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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Zhou Chao (*Chairman*)
Ms. Huang Song
Mr. Phang Yul Cher Yeow
Mr. Chu Kin Wang, Peleus

Non-executive Directors:

Mr. Fong Chi Hou
Mr. Wang Yao Dong

Independent Non-executive Directors:

Mr. Liu Wing Ting, Stephen
Ms. Lam Lin Chu
Ms. Tse Po Chu

COMPANY SECRETARY

Mr. Chu Kin Wang, Peleus

INVESTMENT MANAGER

Hua Yu Investment Management Limited

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

AUDITORS

Grant Thornton
Certified Public Accountants

LEGAL ADVISERS

Hong Kong Law
Mason Ching & Associates

Cayman Islands Law
Maples and Calder Asia

PRINCIPAL SHARE REGISTRARS

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 705, George Town
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Ugland House
PO Box 309
George Town, Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 2206, 22/F, Office Tower
Convention Plaza
Harbour Road
Wanchai
Hong Kong

The Company is an investment company listed under Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and is principally engaged in investment in listed and unlisted companies in Hong Kong and in the People’s Republic of China (the “PRC”). There was no change in the nature of the Company’s principal activity during the year. As at 31 December 2005, the total market value of the Company’s investments in listed securities which are classified as financial assets at fair value through profit or loss amounted to HK\$2,710,000.

The Board considered that it is appropriate for the Company to retain financial resources at present to enable it to seize new and attractive investment opportunities as and when they arise. Therefore, the Board has resolved not to recommend the payment of any dividends.

FINANCIAL REVIEW

For the financial year ended 31 December 2005, the Group recorded a loss of HK\$5,248,000 which was mainly attributable to impairment losses totaling HK\$2,043,000 and administrative expenses of HK\$3,538,000 incurred during the year under review. The impairment losses were in relation to a further provision made in respect of the unlisted equity investment in the PRC. The result represents an improvement of approximately 26% as compared to the loss of HK\$7,107,000 for the last financial year ended 31 December 2004. The Group’s turnover for the financial year ended 31 December 2005 represented interest and dividend income.

The net asset value (“NAV”) per share of the Company was HK\$0.07 as at 31 December 2005.

LIQUIDITY AND CAPITAL RESOURCES

On 28 January 2005, the Company entered into an underwriting agreement for the open offer of 80,000,000 new shares at HK\$0.065 per share (“Open Offer”) through two independent underwriters. An ordinary resolution in respect of the Open Offer was passed in the Extraordinary General Meeting held on 17 March 2005. The Open Offer was completed on 18 April 2005. The net proceeds from the Open Offer of approximately HK\$4.7 million has been used for investment.

The current asset ratio of the Group as at 31 December 2005 was 2.66. To further strengthen its liquidity and capital base, the Company has subsequent to the year end, applied to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for suspension of trading in its shares from 9:31 am on 10 April 2006 pending for an announcement of a proposed open offer (the “Proposed Open Offer”), proposed change of Company name and other matters.

Chairman Statement

PLEDGE OF ASSETS

As at 31 December 2005, the Group's investment property of HK\$3,860,000 has been pledged to a bank to secure a mortgage loan granted to the Group. The mortgage loan is also joint and severally guaranteed by Mr. Zhou Chao and Ms. Huang Song, executive directors of the Company at nil consideration.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2005, the Group had no material capital commitment and contingent liabilities.

FOREIGN CURRENCY FLUCTUATION

Most of the underlying investments and business transactions of the Group are denominated in Hong Kong dollars. The Board believes the foreign exchange risk is minimal.

BUSINESS REVIEW AND OUTLOOK

On 12 May 2005, the Company entered into a new investment management agreement with Hua Yu Investment Management Limited ("Hua Yu") with effect from 20 May 2005 to replace Altus Capital Limited ("Altus"), the former investment manager. As Hua Yu has extensive investment experience in the PRC and Hong Kong, the Company believes it will be beneficial to appoint Hua Yu as the investment manager in order to fully capture the investment opportunities in the PRC and Hong Kong.

