



# Everest International Investments

Annual Report

07

EVEREST INTERNATIONAL INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 204

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## CORPORATE INFORMATION

### Board of directors

#### Executive Directors:

Mr. Chuan Wei Chen

*(Appointed on 1 June 2007)*

Mr. Wang Yaotsu

*(Appointed on 9 January 2007  
and resigned on 1 June 2007)*

Mr. Chua Wee Ming

*(Appointed on 9 January 2007  
and resigned on 1 June 2007)*

Ms. Tsuen Tai Chi Andy

*(Appointed as chairman of the Company  
on 15 January 2007 and appointed  
as executive director on 12 January 2007  
and re-designated from executive director  
to non-executive director on 1 June 2007)*

Mr. Wang Chun Lin

*(Resigned as chairman and executive director  
of the Company on 15 January 2007)*

#### Non-executive Directors:

Ms. Tsuen Tai Chi Andy

*(Appointed as chairman of the Company  
on 15 January 2007 and appointed  
as executive director on 12 January 2007  
and re-designated from executive director  
to non-executive director on 1 June 2007)*

Ms. Yeh Fang Ching

*(Appointed on 1 June 2007)*

Ms. Wang Annie

*(Resigned on 1 June 2007)*

Mr. Li Jian Wei

*(Resigned on 31 July 2006)*

Mr. Luk Cheong

*(Resigned on 15 January 2007)*

#### Independent non-executive Directors:

Mr. Li Man Nang

Ms. Fang Tsz Ying

Mr. Jeffrey John Ervine

*(Appointed on 12 January 2007)*

Mr. Wang Tianye

*(Resigned on 15 January 2007)*

### Company secretary

Mr. Raymond Yau *CPA (HK), CPA (US)*

### Investment manager

Simplex Capital Asia Limited

### Directors of investment manager

Dr. Zhao Bing

Dr. Xia Ying

### Principal banker

The Hongkong and Shanghai Banking  
Corporation Limited

### Auditors

HLM & Co.

*Certified Public Accountants*

### Legal advisers

*Hong Kong Law*

Li & Partners

*Cayman Islands Law*

Maples and Calder Asia

## CORPORATE INFORMATION

### Principal registrars

Butterfield Fund Services (Cayman) Limited  
Butterfield House  
68 Fort Street  
P. O. Box 705  
Grand Cayman  
KY1-1107  
Cayman Islands

### Branch registrars

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

### Registered office

P. O. Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

### Principal place of business

Unit 1306, 13/F, Tower One  
Lippo Centre  
89 Queensway  
Hong Kong

### Website

<http://www.everestintl.com.hk>

### Stock Code

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# CHAIRMAN'S STATEMENT

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results analysis

Since the beginning of this financial year, the stock market has shown a strong upward trend, as reflected in the more than 25% increase of the Hang Seng Index which reached the historical high of over 22,500 points. When the global market declined as resulted by the drop in Shenzhen's A shares. While some of the value invested by the Company in listed securities in Hong Kong have since gained back their value. After properly managed the risk in our portfolio for our shareholders, we were able to minimise the downside of the market by realizing partial investment in available-for-sale financial assets during the peak of the securities market in 2006.

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK\$116,000, represented an increase of approximately HK\$78,000 when compared with those in the corresponding year in 2006. This favourable performance was due mainly to disposal of financial assets at fair value through profit or loss in an amount of HK\$51,000 during the year under review. Although the recorded turnover raised approximately 305% as compared to that in last year; the recorded net loss attributable to shareholders for the year amounting to approximately HK\$9.50 million was increased by 642% as compared with the net loss of approximately HK\$1.48 million recorded the same period last year. The increase was due mainly to the realization of loss on disposal of investment in available-for-sale financial assets which amounted of HK\$6,800,701 in respect of investment revaluation reserve released on disposals of available-for-sale financial assets.

## BUSINESS REVIEW

### Operating Review

The most latest financial and economic headline news is captured by the energetic equity markets both in Hong Kong and China. In order to maintain market and economic stability and cool down the overheated economy and stock markets, the Central Government of China has announced a series of policies through its Central Bank by raising mortgage, lending and deposit rates, as well as increase the reserve requirements, and widening the trading band for the RMB against the US dollars. In addition, Hong Kong as well as other Asian countries have maintained a healthy domestic spending and economic environment for growth. Although we cannot guarantee that profit will sustain in the equity market and we will make our best effort to bring value to our shareholders and capture any opportunities available to us.

The administrative expenses incurred by the Group were slightly increase of HK\$356,000 compared to that in last year as a result of increase of legal consulting fee and overseas travelling expenses. In brief, the cost structure of the Group has been successfully locked at the least possible efficient level. On a per share basis, basic loss per share was HK\$48.21 cents (2006: HK\$8.33 cents (restated)) and net assets value per share was HK\$0.91 at the balance sheet date (2006: HK\$1.19 (restated)).

## CHAIRMAN'S STATEMENT

### FUTURE OUTLOOK

In 2007, the Group will continue to identify and pursue investment opportunities in Hong Kong, the PRC and other areas and shall manage the existing investment objectives and policies that achieving long-term capital appreciation and growth in profits.

With the booming in the economy of the greater China region for the first half of 2007, the Group has taken advantage of these investment opportunities and actively participated in the equity market including the initial public offer. To ensure a stable return for the shareholders of the Company on a medium to long term basis, the Company intends to continue enhancing internal operation efficiency and resources allocation while identifying those undervalued stocks and minimizing the risk of over concentration by diversification.

The Board is optimistic that the economic prospect of Hong Kong and China remains steady in the near future. The recent announcement of the QDII will further enhance the capital market in Hong Kong because more money will be directed from China to Hong Kong. Furthermore, the Hong Kong capital market has been successfully used as a platform for Chinese enterprises to raise capital and this role is expected to continue in the foreseeable future. The management will carefully assess all potential investment which ensure the risk is under manageable level and at the same time maximize the Group's returns.

### FINANCIAL RESOURCES

#### Financial resources and liquidity

At year-ended date, the Group had long term receivable increased to HK\$108,000 (2006: HK\$77,000) due to further accrued the interest income receivable from the investments in the unlisted convertible bond. As at 31 March 2007, the Group had current assets of HK\$17,442,000 (2006: HK\$6,915,000) where the net assets amounted to HK\$19,174,000 (2006: HK\$21,073,000) and no borrowings or bank loan or long term liabilities as at 31 March 2007. At the same day, the Group's cash and bank balances amounted to HK\$1,209,000 (2006: HK\$445,000).

At 31 March 2007, approximately 2.9% of the value of the Group's investments was in a portfolio of listed shares and approximately 29% in unlisted investments while the remaining was in the form of cash and convertible bond.

In terms of liquidity, the current ratio, calculated on the basis of the total current assets over total current liabilities at year-end date was 12.2 (2006:7.62) and the gearing ratio, calculated on the basis of the total liabilities over total shareholders' fund as at 31 March 2007, was 0.075 (2006: 0.043).

## CHAIRMAN'S STATEMENT

### CAPITAL STRUCTURE

During the year under review, the issued share capital of the Company were consolidated from 420,846,000 shares of HK\$0.01 each into 21,042,300 shares of HK\$0.20 each while the authorized share capital of the Company were consolidated from 1,000,000,000 shares of HK\$0.01 each into 50,000,000 shares of HK\$0.20 each.

In May 2006, the Company had completed the fund raising by way of a placing of 65,790,000 new shares were issued at HK\$0.038 per share. The proceeds, before expenses, of approximately HK\$2,500,000 were used as general working capital purpose.

### DISPOSAL OF SUBSIDIARY

During the year, The Group disposed of all its interest in Cyberlink Management Limited., a wholly owned subsidiary of the Company, to independent third party for the consideration of HK\$100.

### CONTINGENT LIABILITIES

Throughout the year ended 31 March 2007, assets of the Group were free from any form of legal charge. In addition, the Group did not have any significant contingent liabilities.

