that the economy may experience correction in future, thus the market for the year 2007 may continue to be challenging. The Group tends to remain cautious on the performance of its securities investment operation and also its trading business.

As at 31 December 2006, the Group had cash and bank balances of approximately HK$10.20 million and investments held for trading at market value of approximately HK$136.43 million. As at 31 December 2006, the Group had no loans or borrowings outstanding. The Group employed about twenty staff as at the year end. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits. Total staff costs for the year 2006 was around HK$12.05 million. No share options have been granted during the year, and as at 31 December 2006 no share options granted were outstanding. During the year, the unused net proceeds from the rights issue in 2005 has been utilized for general working capital purposes for the Group including, among other things, securities trading operations.

On 19 January 2006, the Company announced the proposed reorganization of share capital of which included consolidation of shares of the Company on the basis of consolidating 5 shares into 1 consolidated share. Details of which have been disclosed in the Company announcement dated 19 January 2006 and circular dated 7 February 2006. The proposed reorganization of the share capital was approved by shareholders on 3 March 2006 and became effective on 6 March 2006.

Subsequent to 31 December 2006, the Company entered into an underwriting agreement with a placing agent on 15 March 2007 for the placement of 100,000,000 new shares of the Company at HK$0.16 per share. On the same date, the Company also entered into placing agreements with the same placing agent on a best-efforts basis for placement of up to a maximum of 500,000,000 new shares of the Company at HK$0.16 per share and convertible notes with principal amount of not more than HK$150,000,000. Details of these placings have been disclosed in the Company's announcement dated 22 March 2007 and circular dated 11 April 2007.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has recognized the importance of transparency and accountability, and believes that shareholders can benefited from good corporate governance. The Company aims to achieve good standard of corporate governance, and thus during the year the Company has complied with most of the code provisions ("Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Any deviation from the Code Provisions will be explained in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2006.

Code Provision A.5.4 also requires written guidelines (the "Written Guidelines") should be established on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the Company. Written Guidelines were established in 2005.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises eight Directors, of which five are executive Directors namely Mr. Chiu Kong (Chairman), Mr. Hui Richard Rui (Deputy Chairman), Ms. Cheung Sze Man, Mr. Tang Chi Ming and Mr. Tsui Ching Hung, and three are independent non-executive Directors namely Ms. Chan Ling, Eva, Mr. Chan Sek Nin Jackey and Mr. Sin Chi Fai. The three independent non-executive Directors have extensive experiences. One of the independent non-executive Directors has professional accounting qualification, which is in compliance with the requirement of the Listing Rules. Biographical details of Directors are disclosed on page 13 to 14 of this Annual Report.

Corporate Governance Report (Continued)

The attendance of Directors of 16 board meetings held in 2006 is as follows:

Name	Attended
Executive Directors	
Chiu Kong	1
Hui Richard Rui	16
Cheung Sze Man *	—
Chung Nai Ting **	7
Tse Lanny Cheuk Ming **	9
Tsui Ching Hung	15
Independent non-executive Directors	
Chan Sze Hung **	3
Miu Frank H. **	3
Sin Chi Fai *	—
Tong Wui Tung **	1

* *appointed in November 2006*

** *resigned*

The Board is responsible for the leadership and control of the Company and oversees the Group's strategic decisions, business and performances. The Management was delegated the authority and responsibility by the Board for the management and administration of the Group.

Each of our independent non-executive Directors in 2006 has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered that all of the independent non-executive Directors in 2006 to be independent.

None of the Directors has any financial, business, family or other material / relevant relationship(s) with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and chief executive officer of the Company is Mr. Chiu Kong. This deviates from Code Provision A.2.1 which stipulates that the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chiu Kong is primarily responsible for the leadership of the Board and overall management of the Company. The Company considers that currently vesting the roles of both Chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of business strategies.

NON-EXECUTIVE DIRECTORS

Although non-executive directors are subject to retirement by rotation at the Company's annual general meeting as specified by the Company's bye-laws, they are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. The Company is currently re-considering the requirement of setting and determining the term of appointment for each non-executive director.

REMUNERATION OF DIRECTORS

Code Provision B.1.1 requires setting up of the remuneration committee. The Company has deviated from the requirement and the remuneration committee has not been set up yet. The Company is in the process of establishing a remuneration committee as more time is needed before all details including the composition and terms of reference are determined.

The Directors are remunerated with reference to their responsibility with the Company, their qualifications, experiences and past remuneration, the Company's performance and current market situation. One broad meeting was held during the year to discuss remuneration related matters of new directors in which Hui Richard Rui, Tsui Ching Hung and Chung Nai Ting attended the meeting.

NOMINATION OF DIRECTORS

The nomination of directors should take into consideration of the nominee's qualification, experience, ability and potential contributions to the Company. One meeting was held during the year to discuss appointment of new directors in which Hui Richard Rui, Tsui Ching Hung and Chung Nai Ting attended the meeting. The Company is currently considering the feasibility of setting up a nomination committee.

Code Provision A.4.2 requires every director should be subject to retirement by rotation at least once every three years. The Company had amended the bye-laws of the Company to comply with this Code Provision at the annual general meeting of the Company on 30 June 2006.