On 30 May 2005, there was a change in the substantial shareholder of the Company. Xiyang International Limited ("Xiyang") acquired 20.49% of the shares of the Company from Mr. Lee Wing On Samuel, the former substantial shareholder of the Company and 6.20% shares of the Company through the Stock Exchange. After the shares acquisition, Xiyang became the new substantial and largest shareholder of the Company. Xiyang is a company incorporated in Hong Kong and is principally engaged in investments in properties in Hong Kong. The Group has since then focused its efforts in rationalising its investment portfolio.

On 29 July 2005, the Group entered into an agreement with an independent third party to dispose all the equity interests in and loan to Standard Supplies Limited ("SSL") at cost of HK\$500,000 and HK\$250,000 respectively. SSL is principally engaged in the trading of flooring materials in Hong Kong and the PRC. In the opinion of the Directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of SSL. The reason for the disposal is to streamline the investment portfolio of the Company.

On 1 August 2005, the Group acquired a 30% of the equity interest in Summit Asset Holdings Limited (“SAHL”). SAHL is a company incorporated in Hong Kong with limited liability and the other 70% equity interest is owned by an independent third party. SAHL has acquired a residential property in Hong Kong at a consideration of HK\$3,880,000 from an independent third party in September 2005 and the property is held for investment purpose. On 29 December 2005, the Group has further acquired the 70% equity interest and shareholder’s loan of approximately HK\$985,000 at cost of HK\$7 and approximately HK\$985,000 respectively. The reason for the acquisition is for long term capital investment purpose.

On 3 August 2005, the Group acquired a 30% of the equity interest in Rise Profit Holdings Limited (“RPHL”). RPHL is a company incorporated in Hong Kong with limited liability and the other 70% equity interest is owned by an independent third party. RPHL acquired a taxi vehicle and its licence to operate in Hong Kong at a consideration of HK\$3,650,000 from an independent third party. The taxi vehicle and its operating license is held for investment purpose.

From September 2005, the Group has invested in certain listed shares in Hong Kong with a view of gaining good investment returns and yields for our shareholders.

In view of improving global and domestic economic conditions, the Board will continue to pursue investment opportunities which can generate stable revenue and business prospects under Company’s investment philosophy and acceptable level of risks.

APPRECIATION

Finally, I would like to thank all my fellow directors and the Company’s investment manager during the year 2005 and the transitional period. I look forward to their continued support in the years ahead.

On behalf of the Board

Zhou Chao

Chairman

Hong Kong, 18 April 2006

Biographical Details of Directors of the Company and the Investment Manager

DIRECTORS OF THE COMPANY

Executive Directors

Mr. Zhou Chao, aged 31, has been appointed Chairman and Executive Director of the Company since June 2005. Mr. Zhou is the deputy general manager of Xiyang Corporation (西洋集團) and the general manager of 遼寧西洋特肥股份有限公司 (Liaoning Xiyang Fertilizer Joint Stock Company Limited). Mr. Zhou has been the director of (i) Xiyang International Limited (西洋國際有限公司) and Ding Yang Trading Limited (鼎洋貿易有限公司) since 1997; (ii) 海城市西洋進出口公司 (Haicheng Xiyang Import & Export Company) since 2001; (iii) 貴州西洋鐵運有限公司 (Guizhou Xiyang Transportation Company Limited), 海城市西洋鋼鐵有限公司 (Haicheng Xiyang Steel & Iron Company Limited), 海城市海興運輸有限公司 (Haicheng Haixing Transportation Company Limited), 黑山金洋淨水劑有限公司 (Heishan Jinyang Water Purification Agent Company Limited) and 瀋陽西洋鋼鐵有限公司 (Shenyang Xiyang Steel & Iron Company Limited) since 2003; (iv) 海城市西洋集團設計研究有限公司 (Haicheng Xiyang Group Design and Research Company Limited) and 黑山西洋特肥運輸有限公司 (Heishan Xiyang Fertilizer Transportation Company Limited) since 2004; and (v) 內蒙敖漢旗西洋礦業有限公司 (Inner Mongolia Aohanqi Xiyang Mining Company Limited) and 寧夏西洋恒力集團有限公司 (Ningxia Xiyang Heng Li Group Limited) since 2005.