### EMPLOYEES

As at 31 March 2007, the Group has employed 2 employees and the total remuneration paid to staff was approximately HK\$620,000 during the year under review. The employees were remunerated based on their responsibilities and performance.

### APPRECIATION

The Board would like to take this opportunity to express its gratitude to our former fellow Directors, Company Secretary and Investment Manager for their contribution and support to the Group.

On behalf of the Board of Directors, I wish to express my sincere thanks to the management team and our staff for their continued and dedicated efforts and to all our Investment Manager, bankers and shareholders for their support during the year.

**Tsuen Tai Chi Andy**

*Chairman*

Hong Kong, 24 July 2007

# BIOGRAPHICAL DETAILS OF DIRECTORS OF THE COMPANY AND THE INVESTMENT MANAGER

## Directors of the Company

The Board comprises the following persons:

### Executive Director

#### Mr. Chuan Wei Chen (“Mr. Chuan”)

Mr. Chuan, aged 31, joined the Company and was appointed as an executive director on 1 June 2007. Mr. Chuan is the Managing Director of Descartes Global Asset Management. He graduated from The University of British Columbia and acted as Financial Consultant for Merrill Lynch before joining eCorpServ Ltd. as Special Assistant to its President in March 2000. Mr. Chuan participated in executive management discussions on corporate strategies including business decision-making in marketing strategies, corporate benchmarking and feasibility studies in various business cases in that position. Mr. Chuan is responsible for identifying investment opportunities and supervising the asset management division.

### Non-executive Directors

#### Ms. Tsuen Tai Chi Andy (“Ms. Tsuen”)

Ms. Tsuen, aged 51, joined the Company and was appointed as chairman of the Company on 15 January 2007 and also appointed as an executive director of the Company on 12 January 2007 and re-designated from executive director to non-executive director on 1 June 2007. Prior to joining the Company, Ms. Tsuen has been the chairman and a director of EC Capital Ltd, a private investment company that invests in publicly listed stocks, secondary market traded securities, forex and other private equity investments and Ms. Tsuen has been responsible for analyzing the financial, income, cash flow forecasts and reports as well as business profiles for the purpose of investment. Ms. Tsuen is also an executive director and founding member of Akon Global Logistics Pte Ltd, a Singapore-based freight forwarding company, where she is responsible for setting up the business operations, human resource planning, financial planning, client sourcing, client contract negotiations, sourcing of strategic partnerships and strategic business planning.



## BIOGRAPHICAL DETAILS OF DIRECTORS OF THE COMPANY AND THE INVESTMENT MANAGER

### **Ms. Yeh Fang Ching (“Ms. Yeh”)**

Ms. Yeh, aged 28, joined the Company and was appointed as a non-executive director on 1 June 2007. Ms. Yeh graduated from the University of Washington and is a certified public accountant in the State of Washington, United States of America. Ms. Yeh has been appointed as the Financial Controller of Descartes Asset Management Limited. Prior to acting as Financial Controller of Descartes Asset Management Limited, Ms. Yeh was a Treasury Team Assistant Manager with eCorpServ Ltd. At eCorpServ Ltd., Ms. Yeh assisted in establishing financial models in calculating capital valuation, evaluated and forecasted revenues and expenditures for company budget and researched government and tax regulations of various countries for the establishment of companies overseas. In addition, Ms. Yeh gained extensive experience in analyzing United States equity market whilst with eCorpServ Ltd. Ms. Yeh is responsible for the accounting procedures and also daily operations of the company.

### **Independent non-executive Directors**

#### **Mr. Li Man Nang (“Mr. Li”)**

Mr. Li, aged 58 and was appointed as an independent non-executive director of the Company on 19 October 2003. He was qualified as a Professional Accountant in 1972 with a distinguished result. Between 1965 and 1978, he has worked in the areas of finance, accounting, management and development with a number of listed and multinational companies. Since 1979, he has established a number of companies in the businesses of jewelry, finance, securities, property development and investment and has served as a director for those companies. He is presently a fellow member of The Chartered Institute of Management Accountants, The Association of International Accountants and the Hong Kong Institute of Certified Public Accountants. He also has a distinguished record in public service. He has served as Honorary President, Chairman and Adviser for several organizations.

#### **Ms. Fang Tsz Ying (“Ms. Fang”)**

Ms. Fang, aged 37, was appointed as an independent non-executive director of the Company on 30 September 2004. Ms. Fang is also a director of Bestplace Corporation Limited, a Hong Kong company which has extensive experience in investment properties.

## BIOGRAPHICAL DETAILS OF DIRECTORS OF THE COMPANY AND THE INVESTMENT MANAGER

### **Mr. Jeffery John Ervine (“Mr. Ervine”)**

Mr. Ervine, aged 40, joined the Company and was appointed as an independent non-executive director of the Company on 12 January 2007. Mr. Ervine is a Chartered Public Accountant (US) and graduated from the Pennsylvania State University with a Bachelor of Science in Accounting in 1989 and obtained his MBA from Columbia Business School in May 1997. Mr. Ervine is currently the chief operating officer and managing partner of Ardennes Management, an investment manager in the United States. Mr. Ervine was previously the chief operating and financial officer of Exis Capital Management, Inc., chief financial officer of Carlin Financial Group and Asset Alliance Corporation. Furthermore, Mr. Ervine was a Senior Investment Banking Associate in the Financial Institutions Group at Bear, Stearns & Co. Inc and a manager at Deloitte & Touche LLP in mergers and acquisitions advisory services. Mr. Ervine has over 18 years of experience working in the financial field and has extensive experience in alternative investment products, mergers and acquisitions, taxation, legal and regulatory aspects of business management, strategic planning, human resource and financial management.

### **Company Secretary**

#### **Mr. Yau Yan Ming Raymond (“Mr. Yau”)**

Mr. Yau, aged 39, was appointed as the Company Secretary and Qualified Accountant of the Company on 20 June 2005. He is a Certified Public Accountant both in Hong Kong and in the USA. He is also an associate member of Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. Mr. Yau obtained his master of science degree majoring in Japanese business studies and bachelor of business administration degree majoring in accounting in the USA. Mr. Yau has over 11 years of working experience in areas of auditing, accounting, taxation, company secretarial, corporate finance and financial management. Mr. Yau had worked for Hong Kong accounting firms and listed companies. Before joining the Company, Mr. Yau worked as a group financial controller in a locally listed company.

## BIOGRAPHICAL DETAILS OF DIRECTORS OF THE COMPANY AND THE INVESTMENT MANAGER

### Directors of the Investment Manager

The Directors of the Investment Manager are:

#### **Dr. Zhao Bing (“Dr. Zhao”)**

Dr. Zhao is an Executive Director of Simplex Capital Asia Limited. He possesses a Doctorate degree in Operational Research from Columbia University, New York. Before he co-founded the Company with his former colleagues at Salomon Brothers, he worked in New York, Tokyo and Hong Kong for investment bank’s proprietary trading group in the area of Asian Pacific strategies as a senior trader. He is a registered investment adviser under the Securities Ordinance of Hong Kong and has counselled numerous listed and non-listed companies in Hong Kong and Mainland China on investment strategies, risk management as well as overall management. Dr. Zhao is registered under the Securities and Futures Ordinance in Hong Kong as an investor advisor for securities advisory and assets management.

#### **Dr. Xia Ying (“Dr. Xia”)**

Dr. Xia is an Executive Director of Simplex Capital Asia Limited. After obtaining his Juris Doctor degree from Yale Law School and having been admitted to the New York Bar, Dr. Xia worked as a corporate finance associate in the New York law firm of Sadden, Arps before joining Salomon Brothers investment banking division. Afterwards, he served as Director of Investment Banking of W. I. Carr Indosuez Capital and was the founder of KGI Capital Limited, the corporate finance and investment arm of KGI Asia. Most recently, Dr. Xia was the Head of Financial Advisory of Swiss Re in Asia Pacific. Dr. Xia is registered under the Securities and Futures Ordinance in Hong Kong as an investor advisor for corporate finance advisory.

## REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of Everest International Investments Limited (the "Company") and its subsidiary (together referred to as the "Group") for the year ended 31 March 2007.

### PRINCIPAL ACTIVITIES

The Company and its subsidiary are engaged in investment holding for medium to long-term capital appreciation purposes, and in trading of listed securities. There have been no significant changes in the nature of the Group's principal activities during the year.

### RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 29 of the financial statements.

The directors do not recommend the payment of a dividend for the year.

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL

Details of the authorised and issued share capital of the Company are set out in note 19 to the financial statements.

### RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the statement of change in equity of the Group and the Company on page 32 and 33 and in note 20 to the financial statements.

### DISTRIBUTABLE RESERVES

Pursuant to Section 34 of the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company (the "Articles"), the Company's share premium account is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles. As at 31 March 2007, in the opinion of the Directors, the Company's reserves available for distribution to shareholders, comprising share premium account and accumulated losses, amounted to approximately HK\$14,965,000 (2006: approximately HK\$17,542,000).

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

As the Company is engaged in investment holding for medium to long-term capital appreciation purposes, and in trading of listed securities, there are no major customers and suppliers during the year.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 64. This summary does not form part of the audited financial statements.

### DIRECTORS

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

#### Executive Directors:

Mr. Chuan Wei Chen	(Appointed on 1 June 2007)
Mr. Wang Yaotsu	(Appointed on 9 January 2007 and resigned on 1 June 2007)
Mr. Chua Wee Ming	(Appointed on 9 January 2007 and resigned on 1 June 2007)
Ms. Tsuen Tai Chi Andy	(Appointed as chairman of the Company on 15 January 2007 and appointed as executive director on 12 January 2007 and re-designated from executive director to non-executive director on 1 June 2007)
Mr. Wang Chun Lin	(Resigned as chairman and executive director of the Company on 15 January 2007)

#### Non-executive Directors:

Ms. Tsuen Tai Chi Andy	(Appointed as chairman of the Company on 15 January 2007 and appointed as executive director on 12 January 2007 and re-designated from executive director to non-executive director on 1 June 2007)
Ms. Yeh Fang Ching	(Appointed on 1 June 2007)
Ms. Wang Annie	(Resigned on 1 June 2007)
Mr. Li Jian Wei	(Resigned on 31 July 2006)
Mr. Luk Cheong	(Resigned on 15 January 2007)

#### Independent non-executive Directors:

Mr. Li Man Nang	
Ms. Fang Tsz Ying	
Mr. Jeffrey John Ervine	(Appointed on 12 January 2007)
Mr. Wang Tianye	(Resigned on 15 January 2007)

## REPORT OF THE DIRECTORS

### DIRECTORS (continued)

In accordance with Articles 152 of the Company's Articles of Association, Ms. Fang Tsz Ying will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Articles 118 of the Company's Articles of Association, Mr. Chuan Wei Chen, Ms. Tsuen Tai Chi Andy, Ms. Yeh Fang Ching, and Mr. Jeffrey John Ervine will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each of the non-executive directors is the period up to her retirement by rotation in accordance with the Company's Articles of Association.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company (the "Directors") and the senior management of the Group are set out on pages 7 to 10 of the annual report.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the interests of the directors, the chief executives and their associates, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

#### Long positions

Ordinary shares of HK\$0.2 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Tsuen Tai Chi Andy	Held by controlled corporation (Note)	3,528,400	16.8%

Notes: Ms. Tsuen Tai Chi Andy beneficially owns the entire issued share capital of EC Capital Limited. EC Capital Limited in turn owns 3,528,400 ordinary Shares in the Company

## REPORT OF THE DIRECTORS

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES** *(continued)*

Save as disclosed above, none of the directors, the chief executive and their associates, had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies as at 31 March 2007.

### **SUBSTANTIAL SHAREHOLDERS**

As at 31 March 2007, other than the interests of certain directors as disclosed under the section headed "Directors' and chief executives' interests in shares" above, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follow:

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS *(continued)*

#### Long positions

Ordinary shares of HK\$0.20 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
EC Capital Limited ("EC Capital")	Beneficial owner <i>(Note 1)</i>	3,528,400	16.8%
Ms. Tsuen Tai Chi Andy	Held by controlled corporation <i>(Note 1)</i>	3,528,400	16.8%
Key Mark Investments Limited ("Key Mark")	Beneficial owner <i>(Note 2)</i>	2,958,800	14.1%
Ms. Kwok Kit Ping	Held by controlled corporation <i>(Note 2)</i>	2,958,800	14.1%
Ms. Yang GuoHua	Beneficial owner <i>(Note 3)</i>	2,465,600	11.7%
Ms. Ou XiaoMei	Beneficial owner <i>(Note 4)</i>	3,289,500	15.6%

#### Notes:

- Ms. Tsuen Tai Chi Andy beneficially owns the entire issued share capital of EC Capital. EC Capital in turn owns 3,528,400 ordinary Shares in the Company
- Ms. Kwok Kit Ping beneficially owns the entire issued share capital of Key Mark. Key Mark in turn owns 2,958,800 ordinary shares of the Company. Ms. Kwok Kit Ping does not hold any position within the Company, each of Ms. Kwok Kit Ping and Key Mark is regarded as a connected person (as defined in the Listing Rules) of the Company by virtue of their being a substantial shareholder of the Company.
- Ms. Yang GuoHua does not hold any position within the Company and is regarded as a connected person (as defined in the Listing Rules) of the Company by virtue of their being a substantial shareholder of the Company.
- Ms. Ou XiaoMei does not hold any position within the Company and is regarded as a connected person (as defined in the Listing Rules) of the Company by virtue of their being a substantial shareholder of the Company.



## REPORT OF THE DIRECTORS

### **SUBSTANTIAL SHAREHOLDERS** *(continued)*

Save as disclosed above, as at 31 March 2007, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the heading "Directors' and chief executives' interests in shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or its subsidiary a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

### **DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED PARTY TRANSACTIONS**

No Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company was a party during or at the end of the year.

### **DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a 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 COMPETING BUSINESS**

As at the date of this report, none of the directors, the management shareholders of the Company and their respective associates had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## REPORT OF THE DIRECTORS

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the year, neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed shares.

### **PRE-EMPTIVE RIGHTS**

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

### **PUBLIC FLOAT**

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

### **AUDIT COMMITTEE**

The Company set up an audit committee (the "Committee") with written terms of reference in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors of the Company, namely Mr. Li Man Nang, Mr. Jeffrey John Ervine and Ms. Fang Tsz Ying. The consolidated financial statements of the Group for the year ended 31 March 2007 have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

### **CORPORATE GOVERNANCE**

With the consent of the Committee, the Board hereby confirms that, in the preparation of the 2007 consolidated financial statements of the Company, the Directors, both collectively and individually, applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

A report on the principle corporate governance practices adopted by the Company is set out on pages 19 to 26 of the annual report.

## REPORT OF THE DIRECTORS

### AUDITORS

The Company's financial statements were audited by Baker Tilly Hong Kong Limited for the year ended 31 March 2005. The financial statements for the year ended 31 March 2006 and the current year were audited by HLM & Co. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Chuan Wei Chen**

*Director*

Hong Kong, 24 July 2007

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has carefully reviewed and considered its Provisions, and carried out a detailed analysis on the corporate governance practices of the Company which against the requirements of the Code.

Throughout the financial year ended 31 March 2007, except for the following requirement that deviate from the Code is the non-executive Directors is not appointed for a specified term but is subject to the provision for retirement and rotation of Directors under the Company's Articles of Association (the "Articles"), the Company has complied with all code provisions on the Code. The Company continues to improve its corporate governance and believes that good corporate governance will bring long-term benefits to its shareholders.

## DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all the directors have complied with the required standard set out in the Model Code throughout the year.