AUDITORS' REMUNERATION

During the year 2006, fees paid to the Company's external auditors for non-audit related activities amounted to approximately HK$265,000 which covers review of interim results in the amount of approximately HK$200,000 and taxation services of approximately HK$65,000.

Audit fees for the year 2006 is approximately HK$945,000.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee is composed of three independent non-executive Directors namely Ms. Chan Ling, Eva, (Chairman of the Committee), Mr. Chan Sek Nin Jackey and Mr. Sin Chi Fai. One of the members possesses appropriate professional accounting qualification as required. Code Provision C.3.3 requires the terms of reference of the audit committee should include certain minimum duties. In 2005, the terms of reference of the audit committee were revised to include all the duties set out in the Code Provision C.3.3 of which among other things include reviewing financial statements of the Company. Any findings and recommendations of the Audit Committee are to be submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

The members and attendance of the 2 audit committees in 2006 are as follows:

Name	Attended
Chan Sze Hung **	2
Miu Frank H. **	2
Sin Chi Fai *	–
Tong Wui Tung **	2

* *appointed in November 2006*

** *resigned*

During these meetings, the Audit Committee reviewed reports from external auditors regarding their audit on annual financial statements and review on interim financial results.

OTHERS

The Directors are responsible for the preparation of financial statements. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. Also, the internal control system of the Group has also been reviewed during the year.

Code Provision E.1.2 requires the chairman of the board to attend the annual general meeting of the Company. Mr. Chiu Kong did not attend the 2006 annual general meeting as he was not in Hong Kong on that day.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on page 18 to 19 of this Annual Report.

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries and associate are set out in notes 30 and 31 to the consolidated financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 20.

The directors do not recommend the payment of a dividend.

The Company did not have any reserves available for distribution.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in share capital of the Company are set out in note 21 to the consolidated financial statements.

DIRECTORS

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

Executive directors:

Mr. Chiu Kong - Chairman	
Mr. Hui Richard Rui - Deputy Chairman	
Mr. Tsui Ching Hung	
Ms. Cheung Sze Man	(appointed on 1 November 2006)
Mr. Tang Chi Ming	(appointed on 9 March 2007)
Mr. Chung Nai Ting	(resigned on 9 March 2007)
Mr. Tse Lanny Cheuk Ming	(resigned on 9 March 2007)

Independent non-executive directors:

Mr. Sin Chi Fai	(appointed on 1 November 2006)
Ms. Chan Ling, Eva	(appointed on 9 March 2007)
Mr. Chan Sek Nin Jackey	(appointed on 12 April 2007)
Mr. Tong Wui Tung	(resigned on 1 November 2006)
Mr. Chan Sze Hung	(resigned on 9 March 2007)
Mr. Miu Frank H.	(resigned on 12 April 2007)

In accordance with Clause 86(2) of the Company's Bye-laws, Ms. Chan Ling, Eva, Mr. Chan Sek Nin Jackey, Ms. Cheung Sze Man, Mr. Sin Chi Fai and Mr. Tang Chi Ming retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Clause 87 of the Company's Bye-laws, Mr. Chiu Kong retires by rotation and is eligible for re-election at the forthcoming annual general meeting.

All of the remaining directors continue in office.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors as at the date of this report are set out below:

Executive Directors

Mr. Chiu Kong, aged 49, was appointed as director of the Company in July 1999. Mr. Chiu is the chairman of the Company. He has over 15 years of experience in import and export trading, and business development. Before joining the Group, Mr. Chiu had worked for various trading and engineering companies. He is responsible for the Group's overall management and business development.

Mr. Hui Richard Rui, age 39, was appointed as director of the Company in September 2004. Mr. Hui is the deputy chairman of the Company. He graduated from University of Technology, Sydney of Australia with a bachelor degree in mechanical engineering. Prior to joining the Group, he has over 10 years of experience in management positions of companies in Australia, Hong Kong and the People's Republic of China.

Ms. Cheung Sze Man, aged 36, was appointed as director of the Company in November 2006. She holds a Bachelor of Commerce degree and a Bachelor of Arts degree from the University of Auckland in New Zealand, and is a member of both the Hong Kong Institute of Certified Public Accountants and CPA Australia. Ms. Cheung has accumulated audit experience in an international accounting firm and has diverse experience in corporate finance, accounting and human resource management by holding senior positions in private and public listed companies. Prior to joining the Company, she has held directorship in Hong Kong and overseas public listed companies.

Mr. Tang Chi Ming, aged 34, was appointed as director of the Company in March 2007. He holds a Bachelor of Science degree in Business Administration from the Salem International University, the United States of America. Mr. Tang has developed considerable experience in corporate management, information technology consulting, property and securities investments by serving key position and directorship in private enterprises.

Mr. Tsui Ching Hung, aged 53, was appointed as director of the Company in November 1999. He holds a Master of Science degree in Polymer Science and a Master of Business Administration degree obtained from the University of Aston and University of Warwick in the United Kingdom respectively. He has over 10 years of experience in senior management positions of several multinational corporations in Hong Kong.