Mr. Zhou is now the member of All China Youth Federation (中華全國青年聯合會委員), member of the Jinzhou Committee of Chinese Political Consultative Conference (錦州市政協委員), the Vice-chairman of Jinzhou Youth Federation (錦州市青年聯合會副主席) and the Vice-chairman of Sole Proprietorship Business Association of Jinzhou (錦州市個體工商協會副會長).

Ms. Huang Song, aged 26, has been appointed Non-Executive Director and re-designated as Executive Director of the Company since July 2005 and September 2005 respectively. Ms. Huang has been the director of 海城西洋礦業有限公司 (Haicheng Xiyang Mining Company Limited) since February 2004, the director of Xiyang International Limited (西洋國際有限公司) (the substantial shareholder of the Company) and Ding Yang Trading Limited (鼎洋貿易有限公司) since March 2004, the director of 海城西洋冷軋有限公司 (Haicheng Xiyang Cold Rolling Company Limited) and 貴州省清鎮鋁化工有限公司 (Guizhou Qingzhen Aluminium Chemical Company Limited) since early 2005. Ms. Huang graduated from Dalian University of Foreign Languages (大連外國語學院) and is now holding a Level-1 Certificate of Japanese Language Proficiency Test (日本語能力試一級證書).

Ms. Huang is the sister-in-law of Mr. Zhou Chao, the Chairman and Executive Director of the Company.

Biographical Details of Directors of the Company and the Investment Manager

Mr. Phang Yul Cher Yeow, aged 40, has been appointed as Executive Director of the Company since July 2004. Mr. Phang graduated from Simon Fraser University with a Bachelor of Business Administration degree. Mr. Phang has close to 10 years experience in investment banking, having worked for a major European bank and an Asia based investment bank. Mr. Phang subsequently moved on to the commercial sector and worked for multi-national and listed companies in areas of treasury and investments.

Mr. Chu Kin Wang, Peleus, aged 41, has been appointed as Executive Director of the Company since September 2005. Mr. Chu is a fellow practising member of Hong Kong Institute of Certified Public Accountants (“HKICPA”), fellow member of Chartered Association of Certified Accountants, associate member of Hong Kong Institute of Company Secretaries and Chartered Institute of Secretaries and Administrators. Mr. Chu graduated from the University of Hong Kong with a Master degree in business administration.

Non Executive Directors

Mr. Fong Chi Hou, aged 42, has been appointed as Non-Executive Director of the Company since November 2005. Mr. Fong is engaged in the businesses of food manufacturing and trading in the PRC and building materials and property investment in Macau.

Mr. Wang Yao Dong, aged 42, has been appointed as Non-Executive Director of the Company since November 2005. Mr. Wang obtained a Bachelor and Master Degree in History from Lanzhou University in 1986 and 1989 respectively. Mr. Wang has been teaching world modern history and world economics history since 1989. In 1996, Mr. Wang migrated to New Zealand for further studies and returned to the PRC in 2000 and joined Xiyang Corporation. Mr. Wang is currently the business representative and assistant manager of the Beijing Office of Xiyang Corporation. Xiyang Corporation is a company incorporated in the PRC which is principally engaged in the businesses of fertilizers and steel. Mr. Zhou Chao, Chairman and Executive Director of the Company, owns one-third of the equity interests of Xiyang Corporation.