## BOARD OF DIRECTORS

### Composition

As at the date of this report, the Board comprises of six Directors including one executive Director, two non-executive Directors, and three independent non-executive Directors:

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

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS *(continued)*

#### Executive Directors:

Mr. Chuan Wei Chen	(Appointed on 1 June 2007)
Mr. Wang Yaotsu	(Appointed on 9 January 2007 and resigned on 1 June 2007)
Mr. Chua Wee Ming	(Appointed on 9 January 2007 and resigned on 1 June 2007)
Ms. Tsuen Tai Chi Andy	(Appointed as chairman of the Company on 15 January 2007 and appointed as executive director on 12 January 2007 and re-designated from executive director to non-executive director on 1 June 2007)
Mr. Wang Chun Lin	(Resigned as chairman and executive director of the Company on 15 January 2007)

#### Non-executive Directors:

Ms. Tsuen Tai Chi Andy	(Appointed as chairman of the Company on 15 January 2007 and appointed as executive director on 12 January 2007 and re-designated from executive director to non-executive director on 1 June 2007)
Ms. Yeh Fang Ching	(Appointed on 1 June 2007)
Ms. Wang Annie	(Resigned on 1 June 2007)
Mr. Li Jian Wei	(Resigned on 31 July 2006)
Mr. Luk Cheong	(Resigned on 15 January 2007)

#### Independent non-executive Directors:

Mr. Li Man Nang	
Ms. Fang Tsz Ying	
Mr. Jeffrey John Ervine	(Appointed on 12 January 2007)
Mr. Wang Tianye	(Resigned on 15 January 2007)

Save for the fact that Ms. Tsuen Tai Chi Andy is also substantial shareholders of the Company, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 7 to 10 under the section headed "Biographical Details of Directors of the Company and the Investment Manager".

## CORPORATE GOVERNANCE REPORT

### **BOARD OF DIRECTORS** *(continued)*

#### **Chairman**

The role of the chairman of the Company takes the lead in formulating overall strategies and policies of the Group; ensures the effective performance by the Board of its functions, including compliance with good corporate governance practices and encourages and facilitates active contribution of directors in Board activities. She also ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, complete and reliable information in a timely manner with the assistance of the company secretary.

#### **Executive Directors**

The executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and the Group's business conforms to applicable laws and regulations.

#### **Non-executive Directors and independent non-executive Directors**

The non-executive Directors and the independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participations provide adequate checks and balances to safeguard the interests of the Group and its shareholders. The Board consists of three independent non-executive Directors and two of them have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the independent non-executive Directors a confirmation of independence for the year pursuant to Rule 3.13 of the Listing Rules. On this basis, the Company considers all such Directors to be independent.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(continued)*

### Board Meetings

During the financial year ended 31 March 2007, the Board held 26 regular/special Board meetings. The attendance of each member at the Board meetings is set out below:

Name	Number of meetings attended/Total
<b>Executive Directors:</b>	
Mr. Chuan Wei Chen	(Appointed on 1 June 2007) 0/26
Mr. Wang Yaotsu	(Appointed on 9 January 2007 and resigned on 1 June 2007) 15/15
Mr. Chua Wee Ming	(Appointed on 9 January 2007 and resigned on 1 June 2007) 15/15
Ms. Tsuen Tai Chi Andy	(Appointed as chairman of the Company on 15 January 2007 and appointed as executive director on 12 January 2007 and re-designated from executive director to non-executive director on 1 June 2007) 14/14
Mr. Wang Chun Lin	(Resigned as chairman and executive director of the Company on 15 January 2007) 15/15
<b>Non-executive Directors:</b>	
Ms. Tsuen Tai Chi Andy	(Appointed as chairman of the Company on 15 January 2007 and appointed as executive director on 12 January 2007 and re-designated from executive director to non-executive director on 1 June 2007) 14/14
Ms. Yeh Fang Ching	(Appointed on 1 June 2007) 0/26
Ms. Wang Annie	(Resigned on 1 June 2007) 12/15
Mr. Li Jian Wei	(Resigned on 31 July 2006) 5/5
Mr. Luk Cheong	(Resigned on 15 January 2007) 14/15
<b>Independent non-executive Directors:</b>	
Mr. Li Man Nang	20/26
Ms. Fang Tsz Ying	19/26
Mr. Jeffrey John Ervine	(Appointed on 12 January 2007) 14/14
Mr. Wang Tianye	(Resigned on 15 January 2007) 18/26

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS *(continued)*

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

### CORPORATE GOVERNANCE

During the year, the Company was in compliance with the CG Code, except for the deviation from the requirement of code provision A4.1

Under the Code Provision A4.1, non-executive directors should be appointed for specific terms, subject to re-election at the general meeting of the Company. Currently, all the Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the forthcoming annual general meeting in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than in the Code.

### AUDIT COMMITTEE

The audit committee (the "Committee") has been established by the Board. The Committee currently comprises three independent non-executive Directors. The Committee will meet at least twice a year. The Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board in the appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Group.

During the year, the Committee held 2 meetings. Details of attendance are set out below:

Members	Number of meetings attended/Total
<b>Independent non-executive Directors:</b>	
Mr. Li Man Nang ( <i>Chairman</i> )	2/2
Mr. Jeffrey John Ervine (Appointed on 15 January 2007)	1/2
Mr. Wang Tianye (Resigned on 15 January 2007)	1/2
Ms. Fang Tsz Ying	2/2



# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 20 February 2006 which consists of one non-executor Director and two independent non-executive Directors.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy for Directors, senior management, and investment manager and overseeing the remuneration packages of the executive Directors, senior management, and investment manager.

During the year, the Remuneration Committee held 1 meeting to discuss about the remuneration package of Directors, qualified accountant, and investment manager. Details of attendance are set out below:

<b>Members</b>		<b>Number of meetings attended/Total</b>
<b>Executive Director:</b>		
Mr. Wang Chun Lin	(Resigned as chairman on 15 January 2007)	N/A
<b>Non-executive Director:</b>		
Ms. Tsuen Tai Chi Andy	(Appointed as chairman on 15 January 2007)	1/1
<b>Independent non-executive Directors:</b>		
Mr. Li Man Nang		1/1
Mr. Jeffrey John Ervine	(Appointed on 15 January 2007)	1/1
Mr. Wang Tianye	(Resigned on 15 January 2007)	N/A

## CORPORATE GOVERNANCE REPORT

### NOMINATION COMMITTEE

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

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

### DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statements of the auditors of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 27 to 28 of this annual report.

### INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. An Audit Committee composite member of the management was established for conducting a review of the internal control of the Group which cover the material controls including financial, operational and compliance controls and risk management functions. Procedures have been set up, inter alia, for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. The management throughout the Group maintains and monitors the internal control system on an ongoing basis.

The Board, with the assistance of HLM & Co., conducted a review of the effectiveness of the Company's internal control system during the year ended 31 March 2007. No material issue but areas for improvement had been identified and appropriate measures had been taken.

# CORPORATE GOVERNANCE REPORT

## AUDITORS' REMUNERATION

During the year under review, the remuneration in respect of audit and non-audit services provided by the Company's auditors, HLM & Co., is set out below:

<b>Services rendered</b>	<b>Fee paid/payable</b> HK\$'000
Audit services	110
Non-audit services	–

## INVESTOR RELATIONS

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its mandatory interim and final reports announcement. Through the timely distribution of press releases, the Group has also kept the public abreast of its latest developments.

## COMMUNICATION WITH SHAREHOLDERS

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman as well as Chairman of the Audit and Remuneration Committees and members of the Committees are pleased to answer shareholders' questions. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors. Details of poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes relevant details of proposed resolutions, including biographies of each candidates standing for re-election. The results of the poll are published in the newspapers, on the Company's website (<http://www.everestintl.com.hk>), and on the website of The Stock Exchange of Hong Kong Limited, (<http://www.hkex.com.hk>).