Independent Non-executive Directors

Ms. Chan Ling, Eva, aged 41, was appointed as director of the Company in March 2007. She has 19 years of experience in auditing, accounting and finance in both international accounting firms and listed companies. She is a member of the Institute of Chartered Accountants in Australia, a fellow member of the Association of Chartered Certified Accountants and also a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan Sek Nin Jackey, aged 50, was appointed as director of the Company in April 2007. He obtained a Diploma in Economics from the Lingnan University in Hong Kong. Mr. Chan is presently holding the capacity of chief operating officer in TVB Pay Vision Limited and has over 15 years of solid experience in sales and marketing in connection with the media industry by holding senior positions in TVB. He also has extensive experience in property development, project management and strategic alliance management by holding senior positions in other private and public listed companies.

Mr. Sin Chi Fai, aged 47, was appointed as director of the Company in November 2006. He obtained a diploma in banking from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Sin is a director and shareholder of a company engaged in the distribution of data storage media and computer related products to Asian countries. He has over 10 years experience in banking field and has over 10 years sales and marketing experience in information technology industries.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2006, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Name of director	Type of interest	Number of shares	Percentage of issued share capital of the Company
Mr. Chiu Kong	Personal	40,000	0.01%
Mr. Hui Richard Rui	Personal	1,050,000	0.2%

The interest stated above represented long positions in the shares of the Company as at 31 December 2006.

Except as disclosed above, as at 31 December 2006, none of the directors and chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required (a) to be recorded in the register required to be kept under Section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 31 December 2006, there were no share options outstanding under the Company's share option scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than disclosed in note 23 to the consolidated financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or its subsidiaries, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the following persons, not being a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register (the "Register") maintained by the Company pursuant to Section 336 of the SFO:

Name	**Number of shares interested**	**Approximate shareholding as at 31 December 2006**
Unity Investments Holdings Limited	38,293,600	7.20%
Radford Capital Investment Limited	27,971,280	5.26%
Willie International Holdings Limited	34,163,360	6.43%

The interest stated above represented long positions in the shares of the Company as at 31 December 2006.

Other than as disclosed above, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company as at 31 December 2006.

SHARE OPTIONS, CONVERTIBLE NOTE PAYABLE OR SIMILAR RIGHTS

The Company had no outstanding share options issued, convertible securities or other similar rights as at 31 December 2006.

EMOLUMENT POLICY

The emolument policy of the employee of the Company is set up by the executive directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Board of Directors, having regard to their responsibility to the Company, their qualifications, experiences and past remuneration, the Company's performance and current market situation.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 23 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of purchase attributable to the Group's largest supplier and five largest suppliers taken together accounted for 84% and 100%, respectively, of the Group's total purchase for the year.

The aggregate amount of turnover attributable to the Group's largest customer and five largest customers taken together accounted for 89% and 100%, respectively of the Group's total turnover for the year.

None of the directors, their associates or shareholders of the Company (which to the knowledge of the directors own more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest supplier and customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2006 with most of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules. Further information on the Company's corporate governance practice including any deviations from the Code is set out in the Corporate Governance Report on pages 6 to 10.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 29 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chiu Kong
Chairman

Hong Kong, 25 April 2007

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF WONSON INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wonson International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 57, which comprise the consolidated balance sheet 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 controls relevant to the preparation and the true and fair presentation of the consolidated 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, 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 consolidated financial statements are free from material misstatement.

Independent Auditor's Report (Continued)

TO THE MEMBERS OF WONSON INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Group's preparation and true and fair presentation of the consolidated 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 Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2006 and of its 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 April 2007

Consolidated Income Statement

For the year ended 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
Revenue	5	**8,354**	10,612
Cost of sales		**(5,385)**	(9,534)
		2,969	1,078
Other income	6	**2,778**	1,367
Administrative expenses	7	**(21,229)**	(36,092)
Fair value changes on investments held for trading		**(21,184)**	(16,500)
Impairment loss on available-for-sale investment	15	**(13,489)**	—
Impairment loss on loan to an investee company	16	**(18,569)**	—
Gain on disposal of subsidiaries	26	**6,998**	—
Share of losses of jointly controlled entities		**(57)**	(221)
Finance costs	8	**(6)**	(1,338)
Loss before tax		**(61,789)**	(51,706)
Income tax expense	9	**—**	—
Loss for the year	10	**(61,789)**	(51,706)
Loss per share - basic	13	**(HK$11.62) cents**	(HK$17.72) cents

Consolidated Balance Sheet

At 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	14	**148**	184
Available-for-sale investment	15	**—**	13,489
Loan to an investee company	16	**—**	17,234
Interest in an associate	17	**—**	—
Interests in jointly controlled entities	18	**—**	6,010
		148	36,917
Current assets			
Inventories		**846**	1,691
Other receivables		**997**	2,164
Investments held for trading	19	**136,432**	86,658
Bank balances and cash	20	**10,200**	84,061
		148,475	174,574
Current liabilities			
Other payables		**2,960**	4,034
Net current assets		**145,515**	170,540
		145,663	207,457
Capital and reserves			
Share capital	21	**5,316**	26,582
Reserves		**140,347**	180,875
		145,663	207,457

The financial statements on pages 20 to 57 were approved and authorised for issue by the Board of Directors on 25 April 2007 are signed on its behalf by:

Chiu Kong	**Hui Richard Rui**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Convertible note reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005	68,374	135,369	422,882	5	802	—	2,963	(591,183)	39,212
Loss for the year and total recognised loss for the year	—	—	—	—	—	—	—	(51,706)	(51,706)
Recognition of expenses in relation to equity-settled share based payments	—	—	—	—	—	13,441	—	—	13,441
Issue of new shares	14,561	65,408	—	—	—	—	—	—	79,969
Issued upon exercise of share options	6,560	31,809	—	—	—	(13,441)	—	—	24,928
Expenses incurred in connection with issue of new shares	—	(2,058)	—	—	—	—	—	—	(2,058)
Reduction of nominal amount in connection with consolidated shares	(84,179)	—	84,179	—	—	—	—	—	—
Rights issue of shares	21,266	85,063	—	—	—	—	—	—	106,329
Expenses incurred in connection with rights issue of shares	—	(2,658)	—	—	—	—	—	—	(2,658)
At 31 December 2005	26,582	312,933	507,061	5	802	—	2,963	(642,889)	207,457
Loss for the year	—	—	—	—	—	—	—	(61,789)	(61,789)
Realised upon disposal of subsidiary	—	—	—	(5)	—	—	—	—	(5)
Total recognised loss for the year	—	—	—	(5)	—	—	—	(61,789)	(61,794)
Reduction of nominal amount in connection with consolidated shares	(21,266)	—	21,266	—	—	—	—	—	—
Transfer to accumulated losses from convertible note reserve	—	—	—	—	—	—	(2,963)	2,963	—
At 31 December 2006	5,316	312,933	528,327	—	802	—	—	(701,715)	145,663

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	NOTE	2006	2005
		HK$'000	HK$'000
OPERATING ACTIVITIES			
Loss for the year		(61,789)	(51,706)
Adjustments for:			
Depreciation		47	342
Fair value changes on investments held for trading		21,184	16,500
Interest income		(2,778)	(1,217)
Finance costs		6	1,338
Gain on disposal of property, plant and equipment		—	(150)
Expense recognised in respect of share option granted		—	13,441
Impairment loss on available-for-sale investment		13,489	—
Impairment loss on loan to an investee company		18,569	—
Gain on disposal of subsidiaries		(6,998)	—
Share of losses of jointly controlled entities		57	221
Operating cash flows before movements in working capital		(18,213)	(21,231)
Decrease in inventories		845	249
Decrease (increase) in other receivables		1,167	(654)
Increase in investments held for trading		(70,958)	(80,542)
(Decrease) increase in other payables		(280)	332
Cash used in operations		(87,439)	(101,846)
Interest received		1,443	494
Interest paid		(6)	(88)
NET CASH USED IN OPERATING ACTIVITIES		(86,002)	(101,440)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(11)	(25)
Proceeds from disposal of property, plant and equipment		—	150
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	26	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(11)	125

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2006

	2006	2005
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Loan to an investee company	—	(30,000)
Redemption of convertible notes	—	(50,000)
Proceeds from issue of convertible notes	—	50,000
Costs in connection with issue of convertible notes	—	(1,250)
Proceeds from issue of new shares	—	79,969
Proceeds from exercise of share options	—	24,928
Proceeds from rights issue of shares	—	106,329
Expenses in connection with issue of new shares	—	(2,058)
Expenses in connection with rights issue of shares	—	(2,658)
Advance from jointly controlled entities	12,152	—
NET CASH FROM FINANCING ACTIVITIES	12,152	175,260
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(73,861)	73,945
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	84,061	10,116
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10,200	84,061
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	10,200	84,061

Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries and associate are set out in notes 30 and 31 respectively.

These consolidated financial statements are presented in Hong Kong Dollar, which is the same as the functional currency of the Group.

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

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

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

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) - INT 8	Scope of HKFRS 2[4]
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) - INT 11	HKFRS 2: Group and Treasury Share Transactions[7]
HK(IFRIC) - INT 12	Service Concession Arrangements[8]

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

2 Effective for annual periods beginning on or after 1 January 2009.

3 Effective for annual periods beginning on or after 1 March 2006.

4 Effective for annual periods beginning on or after 1 May 2006.

5 Effective for annual periods beginning on or after 1 June 2006.

6 Effective for annual periods beginning on or after 1 November 2006.

7 Effective for annual periods beginning on or after 1 March 2007.

8 Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transactions with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entities, except to the extent that unrealised losses provide evidence for an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue

Revenue represents income from trading of goods and dividends arising from investments held for trading. Dividend income which was classified as other income in 2005 has been reclassified to conform with current year presentation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents dividend income from investments and amounts receivable for goods provided in the normal course of business.

Sales of goods are recognised when goods are delivered and title has passed.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	10% - 20%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles	12.5% - 25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are mainly classified into financial assets held for trading, receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets held for trading

At each balance sheet date subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. For available-for-sale equity investments 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. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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

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

Financial liabilities

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

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible note reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible note reserve until the embedded option is exercised (in which case the balance stated in convertible note reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to the consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme, which is a retirement contribution scheme, are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The risks associated with the financial instruments of the Group and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Price risk

The Group is exposed to equity security price risk through its held for trading investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

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

The Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

4. FINANCIAL INSTRUMENTS (Continued)

b. Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions - metals trading, sales of communication products and investments in securities. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Metals trading - Trading of metals products.