Independent Non Executive Directors

Mr. Liu Wing Ting, Stephen, Justice of Peace (JP), aged 53, has been appointed as Independent Non-Executive Director of the Company since July 2005. Mr. Liu has been the proprietor of Stephen Liu and Company, Certified Public Accountants since 1 April 1978. He is the independent non-executive director of Lung Kee (Bermuda) Holdings Limited since 15 December 1992 and the chairman of the Audit Committee of the Company. Lung Kee (Bermuda) Holdings Limited is a company whose securities are listed on the Main Board of the Stock Exchange. He is the founder director of Hong Kong Aids Foundation Limited and Hospital Governing Committee Member of the Prince of Wales Hospital of the Hospital Authority.

Biographical Details of Directors of the Company and the Investment Manager

Mr. Liu is now a fellow practising member of HKICPA, a fellow member of the Association of Chartered Certified Accountants, UK, an associate member of Taxation Institute of Hong Kong, a member of Institute of Internal Auditors, Hong Kong and a member of Society of Chinese Auditors.

Ms. Lam Lin Chu, aged 34, has been appointed as an Independent Non-Executive Director of the Company since April 2005. Ms. Lam, is currently the financial controller and company secretary of Fushan International Energy Group Limited, and whose securities are listed on the Main Board of the Stock Exchange. Ms. Lam also worked as a corporate finance manager in another Hong Kong listed company Soundwill Holdings Limited, during the period between February 2001 and February 2002. Ms. Lam had worked in KPMG for over 5 years before 2001. Ms. Lam graduated from The University of Hong Kong with the degree of Bachelor of Business Administration, majoring in accounting and finance. She is now an associate member of both the HKICPA and the Association of Chartered Certified Accountants. Ms. Lam has been awarded by the Stock Exchange with a certificate for the 15th Securities Brokers Examination.

Ms. Tse Po Chu, aged 51, has been appointed as an Independent Non-Executive Director of the Company since November 2005. Ms. Tse is a fellow practising member of HKICPA. Ms. Tse is currently a director of CCIF CPA Limited.

Company Secretary

Mr. Chu Kin Wang, Peleus, who is also an Executive Director of the Company. Please refer to page 7 for his biographical details.

INVESTMENT MANAGER

Hua Yu has been appointed as the investment manager of the Company commencing from 20 May 2005.

Hua Yu was incorporated in Hong Kong in 1998 and is Licensed Corporation under the SFO permitted to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities. Hua Yu is principally engaged in the business of investment management and provision of corporate advisory services.

Hua Yu is a subsidiary of Yu Ming Investment Management Limited (“Yu Ming”), and is owned as to approximately 91% by Yu Ming and as to approximately 9% by RHF Hong Kong Investment Company Limited. Yu Ming is a Licensed Corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities.

Biographical Details of Directors of the Company and the Investment Manager

The biographies of directors of Hua Yu who are involved in investment management are stated below:—

Mr. Fung Yiu Fai, Peter (馮耀輝) is a responsible officer and a director of Hua Yu and Yu Ming and the Managing Director of Yu Ming. Between 1989 and June 1997, Mr. Fung was the Managing Director of Sun Hung Kai International Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, a company whose securities are listed on the Stock Exchange. He was also a director of Sun Hung Kai Fund Management Limited and Tian An China Investments Company Limited. Mr. Fung has over 30 years of experience in investment banking and has extensive exposure in strategic investments in Hong Kong and Southern Asia.

Mr. Lee Wa Lun, Warren (李華倫) is a responsible officer of Hua Yu and Yu Ming, and a director of Yu Ming Investments Limited. He joined Sun Hung Kai International Limited in July 1992 and became a director of Sun Hung Kai International Limited in 1996. He has been actively involved in managing the investment of Yu Ming since 1992 and SHK Convertibles Limited between 1992 and 1997. Prior to joining Sun Hung Kai International Limited, he worked in ABN Amro Bank N.V. in Hong Kong during the period between March 1988 and July 1992.