# INDEPENDENT AUDITORS' REPORT

恒健會計師行  
**HLM & Co.**  
Certified Public Accountants

Room 305, Arion Commercial Centre  
2-12 Queen's Road West, Hong Kong.  
香港皇后大道西 2-12 號聯發商業中心 305 室  
Tel 電話: (852) 3103 6980  
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Email 電郵: hlm@hlm.biz.com.hk

TO THE SHAREHOLDERS OF  
**EVEREST INTERNATIONAL INVESTMENTS LIMITED**  
*(Incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Everest International Investments Limited (the "Company") and its subsidiary (collectively referred to as the "Group") set out on pages 29 to 60, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and 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 Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

## INDEPENDENT AUDITORS' REPORT

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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### HLM & Co.

*Certified Public Accountants*

Hong Kong, 24 July 2007

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>TURNOVER</b>	6	<b>116</b>	38
Cost of financial assets at fair value through profit or loss		<b>(35)</b>	–
Unrealised gain on financial assets at fair value through profit or loss		–	2
<b>OPERATING INCOME</b>		<b>81</b>	40
(Loss) / gain on disposal of available-for-sale financial assets	7	<b>(6,113)</b>	2,013
Gain on disposal of the subsidiary		<b>20</b>	–
Other income		<b>644</b>	141
Administrative expenses		<b>(4,028)</b>	(3,672)
<b>LOSS FROM OPERATIONS</b>	8	<b>(9,396)</b>	(1,478)
Taxation	10	<b>(100)</b>	–
<b>LOSS FOR THE YEAR</b>		<b>(9,496)</b>	(1,478)
<b>DIVIDENDS</b>	11	–	–
<b>LOSS PER SHARE</b>	12		(Restated)
– Basic		<b>(48.21) cents</b>	(8.33) cents

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED BALANCE SHEET**

As at 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	214	162
Available-for-sale financial assets	15	2,841	5,327
Deposits paid for the acquisition of available-for-sale financial assets	16	–	9,500
Long term receivables		108	77
		<u>3,163</u>	<u>15,066</u>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	17	–	34
Other receivables	18	16,233	6,336
Tax recoverable		–	100
Bank balances and cash		1,209	445
		<u>17,442</u>	<u>6,915</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accrued charges		1,431	908
		<u>16,011</u>	<u>6,007</u>
<b>NET CURRENT ASSETS</b>			
		<u>19,174</u>	<u>21,073</u>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	19	4,209	3,551
Reserves	20	14,965	17,522
		<u>19,174</u>	<u>21,073</u>
<b>SHAREHOLDERS' FUNDS</b>			
		<u>19,174</u>	<u>21,073</u>
			(Restated)
<b>NET ASSET VALUE PER SHARE</b>	21	<u>HK\$0.91</u>	<u>HK\$1.19</u>

The financial statements on pages 29 to 60 were approved and authorised for issue by the Board of Directors on 24 July 2007 and are signed on its behalf by:

**Chuan Wei Chen**  
DIRECTOR

**Yeh Fang Ching**  
DIRECTOR

The accompanying notes form an integral part of these financial statements.

**BALANCE SHEET**

As at 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investments in the subsidiary	13	–	5
Property, plant and equipment	14	214	162
Available-for-sale financial assets	15	2,841	5,327
Deposits paid for the acquisition of available-for-sale financial assets	16	–	9,500
Long term receivables		108	77
		<u>3,163</u>	<u>15,071</u>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	17	–	34
Other receivables	18	16,233	6,336
Tax recoverable		–	100
Bank balances and cash		1,209	445
		<u>17,442</u>	<u>6,915</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accrued charges		1,431	893
		<u>16,011</u>	<u>6,022</u>
<b>NET CURRENT ASSETS</b>			
		<u>19,174</u>	<u>21,093</u>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	19	4,209	3,551
Reserves	20	14,965	17,542
		<u>19,174</u>	<u>21,093</u>
<b>SHAREHOLDERS' FUNDS</b>			
		<u>19,174</u>	<u>21,093</u>

**Chuan Wei Chen**  
DIRECTOR

**Yeh Fang Ching**  
DIRECTOR

The accompanying notes form an integral part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY OF THE GROUP AND THE COMPANY

For the year ended 31 March 2007

### Group

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 31 March 2005	3,551	78,099	(14,211)	(44,738)	22,701
Unrealised loss arising on revaluation of available- for-sale financial assets, representing net losses not recognised in the income statement	-	-	(204)	-	(204)
Gain realised on disposals of available-for-sale financial assets	-	-	54	-	54
Net loss for the year	-	-	-	(1,478)	(1,478)
Balance at 31 March 2006	3,551	78,099	(14,361)	(46,216)	21,073
Unrealised loss arising on revaluation of available- for-sale financial assets, representing net losses not recognised in the income statement	-	-	(1,608)	-	(1,608)
Loss realised on disposals of available-for-sale financial assets	-	-	6,801	-	6,801
Issue of shares for cash by placing	658	1,746	-	-	2,404
Net loss for the year	-	-	-	(9,496)	(9,496)
<b>Balance at 31 March 2007</b>	<b>4,209</b>	<b>79,845</b>	<b>(9,168)</b>	<b>(55,712)</b>	<b>19,174</b>

## STATEMENT OF CHANGES IN EQUITY OF THE GROUP AND THE COMPANY

For the year ended 31 March 2007

## COMPANY

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as 1 April 2005	3,551	78,099	(12,652)	(46,283)	22,715
Unrealised loss arising on revaluation of available-for-sale financial assets, representing net losses not recognised in the income statement	-	-	(204)	-	(204)
Gain realised on disposals of available-for-sale financial assets	-	-	54	-	54
Net loss for the year	-	-	-	(1,472)	(1,472)
Balance at 31 March 2006	3,551	78,099	(12,802)	(47,755)	21,093
Unrealised loss arising on revaluation of available-for-sale financial assets, representing net losses not recognised in the income statement	-	-	(1,608)	-	(1,608)
Loss realised on disposals of available-for-sale financial assets	-	-	5,242	-	5,242
Issue of shares for cash by placing	658	1,746	-	-	2,404
Net loss for the year	-	-	-	(7,957)	(7,957)
<b>Balance at 31 March 2007</b>	<b>4,209</b>	<b>79,845</b>	<b>(9,168)</b>	<b>(55,712)</b>	<b>19,174</b>

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 March 2007

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
<b>OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	<b>(9,396)</b>	(1,478)
Adjustments for:		
Interest income	<b>(66)</b>	(6)
Depreciation	<b>148</b>	208
Unrealised gain on financial assets at fair value through profit or loss	–	(2)
Gain on disposal of the subsidiary	<b>(20)</b>	–
Realised gain on disposal of financial assets at fair value through profit or loss	<b>(16)</b>	–
Loss/(gain) on disposal of available-for-sale financial assets	<b>6,146</b>	(2,013)
<b>Operating cash flows before movements in working capital</b>	<b>(3,204)</b>	(3,291)
Increase in financial assets at fair value through profit or loss	–	(34)
Decrease in trading securities	–	32
Increase in long term receivables	<b>(31)</b>	(31)
Decrease in deposits paid for the acquisition of available-for-sale financial assets	<b>9,500</b>	–
(Increase)/decrease in other receivables	<b>(9,898)</b>	5,995
Increase in other payables and accrued charges	<b>523</b>	277
<b>Net cash (used in)/generated from operations</b>	<b>(3,110)</b>	2,948
Interest received	<b>34</b>	6
Income tax paid	–	(499)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(3,076)</b>	2,455

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 March 2007

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of financial assets through profit or loss	<b>51</b>	3,633
Proceeds on disposal of available-for-sale financial assets	<b>1,585</b>	–
Deposits paid for the acquisition of available-for-sale financial assets	–	(6,000)
Purchases of property, plant and equipment	<b>(200)</b>	–
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM/(USED IN)</b>		
<b>INVESTING ACTIVITIES</b>	<b>1,436</b>	(2,367)
	<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issue of shares	<b>2,404</b>	–
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>2,404</b>	–
	<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>764</b>	88
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>445</b>	357
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,209</b>	445
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 1. GENERAL

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability on 25 March 1998. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 12 December 2000. Its registered office is located at P.O. Box 309, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands and its principal office in Hong Kong is at Unit 1306, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The Company and its subsidiary are engaged in investment holding for medium to long-term capital appreciation purpose and in trading of listed securities.