Sales of communication products - Trading of communication products. During the year, this division did not make any contribution to the results of the Group for the year.

Investments in securities - Investment in securities held for trading to generate dividends and capital appreciation.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Segment information about these businesses is presented below:

Income statement

	2006		
	Metals trading HK$'000	Investments in securities HK$'000	Total HK$'000
Revenue	5,880	2,474	8,354
Segment result	409	(20,450)	(20,041)
Interest income	—	—	2,778
Unallocated corporate expenses	—	—	(19,403)
			(36,666)
Impairment loss on available-for-sale investment	—	—	(13,489)
Impairment loss on loan to an investee company	—	—	(18,569)
Gain on disposal of subsidiaries	—	—	6,998
Share of losses of jointly controlled entities	—	—	(57)
Finance costs	—	—	(6)
Loss for the year			(61,789)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Income statement (Continued)

	2005			
	Metals trading HK$'000	Sales of communication products HK$'000	Investments in securities HK$'000	Total HK$'000
Revenue	9,764	5	843	10,612
Segment result	65	1	(16,014)	(15,948)
Interest income	—	—	—	1,217
Unallocated corporate income	—	—	—	150
Unallocated corporate expenses	—	—	—	(35,566)
				(50,147)
Share of losses of jointly controlled entities	—	(221)	—	(221)
Finance costs	—	—	—	(1,338)
Loss for the year				(51,706)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Balance sheet

	2006		2005	
	Segment assets HK$'000	Segment liabilities HK$'000	Segment assets HK$'000	Segment liabilities HK$'000
Metals trading	11,917	2,960	87,050	4,034
Investments in securities	136,706	—	87,708	—
Interests in jointly controlled entities	—	—	6,010	—
Other corporate assets	—	—	30,723	—
	148,623	2,960	211,491	4,034

Other information

	2006 HK$'000	2005 HK$'000
Capital additions		
Metals trading	11	25
Depreciation		
Metals trading	47	342
Gain on disposal of property, plant and equipment		
Metals trading	—	150

(b) Geographical segments

No geographical segment information is presented as the Group operates in Hong Kong only.

6. OTHER INCOME

	2006 HK$'000	2005 HK$'000
Interest on bank deposits	1,443	494
Interest on loan to an investee company	1,335	723
Gain on disposal of property, plant and equipment	—	150
	2,778	1,367

7. ADMINISTRATIVE EXPENSES

An amount of HK$13,441,000, representing the estimated fair value of share options granted in February 2005 under the Share Option Scheme of the Company, was charged to the last year's consolidated income statement with a corresponding credit to the equity.

8. FINANCE COSTS

Included in finance costs is interest on convertible note payable of HK$Nil (2005: HK$1,338,000).

9. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made since the Group had no assessable profits for both years.

The taxation for the year can be reconciled to the loss before tax per the consolidated income statement as follows:

	2006 HK$'000	2005 HK$'000
Loss before tax	(61,789)	(51,706)
Tax credit at the domestic income tax rate of 17.5%	10,813	9,049
Tax effect of share of results of jointly controlled entities	(10)	(39)
Tax effect of expenses not deductible for tax purpose	(9,707)	(6,409)
Tax effect of income not taxable for tax purpose	2,223	360
Tax effect of tax losses not recognised	(3,319)	(2,961)
Taxation for the year	—	—

10. LOSS FOR THE YEAR

	2006 HK$'000	2005 HK$'000
Loss for the year has been arrived at after charging:		
Auditors' remuneration	945	850
Depreciation	47	342
Directors' emoluments	6,812	6,477
Contributions to retirement benefits scheme	145	146
Other staff costs	5,093	18,560
Total staff costs	12,050	25,183
Cost of inventories recognised	5,385	9,534
Minimum lease payments under operating leases in respect of rented premises	2,776	1,529

11. DIRECTORS' EMOLUMENTS

	2006					2005				
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive:										
Mr. Chiu Kong	—	1,811	100	12	1,923	—	1,696	100	12	1,808
Mr. Hui Richard Rui	—	1,073	150	12	1,235	—	1,072	150	12	1,234
Mr. Tsui Ching Hung	—	1,017	100	12	1,129	—	1,017	100	12	1,129
Ms. Cheung Sze Man	—	108	—	2	110	—	—	—	—	—
Mr. Chung Nai Ting	—	780	150	12	942	—	780	100	12	892
Mr. Tse Lanny Cheuk Ming	—	728	300	12	1,040	—	702	250	12	964
Independent non-executive:										
Mr. Miu Frank H.	150	—	—	—	150	150	—	—	—	150
Mr. Sin Chi Fa	8	—	—	—	8	—	—	—	—	—
Mr. Tong Wui Tung	125	—	—	—	125	150	—	—	—	150
Mr. Chan Sze Hung	150	—	—	—	150	150	—	—	—	150
	433	5,517	800	62	6,812	450	5,267	700	60	6,477

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2005: four) were directors of the Company whose emoluments are included in note 11 above. The emoluments of the remaining highest paid individual (2005: one) were as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other benefits	980	954
Retirement benefit scheme contributions	12	12
	992	966

No emoluments were paid by the Group to the directors and the remaining highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived any emoluments.

13. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of approximately HK$61,789,000 (2005: HK$51,706,000) and on the weighted average number of 531,645,319 (2005: 291,743,468) ordinary shares in issue after adjusting for the effect of share consolidation which became effective on 6 March 2006 as disclosed in note 21.

No diluted loss per share was presented in 2006 as there were no dilutive potential ordinary shares in existence for the year.

No diluted loss per share had been presented in 2005 as the effect of the potential ordinary shares outstanding in respect of the convertible note payable was anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 January 2005	428	760	2,462	3,650
Additions	—	25	—	25
Disposal	—	—	(395)	(395)
At 31 December 2005	428	785	2,067	3,280
Additions	—	11	—	11
At 31 December 2006	428	796	2,067	3,291
DEPRECIATION				
At 1 January 2005	363	711	2,075	3,149
Provided for the year	17	36	289	342
Eliminated on disposal	—	—	(395)	(395)
At 31 December 2005	380	747	1,969	3,096
Provided for the year	10	9	28	47
At 31 December 2006	390	756	1,997	3,143
NET BOOK VALUES				
At 31 December 2006	38	40	70	148
At 31 December 2005	48	38	98	184

15. AVAILABLE-FOR-SALE INVESTMENT

	2006	2005
	HK$'000	HK$'000
Unlisted investment, at cost	13,489	13,489
Less: Impairment loss recognised	(13,489)	—
	—	13,489

The unlisted investment represents approximately a 5.94% interest in the issued share capital of Found Macau Investments International Limited ("Found Macau"), an investment holding company incorporated in the British Virgin Islands. Found Macau was formed to invest in gaming, entertainment and related business in Macau through its subsidiaries. Included in the investment cost is the fair value adjustment of HK$13,489,000 arising from an interest free loan advanced to Found Macau which was considered as deemed capital contribution (see note 16).

In view of the recurring operating losses incurred by Found Macau, the directors of the Company reviewed the carrying amount of the unlisted investment based on the expected recoverable amount as at 31 December 2006. Accordingly, an impairment loss of HK$13,489,000 was identified and charged to the consolidated income statement.

16. LOAN TO AN INVESTEE COMPANY

The loan represents advance made to Found Macau on 8 June 2005. The loan is unsecured, interest free and repayable on demand at the face value of HK$30,000,000 after 8 years from the date of draw down. The loan was measured at fair value at initial recognition and is subsequently carried at amortised cost using the effective interest method. The effective interest rate of the loan is 7.75%.

As mentioned in note 15, the directors of the Company reviewed the carrying amount of the loan based on the expected recoverable amount as at 31 December 2006. Accordingly, an impairment loss of HK$18,569,000 was identified and charged to the consolidated income statement.

17. INTEREST IN AN ASSOCIATE

	2006 HK$'000	2005 HK$'000
Cost of unlisted investment in an associate	—	—
Loan to an associate	54,050	54,050
Less: Impairment loss recognised	(54,050)	(54,050)
	—	—

The Group does not recognise its share of loss of the associate. Details of the Group's associate at 31 December 2006 are set out in note 31.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2006 HK$'000	2005 HK$'000
Cost of unlisted investments in jointly controlled entities	—	20,000
Share of post-acquisition reserves	—	(3,990)
Less: Impairment loss recognised	—	(10,000)
Share of net assets	—	6,010

On 30 June 2006, the Group disposed of a subsidiary, Winford Investments Limited, which holds 50% equity interest in the jointly controlled entities of the Group. The principal activities of the jointly controlled entities are investment holding and trading of communication products. Details of the disposal are set out in note 26.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The summarised financial information attributable to the Group in respect of its jointly controlled entities which are accounted for using the equity method up to the date of disposal is set out below:

	2006 HK$'000	2005 HK$'000
Current assets	**9,342**	9,458
Non-current assets	**11**	31
Current liabilities	**3,400**	3,479
Income	**—**	88
Expenses	**57**	309

19. INVESTMENTS HELD FOR TRADING

	2006 HK$'000	2005 HK$'000
Equity securities listed in Hong Kong	**49,423**	86,658
Equity securities listed elsewhere	**87,009**	—
	136,432	86,658

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash and demand deposits held by the Group with maturity of three months or less. Bank balances carry interest at an average market rate of 1.85% per annum.

21. SHARE CAPITAL

	Number of shares		Share capital	
	2006	2005	**2006**	2005
			HK$'000	HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At the beginning of the year	**25,000,000,000**	50,000,000,000	**250,000**	500,000
Decrease on 11 July 2005	**—**	(47,500,000,000)	**—**	(475,000)
Increase on 15 November 2005	**—**	22,500,000,000	**—**	225,000
At the end of the year	**25,000,000,000**	25,000,000,000	**250,000**	250,000
Issued and fully paid:				
At the beginning of the year	**2,658,226,595**	6,837,422,389	**26,582**	68,374
Issue of new shares announced				
- on 10 January 2005 (note (a))	**—**	1,367,484,000	**—**	13,675
- on 24 August 2005 (note (a))	**—**	88,600,000	**—**	886
Issued upon exercise of share options (note (b))	**—**	656,000,000	**—**	6,560
Share consolidation (note (c)&(d))	**(2,126,581,276)**	(8,417,861,070)	**(21,266)**	(84,179)
Rights issue of shares (note (e))	**—**	2,126,581,276	**—**	21,266
At the end of the year	**531,645,319**	2,658,226,595	**5,316**	26,582

21. SHARE CAPITAL (Continued)

Notes:

(a) On 10 January 2005, the Company entered into an agreement with a placing agent for placement of 1,367,484,000 new shares to independent investors at a price of HK$0.052 per new share on a fully underwritten basis. The net proceeds amounted to approximately HK$69,000,000. About HK$30,000,000 was used for investing in and loan to Found Macau and about HK$39,000,000 was used for general working capital of the Group.