Mr. Wang Yi Nan (王一楠) is a responsible officer and director of Hua Yu. Mr. Wang has 13 years experience in finance and investment management in the PRC and 11 years experience in finance and investment management in Hong Kong. Mr. Wang was Senior Executive Chairman of Jutian Securities Corporation Limited (巨田證券有限責任公司) (“Jutian”), a PRC investment bank involved in underwriting and sponsoring of new listings, and asset management in the PRC. Jutian is a member of the Shenzhen Stock Exchange and the Shanghai Stock Exchange.

Mr. Lau Lap Kwan (劉立君) is a responsible officer of Hua Yu. Mr. Lau, together with other directors of Hua Yu, was involved in the investment management of Sino Technology Investments Limited. Mr. Lau has over 21 years of experience in industries investment management in the PRC and 18 years of experience in investment, finance and accounting in Hong Kong. In 1996, Mr. Lau joined Hua Jian International Finance Company Limited (華建國際財務有限公司) (“Hua Jian”), a member of China Huaneng Group (中國華能集團) in the PRC. Hua Jian is principally engaged in the treasury and asset management of China Huaneng Group. Business of Hua Jian includes advising the subsidiaries of China Huaneng Group on matters relating to investment, capital raising, investment evaluation in Hong Kong, project appraisal in the PRC, direct investment in the PRC projects and infrastructure investment. His last position with Hua Jian was Vice President. Before joining Hua Jian, Mr. Lau lectured in 9th Department (Materials Engineering) of Harbin Institute of Technology (哈爾濱工業大學) during the period between 1977 and 1982 and worked as a staff (Engineer) of Project Introduction Department of Heilongjiang Administrative Commission on Import & Export Affairs (黑龍江省進出口管理委員會) and was involved in the approval of equipment import and technology transfer.

The directors present their report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. The Group principally invests in listed and unlisted companies in Hong Kong and in other parts of the PRC.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 23 to 67.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in notes 23 and 24 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 68.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

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

Executive Directors:

Mr. Zhou Chao	(Chairman and appointed on 1 June 2005)
Ms. Huang Song	(appointed as Non-Executive Director on 7 July 2005 and re-designated as Executive Director on 16 September 2005)
Mr. Phang Yul Cher Yeow	
Mr. Chu Kin Wang, Peleus	(appointed on 16 September 2005)
Mr. Tsun Kok Chung, Richard	(appointed on 7 March 2005 and resigned on 1 November 2005)
Mr. Wong Fong Kim	(not being re-elected at the Annual General Meeting (the "AGM") on 24 May 2005)
Mr. Tham Ming Yong	(resigned on 7 July 2005)
Mr. Tai Ah Lam, Michael	(resigned on 16 September 2005)

Non-Executive Directors:

Mr. Fong Chi Hou	(appointed on 1 November 2005)
Mr. Wang Yao Dong	(appointed on 1 November 2005)
Mr. Cui Zan Ming	(appointed on 7 March 2005 and resigned on 31 May 2005)

Independent Non-Executive Directors:

Ms. Lam Lin Chu	(appointed on 4 April 2005)
Mr. Liu Wing Ting, Stephen	(appointed on 7 July 2005)
Ms. Tse Po Chu	(appointed on 16 September 2005)
Mr. Wong Wing Hang, Henry	(resigned on 31 March 2005)
Mr. Chang Kin Man	(did not offer himself for re-election at AGM on 24 May 2005)
Dr. Wong Yun Kuen, Edward	(resigned on 7 July 2005)
Mr. Hsieh Dominick	(resigned on 16 September 2005)

In accordance with Article 157 of the Articles of Association, no director shall retire from office by rotation at the AGM. Mr. Zhou Chao, Ms. Huang Song, Mr. Chu Kin Wang, Peleus, Mr. Fong Chi Hou, Mr. Wang Yao Dong, Mr. Liu Wing Ting, Stephen and Ms. Tse Po Chu who were appointed by the Directors after the 2005 AGM of the Company will in accordance with Article 123 of the Articles of Association, retire by rotation at the AGM and being eligible, offer themselves for re-election at the AGM.