The consolidated financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of the Company.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "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, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting periods have been prepared and presented.

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

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>5</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>6</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>6</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2008

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial assets at fair value through profit or loss.

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below:

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 31 March. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the members of the Board; or to cast majority of votes at the meeting of the Board.

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 inter-company transactions and balances within the group are eliminated on consolidation.

The gain or loss on the disposals of a subsidiary represents the difference between the proceeds of the sale and Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously been charged or recognized in the consolidated income statements.

In the Company's balance sheet, the investments in subsidiary are stated at cost less provision for impairment losses. The results of subsidiary are accounted for by the Company on the basis of dividends received and receivable.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (b) Revenue recognition

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

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

Proceeds from the disposal of investments are recognised on the trade-date when a sale and purchase contract is entered into.

### (c) Impairment

At the balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss for interests in associates is dealt with in equity, until the associates are disposed of, at which time the cumulative losses previously recognised in equity are included in the net profit or loss for the year. Other impairment losses are recognised as expenses immediately.

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

### (d) Financial instruments

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Financial instruments (continued)

#### (i) Financial assets

The Group's financial assets are classified into one of the four categories, which include financial assets at fair value through profit or loss and loans and receivables, held-to-maturity investments 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 financial assets at fair value through profit or loss and available-for-sale financial assets are set out below.

#### (ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, which include financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying value is included in the income statement.

#### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in the income statement. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after recognition of the impairment loss.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Financial instruments (continued)

#### (iii) Available-for-sale financial assets (continued)

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

### (e) Property, plant and equipment

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

Depreciation is provided to write off the cost over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	25%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### (f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Profits and losses arising on exchange are dealt with in the income statement.

### (h) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Employee benefits

#### *Pension scheme*

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

### (j) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### (k) Cash and cash equivalents

Cash and cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from bank repayable within three months from the date of the advances.

### (l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past event that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group

### (n) Segment reporting

The Group has determined that geographical segments are presented as the primary reporting format.

Segment asset consist primarily of fixed assets, investments in financial assets, deposits paid for acquisition of investments in financial assets, trade and other receivables and operating bank balances and cash exclude corporate cash funds. Segment liabilities consist primarily of tax payable and accrued charges and other payables. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, turnover is bases on the region where the related investments are located. Total assets and capital expenditure are based on where the assets are located.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group achieves its investment objective through investing in equities therefore is exposed to market price, credit, liquidity, and interest rate risks in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

### (a) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Group limits its exposure to market price risk by transacting securities that the Group considers to be of good credit ratings.

The Group's investment activities expose it to the various types of market risks which are associated with the markets in which it invests and to the extent of the amount invested in equities totaling HK\$2,840,795 as at year end (2006: HK\$5,361,032).

### (b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Financial assets which potentially subject the Group to concentrations of credit risk consist principally of available-for-sale financial assets, financial assets at fair value through profit or loss, bank balances and amounts receivable on sale of investments.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Group considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers.

Accordingly, the Group has no significant concentration of credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *(continued)*

### (c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in selling a financial asset quickly at close to its fair value.

### (d) Interest rate risk

The Group is exposed to minimal interest rate risk as the Group invests mainly in equities and only the bank balances and debts are exposed to interest rate risk which is considered to be minimal.

### (e) Fair values

As at 31 March 2007, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the balance sheet at amounts approximating to their fair values.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 5. SEGMENT INFORMATION

During the years ended 31 March 2006 and 2007 respectively, more than 90% of the Group's turnover was derived in Hong Kong, no business and geographical segmental information on turnover are presented. The Group's segment assets and liabilities for the year, analysed by geographical market, were as follows:

	Hong Kong, SAR		PRC (not including Hong Kong, SAR)		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>ASSETS AND LIABILITIES</b>						
Assets						
Segment assets	<u>1,874</u>	<u>4,250</u>	<u>16,681</u>	<u>16,773</u>	<u>18,555</u>	<u>21,023</u>
Unallocated corporate assets					<u>2,050</u>	<u>958</u>
Consolidated total assets					<u>20,605</u>	<u>21,981</u>
<b>LIABILITIES</b>						
Unallocated corporate liabilities and consolidated total liabilities					<u>1,431</u>	<u>908</u>
Other information:						
Capital additions	<u>200</u>	<u>-</u>			<u>200</u>	<u>-</u>
Depreciation	<u>148</u>	<u>208</u>			<u>148</u>	<u>208</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 6. TURNOVER

An analysis of turnover was as follows:

Proceeds from sale of financial assets  
at fair value through profit or loss  
Dividend income from financial assets  
Interest income

	2007 HK\$'000	2006 HK\$'000
	51	–
	1	1
	64	37
	<u>116</u>	<u>38</u>

## 7. LOSS ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

Included in the loss on disposal of available-for-sale financial assets is an amount of HK\$6,093,404 (2006: gain of HK\$54,000) in respect of investment revaluation reserve released on disposals of available-for-sale financial assets.

## 8. LOSS FROM OPERATIONS

The Group's loss from operations has been arrived at after charging the following:

Staff costs including directors' emoluments  
Pension scheme contributions

	2007 HK\$'000	2006 HK\$'000
	1,268	1,559
	30	45
	<u>1,298</u>	<u>1,604</u>
Auditors' remuneration	110	100
Depreciation	148	208
Minimum lease payments under operating lease rentals for office premises	<u>664</u>	<u>684</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

### (a) Directors

Details of directors' remunerations are as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Fees:		
Executive Director	–	–
Non-executive Directors	–	–
Independent non-executive Directors	<b>110</b>	120
	<hr/>	<hr/>
	<b>110</b>	120
Other emoluments:		
Salaries and other benefits paid to		
Executive Director	<b>550</b>	650
Pension scheme		
Contributions paid to:		
Executive Director	<b>9</b>	12
Independent Non-executive Directors	–	–
	<hr/>	<hr/>
Total emoluments	<b>669</b>	782
	<hr/> <hr/>	<hr/> <hr/>

The emoluments of the Directors fell within the following bands:

	Number of directors	
	2007	2006
Emolument bands		
Nil to HK\$1,000,000	<b>3</b>	3
	<hr/>	<hr/>

During the year ended 31 March 2007 none of the directors waived their emoluments for the services rendered for the year then ended.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

(continued)

## (a) Directors (continued)

The emoluments paid or payable to each of the three (2006: three) directors were as follows:

### The Group

	Fees		Salaries		2007	2006
	Executive and non-executive directors	Independent non-executive directors	Management remuneration	Employer's contributions to pension schemes	Total emoluments	Total emoluments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wang Yao Tsu (note 1)	-	-	-	-	-	-
Chua Wee Ming (note 2)	-	-	-	-	-	-
Tsuen Tai Chi Andy (note 3)	-	-	-	-	-	-
Ervine Jeffrey John (note 4)	-	-	-	-	-	-
Wang Chun Lin (note 5)	-	-	550	9	559	662
Luk Cheong (note 6)	-	-	-	-	-	-
Wang Annie (note 7)	-	-	-	-	-	-
Li Jian Wei (note 8)	-	-	-	-	-	-
Li Man Nang	-	60	-	-	60	60
Wang Tianye (note 9)	-	50	-	-	50	60
Fang Tsz Ying	-	-	-	-	-	-
	-	110	550	9	669	782

Notes:

1. Appointed on 9 January 2007 and resigned on 1 June 2007
2. Appointed on 9 January 2007 and resigned on 1 June 2007
3. Appointed as chairman of the Company on 15 January 2007 and appointed as executive director on 12 January 2007 and re-designated from executive director to non-executive director on 1 June 2007
4. Appointed on 12 January 2007
5. Resigned on 15 January 2007
6. Resigned on 15 January 2007
7. Resigned on 1 June 2007
8. Resigned on 31 July 2006
9. Resigned on 15 January 2007

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

(continued)

### (b) Employees' emoluments

Of the four (2006: four) highest paid individuals in the Group, one (2006: one) was director whose remuneration is set out in (a) above. The emoluments of the remaining three (2006: three) individuals were as follows:

	<b>2007</b>	<b>Group</b>
	<b>HK\$'000</b>	2006 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	<b>599</b>	711
Pension scheme contributions	<b>21</b>	30
	<hr/> <b>620</b> <hr/>	<hr/> 741 <hr/>

Note – there were only four employees during the year.