On 24 August 2005, the Company entered into an agreement with a placing agent for placement of 88,600,000 new shares to independent investors at a price of HK$0.1 per new share on a fully underwritten basis. The net proceeds amounting to HKD8,500,000 was used for general working capital of the Group.

(b) On 1 February 2005, the Company granted share options to employees to subscribe for 656,000,000 ordinary shares of the Company of HK$0.01 each at the subscription price of HK$0.038 per share (closing price per share on 31 January 2005 was HK$0.037) under the share option scheme adopted on 27 May 2002. Share options granted may be exercised any time from the date of grant to the day preceding the first anniversary of the date of grant. On 2 February 2005, the share options were exercised in full at the subscription price of HK$0.038 per share (closing price per share on 1 February 2005 was HK$0.034).

(c) Pursuant to a special resolution passed at the special general meeting on 3 March 2006:

(i) every five shares of HK0.01 each in the issued ordinary share capital of the Company be and are hereby consolidated into one consolidated share of HK$0.05 ("Consolidated Share A"); and

(ii) every issued Consolidated Share A of the Company be and is hereby reduced in nominal amount by cancelling HK$0.04 of the capital paid up on each issued Consolidated Share A from HK$0.05 to HK0.01 each so as to form one share of HK$0.01 each.

(d) Pursuant to a special resolution passed at the special general meeting on 8 July 2005:

(i) every twenty shares of HK$0.01 each in the issued and unissued ordinary share capital of the Company be and are hereby consolidated into one consolidated share of HK$0.20 ("Consolidated Share B"); and

(ii) every issued and unissued Consolidated Share B of the Company be and is hereby reduced in nominal amount by cancelling HK$0.19 of the capital paid up on each issued Consolidated Share B and by reducing the nominal amount of each authorised but unissued Consolidated Share B, from HK$0.20 to HK$0.01 each so as to form one share of HK$0.01 each.

(e) On 15 November 2005, the Company approved issue of 2,126,581,276 shares of HK$0.01 each by way of rights to holders of shares in the Company at HK$0.05 per share ("Rights Share") in the proportion of four Rights Shares for every existing share held by holders of shares. On 6 December 2005, 2,126,581,276 Rights Shares were allotted.

22. CONVERTIBLE NOTE PAYABLE

	2006 HK$'000	2005 HK$'000
Convertible note payable		
Balance at the beginning of the year	—	—
Issued during the year	—	50,000
Redeemed during the year	—	(50,000)
Balance at the end of the year	—	—
Issue costs		
Balance at the beginning of the year	—	—
Incurred during the year	—	1,250
Amortised during the year	—	(1,250)
Balance at the end of the year	—	—
Carrying value at the end of the year	—	—

On 5 January 2005, the Company and a placing agent entered into an agreement for the placement of convertible notes issued by the Company up to an aggregate principal amount of HK$50,000,000 (the "2005 Convertible Note"). The 2005 Convertible Note was unsecured and carried interest at 3% per annum on the principal amount of the Convertible Notes outstanding, payable upon maturity which was one year from the date of issue of the 2005 Convertible Note (the "Maturity Date").

The 2005 Convertible Note might be converted into ordinary shares of the Company at a conversion price of HK$0.25 per share from the date of issue of the 2005 Convertible Notes to the Maturity Date. The Company, at any time before the Maturity Date, had the option to redeem the 2005 Convertible Note in whole or in part at par value. All the 2005 Convertible Note had been redeemed in March 2005.

23. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme (the "Scheme") which was adopted on 27 May 2002 to replace the old scheme adopted in 1998. The Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Company may grant options to employees (including existing and proposed directors), adviser, consultant, agent, contractor, client and supplier of any members of the Group (collectively the "Participants"). The purpose of the Scheme is to recognise and motivate the contribution of Participants and to provide incentives and help the company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company. The total number of shares available for issue under the Scheme is 277,422 which represents approximately 0.05% of the issued share capital of the Company as at 31 December 2006. No participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in twelve month period up to and including the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates abstaining from voting. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the board of the directors of the Company (the "Board") may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised. The subscription price of the option shall be determined by the Board but in any case shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a trading day, (ii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a Share. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

There are no share option granted by the Company and no share option outstanding during the year.

23. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Movements of the Company's share options in 2005 are as follows:

Option type	Date of grant	Exercisable period	Exercise price	Exercise date
2005	1.2.2005	1.2.2005 - 31.1.2006	HK$0.038	2.2.2005

Option type	Outstanding at 1.1.2005	Granted during 2005	Exercised during 2005	Outstanding at 31.12.2005 and 31.12.2006
2005	—	656,000,000	(656,000,000)	—
Weighted average exercise price	—	HK$0.038	HK$0.038	—

The above options were granted on 1 February 2005. The estimated fair value of the option granted on that date is approximately HK$0.02.