No director being proposed for re-election at the forthcoming AGM has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND INVESTMENT MANAGER

Brief biographical details of directors and investment manager are set out on page 6 to 9.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACT

No contract of significance to which the Company and any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2005 and up to the date of this report, the directors of the Company do not have interests in companies of which their businesses compete or are likely to compete, either directly or indirectly, with the businesses of the Company as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2005, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO were as follows:

Ordinary shares of HK\$0.025 each in the Company as at 31 December 2005:

	Personal interests	Corporate interests	Total	% of issued share capital of the Company
Mr. Zhou Chao (<i>Note 1</i>)	–	42,710,400	42,710,400	26.29%
Ms. Huang Song (<i>Note 1</i>)	–	42,710,400	42,710,400	26.29%
Mr. Fong Chi Hou (<i>Note 2</i>)	10,300,000	–	10,300,000	6.44%

Notes:

- (1) 42,710,400 shares are held by Xiyang International Limited, a Company in which Mr. Zhou Chao and Ms. Huang Song hold 90% and 10% equity interests respectively.
- (2) 10,300,00 shares are held by Ms. Kam Lai Iong, spouse of Mr. Fong Chi Hou.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 31 December 2005, the following person (other than the directors or chief executive of the Company) had interest or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Ordinary shares of HK\$0.025 each in the Company at 31 December 2005:

Name of Shareholder	Number of ordinary shares	Percentage
Lam Yih Jiun Michael (<i>Note a</i>)	9,040,000	5.65%

Note:

- (a) An independent third party.

Save as disclosed above, the Company had not been notified by any other person (other than the directors or chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 December 2005.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 23 May 2002. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Participants include (a) any full-time employee, directors (including any non-executive director or independent non-executive director) and part time employee of the Company or of any of its subsidiaries; (b) any adviser or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and (c) any adviser, consultant, agent, business affiliates or any person or entity who provides research or other support directly or indirectly to the Group, and any employee, adviser or consultant to the investment management company for the Company.

The directors may, at their absolute discretion, make an offer to any participant to take up options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and paying HK\$1 by way of consideration for the grant thereof.

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

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

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

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

CONNECTED TRANSACTIONS

The following connected transactions occurred during the year.

1. Investment Management Agreements

On 12 May 2005, the Company entered into new investment management agreement with Hua Yu with effect from 20 May 2005 to replace the former investment manager. As Hua Yu has extensive investment experience in the PRC and Hong Kong, the Company believes it will be beneficial to appoint Hua Yu as the investment manager in order to fully capture the investment opportunities in the PRC and Hong Kong.

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

Hua Yu is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the investment management agreement constitutes a continuing connected transaction of the Company.

The aggregate investment management fee paid/payable to Hua Yu for the year amounted to approximately HK\$369,000.

2. Custodian Agreement

On 23 September 2005, the Company entered into new Custodian Agreement with Bank of Communications Trustee Limited (the "Custodian") with immediate effect to replace the former custodian. The new custodian agreement has no fixed term and shall continue in force until terminated by either party giving to the other not less than 30 days' notice in writing. During the year, the Company has paid HK\$20,000 to the Custodian.

The Custodian is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the custodian constitutes a continuing connected transaction of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal controls and risk evaluation. As at 31 December 2005, the committee members comprised Mr. Liu Wing Ting, Stephen (chairman of Audit Committee), Ms. Lam Lin Chu and Ms. Tse Po Chu. Three meetings were held by the committee during the year. The audited financial statements for the year ended 31 December 2005 have been reviewed by the Audit Committee.

SUBSEQUENT EVENTS

Subsequent to the year end, the Company has applied to the Stock Exchange for suspension of trading in its shares from 9:31am on 10 April 2006 pending for an announcement of a proposed open offer (the "Proposed Open Offer"), proposed change of Company name and other matters.

Full details of the Proposed Open Offer, proposed change of Company name and other matters shall be published separately in due course in accordance with Listing Rules and Takeovers Code.

AUDITORS

The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for re-appointment.

There have been no changes of auditors in the past three years.