The emoluments of each of the above remaining employees fall within the HK\$Nil – HK\$1,000,000 band.

There was no arrangement under which any of the four (2006: four) highest paid employees waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to any of the directors or the highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 10. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profits in both years.

The taxation can be reconciled to the loss per the income statement as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Loss before taxation	<u>(9,396)</u>	<u>(1,478)</u>
Tax at the domestic tax rate of 17.5% (2006: 17.5%)	<b>(1,644)</b>	(259)
Tax effect on non-deductible expenses	<b>1,127</b>	71
Tax effect on non-taxable revenue	<b>(9)</b>	(359)
Tax effect on tax losses not recognized	<b>535</b>	547
Others	<b>(9)</b>	–
	<u>–</u>	<u>–</u>

## 11. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2006: HK\$ nil).

## 12. LOSS PER SHARE

The calculation of the loss per share is based on the loss for the year of approximately HK\$9,496,000 (2006: HK\$1,478,000) and on the weighted average number of 19,699,463 (2006 (restated): 17,752,800) shares in issue during the year. The basic loss per share has been adjusted to reflect the consolidation of shares during the year.

Diluted loss per share is not presented as there are no diluting events during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 13. INVESTMENTS IN THE SUBSIDIARY

	Company	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	–	4,501
Less: impairment loss recognised	–	(4,501)
	<hr/>	<hr/>
	–	–
Due from the subsidiary	–	5
	<hr/>	<hr/>
	–	5
	<hr/> <hr/>	<hr/> <hr/>

Particulars of the Group's subsidiary as at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation	Nominal value of issued share capital	Percentage of equity held directly by the Company	Principal activities
Cyberlink Management Limited	British Virgin Islands	Ordinary HK\$390,000	100%	Investment holding

## 14. PROPERTY, PLANT AND EQUIPMENT

### Group and Company

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 April 2006	566	167	47	117	897
Additions	198	–	–	2	200
Disposals	(566)	–	–	–	(566)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	198	167	47	119	531
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation and impairment</b>					
At 1 April 2006	514	113	32	76	735
Charge for the year	81	33	10	24	148
Write back on disposals	(566)	–	–	–	(566)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	29	146	42	100	317
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 March 2007	169	21	5	19	214
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2006	52	54	15	41	162
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007 HK\$'000	2006 HK\$000	2007 HK\$'000	2006 HK\$000
Equity securities listed				
in Hong Kong, at cost	<b>7,328</b>	9,011	<b>7,328</b>	9,011
Unrealised loss	<b>(7,208)</b>	(8,037)	<b>(7,208)</b>	(8,037)
Fair value at 31 March	<b>120</b>	974	<b>120</b>	974
Unlisted equity securities, at cost	<b>1,600</b>	7,661	<b>1,600</b>	1,600
Unrealised loss	<b>(419)</b>	(6,388)	<b>(419)</b>	(327)
Fair value at 31 March	<b>1,181</b>	1,273	<b>1,181</b>	1,273
Unlisted convertible bonds	<b>3,080</b>	3,080	<b>3,080</b>	3,080
Unrealised loss	<b>(1,540)</b>	–	<b>(1,540)</b>	–
Fair value at 31 March	<b>1,540</b>	3,080	<b>1,540</b>	3,080
	<b>2,841</b>	5,327	<b>2,841</b>	5,327

The convertible bonds in the principal amount of HK\$3,080,000, against which unrealised loss of HK\$1,540,000 has been provided, carry the right to convert into shares of Amplus International Investments Limited (“Amplus”). The bonds are unsecured, bear interest at 1% per annum and have a maturity date on 30 September 2008. The Group has the right on any business day from 1 October 2003 to the maturity date to convert the whole amount of the outstanding principal of the bonds into shares in Amplus by using a predetermined formula.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

### 16. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

The balance includes the following:

- (a) In July 2004, the Company made a deposit of HK\$3,500,000 to an independent third party (the "Independent Party A") for the establishment of a company in the PRC which the Company will have 20% equity interest. This company will be engaged in educational web-site platform in the telecommunication industry. As at 31 March 2006, the investment proposal is still in progress and the deposit will be transferred to available-for-sale financial assets when the procedures of the establishment is completed. If the other investing party was unable to obtain the approval from the Chinese government officials before 31 December 2006, this investment proposal will be terminated. During the year ended 31 March 2007, the investment proposal was terminated and the amount has been fully refunded to the Company subsequent to the balance sheet date, thus it is classified to other receivables at the year end date.
- (b) In August 2005, the Company made a deposit of HK\$6,000,000 to an independent third party (the "Independent Party B") for the establishment of a jointly controlled entity in the PRC which the Company will have 25% equity interest. This company will be engaged in exploration and mining industry. As at 31 March 2006, the investment proposal is still in progress and the deposit will be transferred to available-for-sale financial assets when the procedures of the establishment is completed. During the year ended 31 March 2007, the investment proposal was terminated and the amount has been fully refunded to the Company subsequent to the balance sheet date, thus it is classified to other receivables at the year end date.

### 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Group and Company</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Financial assets at fair value through profit or loss:		
Listed in Hong Kong, at cost	–	36
Unrealised loss recognised in income statement	–	(2)
	<u>–</u>	<u>34</u>
	<u>–</u>	<u>34</u>
Market value at 31 March	<u>–</u>	<u>34</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 18. OTHER RECEIVABLES

In December 2002, the Company made a deposit of HK\$6,000,000 to an independent third party (the "Independent Party C") for a proposed acquisition of an effective 20% equity interest in a company, which was established in the PRC and is engaged in the provision of freight and cargo forwarding services, through acquisition of shares in a Samoa incorporated company (the "Samoa Company"). Pursuant to the memorandum for sale and purchase of shares in the capital of the Samoa Company dated 1 December 2002, in the event that the Independent Party C failed to complete the acquisition on or before 30 September 2003, the deposit should be fully refunded to the Company. The deposit has not been refunded by the Independent Party C and the balance was stated as a deposit paid for acquisition of investments in securities as at 31 March 2004. At 31 March 2005, the Independent Party C has pledged his bank deposit of HK\$6,000,000 (2005: HK\$6,000,000) in favor of the Company to secure the deposit paid by the Company and as the balance was not deposit in nature, it was reclassified as other receivable balance as at 31 March 2006 and 2007.

In April 2007, the Independent Party C informed the Company the above proposed acquisition of an effective 20% equity interest in a Company, which is incorporated in the PRC and is engaged in the provision of freight and cargo forwarding services was to be completed by the end of August 2007. During that time, the deposit amount will be transferred to available-for-sale financial assets. Please refer to note 16 for more details of the further amount HK\$9,500,000.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 19. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.2 each	Number of ordinary shares of HK\$0.01 each	HK\$
<b>Authorised:</b>				
At 1 April 2006		–	1,000,000,000	10,000,000
Share consolidation	(a)	50,000,000	(1,000,000,000)	–
At 31 March 2007		<u>50,000,000</u>	<u>–</u>	<u>10,000,000</u>
<b>Issued and fully paid:</b>				
At 1 April 2006		–	355,056,000	3,550,560
Issue of shares by placing	(b)	–	65,790,000	657,900
Share consolidation		21,042,300	(420,846,000)	–
At 31 March 2007		<u>21,042,300</u>	<u>–</u>	<u>4,208,460</u>

During the year, the movements in the Company's share capital are as follows:

- (a) On 23 March 2007, every 20 shares in the issued and unissued share capital of the Company of HK\$ 0.01 each be consolidated into 1 consolidated share of HK\$0.2 each.
- (b) On 30 May 2006, 65,790,000 shares were issued to an independent investor for cash at HK\$ 0.038 per share.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 20. RESERVES

Movements of reserves of the Group and Company are set out under the statement of changes in equity.