The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2005
Share price at date of grant	HK$0.034
Exercise price	HK$0.038
Expected volatility	175%
Expected life	1 year
Risk-free rate	2.75%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 266 days. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The Group recognised the total expense of HK$13,441,000 for the year ended 31 December 2005 in relation to share options granted by the Company.

24. RESERVES

The capital reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital and share premium of the companies now forming the Group pursuant to the group reorganisation prior to the listing of the Company's shares in 1998.

Included in the Group's reserves are the following amounts attributable to the Group's jointly controlled entities:

	2006	2005
	HK$'000	HK$'000
Jointly controlled entities		
- translation reserve	—	5
- accumulated losses	—	(3,995)
	—	(3,990)

25. DEFERRED TAXATION

During the year, the Group disposed of its interest in certain subsidiaries with unused tax losses brought forward of approximately HK$143,335,000 (2005: HK$ Nil).

At the balance sheet date, the Group had unused tax losses of approximately HK$19,108,000 (2005: HK$143,475,000) available to offset against future profits. No deferred taxation asset has been recognised due to unpredictability of future profits streams.

26. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of two subsidiaries, namely Winford Investment Limited ("Winford") and Truewell Asia Limited ("Truewell"), to independent third parties at considerations of USD1 on 30 June 2006 and USD2 on 30 December 2006, respectively. Winford holds 50% equity interest in the jointly controlled entities of the Group whereas Truewell acts as an investment holding company.

The effect of the disposal is summarised as follows:

	HK$'000
Net liabilities disposed of:	
Interests in jointly controlled entities	5,953
Amounts due to jointly controlled entities	(12,152)
Other payables	(794)
	(6,993)
Translation reserve attributable to the Group and released upon disposal	(5)
	(6,998)
Gain on disposal of subsidiaries	6,998
Cash consideration	—

The subsidiaries disposed of did not make any significant contribution to the results or cash flows of the Group for the year.

27. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefit cost charged to the income statement represents contributions payable to the scheme by the Group at rate specified in the rules of the scheme.

28. OPERATING LEASE COMMITMENTS

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

	2006	2005
	HK$'000	HK$'000
In respect of rented premises:		
Within one year	**1,166**	2,011
In the second to fifth year inclusive	**1,015**	3,423
	2,181	5,434

Leases are negotiated for an average term of two to three years.

29. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2006, the Company entered into the following agreements:

(i) The Underwriting and the Placing

On 15 March 2007, the Company entered into an Underwriting Agreement with a placing agent for placement of 100,000,000 new shares on a fully-underwritten basis at the price of HK$0.16 per share to independent third parties (the "Underwriting Placing"). As at the date of this report, the Underwriting Placing has been completed.

On 15 March 2007, the Company also entered into a Placing Agreement with a placing agent for placement of up to a maximum of 500,000,000 new shares on a best-efforts basis at the price of HK$0.16 per share to independent third parties.

(ii) The Convertible Notes Placing Agreement

The Company entered into a Convertible Notes Placing Agreement with a placing agent on 15 March 2007 for the placement of convertible notes with principal amount of not more than HK$150,000,000 to independent third parties upon the terms and conditions of the Convertible Notes Placing Agreement on a best-efforts basis. The convertible notes to be issued will carry a coupon of 4% per annum. The initial conversion price of the convertible notes is HK$0.17 per share (subject to adjustment). Maturity date of the convertible notes shall be two years from the date of issue.

The above (except for the Underwriting Agreement) is subject to the approval by the shareholders at the special general meeting in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

30. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
Able King Investment Limited	British Virgin Islands*	1 ordinary share of US$1 each	100%	—	Investment holding
Acewell Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Ample Asset Investment Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Global Empire Group Inc.	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Gold Castle Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Giant Wave Limited	Hong Kong	1 ordinary share of HK$1 each	—	100%	Securities investment
King Force International Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Northlink Holdings Limited	British Virgin Islands*	200 ordinary shares of US$1 each	100%	—	Investment holding
Ocean Vision Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Wealth Prospect Limited	Hong Kong	2 ordinary share of HK$1 each	—	100%	Metals trading

* The companies are engaged in investment business and have no specific principal place of operation.

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

31. PARTICULARS OF ASSOCIATE

Particulars of the Group's associate as at 31 December 2006 is as follows:

Name of associate	Place of incorporation/ operation	Issued share capital	Proportion of Nominal value of issued share capital held by the Group	Principal activity
Chinachem Industries Limited	Hong Kong	10,000 ordinary shares of HK$1 each	49%	Investment holding

Financial Summary

	Year ended 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000
RESULTS					
LOSS FOR THE YEAR	**(61,789)**	(51,706)	(2,778)	(199,424)	(128,211)

	At 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**148,623**	211,491	42,914	154,833	305,406
TOTAL LIABILITIES	**(2,960)**	(4,034)	(3,702)	(100,125)	(67,529)
NET ASSETS	**145,663**	207,457	39,212	54,708	237,877

Note: The results of the Group for the year ended 31 December 2004 have been adjusted upon the adoption of the new HKFRS issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005.