On behalf of the Board

Zhou Chao

Chairman

Hong Kong, 18 April 2006

The Group is dedicated to maintaining a credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders.

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices (“the Code”) contained in Appendix 14 of the Listing Rules. The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code with the exception of code provision A.2.1 that an individual chief executive officer is not appointed during the year ended 31 December 2005. The Board considers that based on the existing size and structure of the Company, the appointment of an individual chief executive officer of the Company is not necessary. Furthermore, the Company has engaged Hua Yu as its investment manager.

THE BOARD

Composition

The Board consists of four executive directors, two non-executive directors and three independent non-executive directors (“INED(s)”). All of the INEDs have the appropriate professional accounting experience and expertise. The names and biographical details of each director are disclosed on pages 6 to 8 of this Annual Report.

Each INED has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed he/she is independent of the Company and the Company also considers that they are independent. The term of office of each INED is not more than three years from date of appointment subject to the requirement that one-third of all the directors shall retire from office by rotation at each AGM pursuant to the Bye-Laws of the Company.

Mr. Zhou Chao, Chairman and executive director of the Company, is the brother-in-law of Ms. Huang Song, executive director of the Company. Save as aforesaid, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Function

The Board is responsible both for how the Company is managed and the Company’s direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

Corporate Governance Report

The Board held twelve regular monthly Board meetings during the year 2005. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. Details of individual attendance of directors are set out in the table below:

Attendance of individual directors at Board meetings in 2005

Number of meetings	42
---------------------------	----

Executive Directors

Zhou Chao (Chairman) (appointed on 1 June 2005)	12/42
Huang Song (appointed as Non-executive directors on 7 July 2005 and re-designated as executive director on 16 September 2005)	16/42
Phang Yul Cher Yeow (appointed on 20 July 2004)	34/42
Chu Kin Wang, Peleus (appointed on 16 September 2005)	9/42
Tsun Kok Chung, Richard (appointed on 7 March 2005 and resigned on 1 November 2005)	9/42
Wong Fong Kim (former Chairman) (not being re-elected at the AGM on 24 May 2005)	0/42
Tham Ming Yong (resigned on 7 July 2005)	22/42
Tai Ah Lam, Michael (resigned on 16 Sep 2005)	2/42

Non-Executive Directors

Fong Chi Hou (appointed on 1 November 2005)	1/42
Wang Yao Dong (appointed on 1 November 2005)	4/42
Cui Zan Ming (appointed on 7 March 2005 and resigned on 31 May 2005)	2/42

INEDs

Lam Lin Chu (appointed on 4 April 2005)	5/42
Liu Wing Ting, Stephen (appointed on 7 July 2005)	4/42
Tse Po Chu (appointed on 16 September 2005)	4/42
Wong Wing Hang, Henry (resigned on 31 March 2005)	4/42
Chang Kin Man (did not offer himself for re-election at the AGM on 24 May 2005)	5/42
Wong Yun Kuen, Edward (resigned on 7 July 2005)	5/42
Hsieh Dominick (resigned on 16 September 2005)	3/42

The Board has established procedures to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are three Board committees namely, the Audit Committee, Remuneration Committee and Nomination Committee formed under the Board, with each performing different functions.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:

- to serve as a focal point for communication between other directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.
- to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.
- to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.
- to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.

Set out below is the summary of work done in year 2005:

- to review of the financial statements for the year ended 31 December 2004 and for the six months ended 30 June 2005; and
- to review of the effectiveness of the internal controls system.

The Audit Committee held three meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Audit Committee meetings in 2005

Number of meetings	3
INEDs	
Lam Lin Chu	3/3
Liu Wing Ting, Stephen (Chairman of Audit Committee)	2/3
Tse Po Chu	2/3
Chang Kin Man	1/3
Hsieh Dominick	1/3
Wong Yun Kuen, Edward	1/3

Corporate Governance Report

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year. The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the directors.