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

Under the Companies Law (revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. It is provided that a dividend cannot be paid if this would result in the Company being unable to pay its debts as they fall due. In accordance with the Company's Articles of Association, the Company's reserves available for distribution to shareholders amounted to approximately HK\$14,965,000 (2006: approximately HK\$17,542,000).

## 21. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 March 2007 of approximately HK\$19,174,000 (2006: approximately HK\$21,073,000) and 21,042,300 (2006 (restated): 17,752,800) ordinary shares in issue as at that date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

### 22. DISPOSAL OF THE SUBSIDIARY

	HK\$
NET ASSETS DISPOSED OF	
Amount due to ultimate holding company	(5,060)
Accrued charges	<u>(14,800)</u>
	(19,860)
Gain on disposal of the subsidiary	<u>19,960</u>
	<u>100</u>
Satisfied by:	
Cash	<u>100</u>
Net cash inflow arising on disposal:	
Cash consideration	<u>100</u>

### 23. UNRECOGNISED DEFERRED TAXATION

At the balance sheet date, the Group had unrecognised deferred tax assets as follows:

	<b>2007</b>	<b>Group</b>
	<b>HK\$'000</b>	<b>2006</b>
		<b>HK\$'000</b>
Taxation effect of temporary differences arising as a result of:		
Tax losses available to set off against future assessable profits	<b>2,778</b>	2,605
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	<u>1</u>	<u>61</u>
	<u><b>2,779</b></u>	<u>2,666</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 23. UNRECOGNISED DEFERRED TAXATION *(continued)*

No deferred tax asset has been recognised in respect of the tax losses as they have not yet been agreed with the Inland Revenue Department and it is not certain that they can be utilised in the foreseeable future.

No provision for deferred tax has been recognised in the income statement for the year. The amount of unrecognised deferred tax credit for the year is as follows:

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Taxation effect of temporary differences arising as a result of:		
Tax losses available to set off against future assessable profits	<b>173</b>	517
Taxation effect of timing differences arising as a result of excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	<b>(60)</b>	30
	<u><b>113</b></u>	<u>547</u>

The Company had no significant unrecognised deferred tax at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

### 24. RELATED PARTY TRANSACTIONS

Compensation of key management personnel for the remuneration of directors and other members of key management during the year is as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries, allowances and benefits in kind	1,259	1,481
Contributions to MPF scheme	30	42
	<u>1,289</u>	<u>1,523</u>

Further details of directors' emoluments are included in note 9 to the financial statements.

### 25. COMMITMENTS

#### (a) Operating lease arrangements

During the year, the Group and the Company leased certain of its office premises under non-cancelable operating lease arrangements which are negotiated and rentals are fixed for an average term of two years.

At 31 March 2007, the Group and the Company had total future minimum lease payments in respect of non-cancelable operating leases for land and buildings falling due as follows:

	Group and Company	
	2007 HK\$'000	2006 HK\$'000
Within one year	1,387	329
In the second to fifth years inclusive	2,789	–
	<u>4,176</u>	<u>329</u>

#### (b) Capital commitments

At the balance sheet date, neither the Group nor the Company had any significant capital commitments.

# INVESTMENT PORTFOLIO

(Express in Hong Kong dollars)

Particulars of the Group's investments are as follows:

## (1) Available-for-sale financial assets listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") held directly by the Company:

### At 31 March 2007

Name of Investee company	Place of incorporation	Number of shares held	Proportion of investee company's capital owned %	Cost HK\$'000	Unrealised loss arising on revaluation HK\$'000	Market value HK\$'000	Net assets attributable to the Group HK\$'000 (Note 1)
(a) Garron International Limited ("Garron")	Cayman Islands	300,000	1.07	7,328	(7,208)	120	170
				7,328	(7,208)	120	

### At 31 March 2006

Name of Investee company	Place of incorporation	Number of shares held	Proportion of investee company's capital owned %	Cost HK\$'000	Unrealised loss arising on revaluation HK\$'000	Market value HK\$'000	Net assets attributable to the Group HK\$'000 (Note 1)
(b) Garron International Limited ("Garron")	Cayman Islands	300,000	1.25	7,328	(7,232)	96	256
(c) Proactive Technology Holdings Limited ("Proactive")	Bermuda	1,032,000	0.4448	1,438	(1,376)	62	39
(d) Sin Prosper Holdings Limited ("Sino")	Cayman Islands	600,000	0.05	180	636	816	73
				8,946	(7,972)	974	

Note (1): The calculation of net assets attributable to the Group is based on the latest published interim reports or annual reports of the respective investee companies.

## INVESTMENT PORTFOLIO

(Express in Hong Kong dollars)

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

- (a) Garron is principally engaged in investment in equity securities issued by enterprises established in or having significant operations in Hong Kong.

The audited consolidated loss attributable to shareholders of Garron for the year ended 31 March 2007 was approximately HK\$7,169,000 (2006: The audited consolidated profit attributable to shareholders HK\$4,162,000). As at 31 March 2007, the audited consolidated net asset value of Garron was approximately HK\$14,742,000 (2006: approximately HK\$20,565,000).

### (2) Unlisted available-for-sale financial assets:

Name of Investee company	Place of incorporation	2007		2006	
		Fair value HK\$'000	Net assets attributable to the Group HK\$'000 (Note)	Fair value HK\$'000	Net assets attributable to the Group HK\$'000
(a) Shanghai Health Bio-Pharmaceutical Co., Ltd. ("Shanghai Health") *	PRC	1,181	1,202	1,273	1,326
		<u>1,181</u>		<u>1,273</u>	

\* held directly by the Company at 31 March 2007

Note: The calculation of net assets attributable to the Group is based on the latest available audited financial statements of respective investee companies.

A brief description of the business of the unlisted investee companies as follows:

- (a) Shanghai Health is principally engaged in development of medical products in the PRC. The Group held 5% of Shanghai Health's paid up capital at 31 March 2007. As at 31 December 2006, the audited net assets of Shanghai Health were approximately HK\$24,031,000.

## INVESTMENT PORTFOLIO

(Express in Hong Kong dollars)

### (3) Unlisted convertible bond held directly by the Company:

Issuer	2007 HK\$'000	2006 HK\$'000	Interest rate	Maturity date
Amplus International Investments Limited ("Amplus") – unsecured (Note)	1,540	3,080	1% per annum	30 September 2008

Note: Amplus is principally engaged in investment holding of unlisted financial assets.

### (4) Cash and cash equivalents

	2007 HK\$'000	2006 HK\$'000
Cash and cash equivalents	1,209	445



## SUMMARY OF FINANCIAL INFORMATION

(For the year ended 31 March 2007 (Expressed in Hong Kong dollars))

A summary of the results, assets and liabilities of the Group for the last five financial periods is as follows:

### THE GROUP

	2003	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>					
Turnover	<u>689</u>	<u>4,332</u>	<u>2,099</u>	<u>38</u>	<u>116</u>
Loss before taxation	(27,211)	(10,612)	(3,515)	(1,478)	<b>(9,396)</b>
Taxation	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u><b>(100)</b></u>
Net loss	<u>(27,211)</u>	<u>(10,612)</u>	<u>(3,515)</u>	<u>(1,478)</u>	<u><b>(9,496)</b></u>
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	22,067	23,978	11,012	15,066	<b>3,163</b>
Current assets	11,779	5,953	12,720	6,915	<b>17,442</b>
Current liabilities	<u>(1,832)</u>	<u>(1,830)</u>	<u>(1,031)</u>	<u>(908)</u>	<u><b>(1,431)</b></u>
Shareholder' funds	<u>32,014</u>	<u>28,101</u>	<u>22,701</u>	<u>21,073</u>	<u><b>19,174</b></u>