Set out below is the summary of work of the Remuneration Committee done in year 2005:

- to review of the remuneration policy for 2005/2006; and
- to review of the remuneration of the executive directors and the INEDs.

The Remuneration Committee held one meeting during 2005. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Remuneration Committee meetings in 2005

Number of meetings	1
Lam Lin Chu	1/1
Liu Wing Ting, Stephen (Chairman of Remuneration Committee)	1/1
Tse Po Chu	1/1
Zhou Chao	1/1

NOMINATION COMMITTEE

The Board has established a Nomination Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year. The role and function of the Nomination Committee include reviewing the structure, size and composition of the Board, to assess the independence of INEDs and recommend to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors.

Set out below is the summary of work of Remuneration Committee done in year 2005:

- to review the nomination policy for 2005/2006; and
- to review of the suitability and qualifications of the executive directors, non-executive directors and the INEDs.

The Nomination Committee held one meeting during 2005. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Nomination Committee meetings on 2005

Number of meeting	1
Lam Lin Chu (Chairman of Nomination Committee)	1/1
Liu Wing Ting, Stephen	1/1
Tse Po Chu	1/1
Zhou Chao	1/1

OTHER INFORMATION

Please refer to Directors' report in page 10 to 16 for changes of directors during 2005. There was no removal of director during the year.

The Company had not established its own website. Full text of the terms of reference of Audit Committee, Remuneration Committee and Nomination Committee will be supplied upon request.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code). All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2005.

AUDITORS' REMUNERATION

During the year, the fees paid to the Company's auditors amounted to HK\$120,000 in respect of audit services.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include AGM, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in circular of the Company accompanying notice convening general meeting and has been read out by the Chairman at the general meeting.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the Financial Statements. The statement of the auditors about their reporting responsibilities on the Financial Statements is set out in the Auditors' Report on page 22.

Grant Thornton 
均富會計師行**To the members of Haywood Investments Limited**
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 23 to 67 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants

Hong Kong

18 April 2006

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Revenue	6	177	49
Other income		295	102
Administrative expenses		(3,538)	(3,443)
Other operating expenses		(114)	–
Impairment loss recognised in respect of available-for-sale financial assets/investments in securities	7	(2,043)	(3,808)
Loss from operations	8	(5,223)	(7,100)
Finance costs	9	(25)	(7)
Loss before income tax		(5,248)	(7,107)
Income tax expense	11	–	–
Loss for the year attributable to equity holders of the Company	12	(5,248)	(7,107)
Loss per share for loss attributable to the equity holders of the Company during the year	13		
Basic		(HK\$0.04)	(HK\$0.10)
Diluted		N/A	N/A

Consolidated Balance Sheet

AS AT 31 DECEMBER 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14(a)	219	227
Investment property	15	3,860	–
Available-for-sale financial assets	17	6,874	–
Investments in securities	17	–	9,464
		10,953	9,691
Current assets			
Prepayment, deposits paid and other receivables		209	1,956
Pledged deposit		–	1,000
Cash at banks		52	40
Financial assets at fair value through profit or loss	18	3,096	–
		3,357	2,996
Total assets		14,310	12,687
Current liabilities			
Other payables		640	1,326
Borrowings	19	121	14
Amounts due to directors	20	500	205
		1,261	1,545
Net current assets		2,096	1,451
Total assets less current liabilities		13,049	11,142
Non-current liabilities			
Borrowings	19	2,565	52
Net assets		10,484	11,090
EQUITY			
Share capital	21	4,000	2,000
Reserves	23	6,484	9,090
Total equity		10,484	11,090
Net asset value per share	25	HK\$0.07	HK\$0.14

Zhou Chao
Director

Huang Song
Director

Balance Sheet

AS AT 31 DECEMBER 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14(b)	219	227
Interests in subsidiaries	16	11,698	11,115
Investments in securities	17	–	47
		11,917	11,389
Current assets			
Prepayment, deposits paid and other receivables		201	1,206
Cash at banks		34	38
Financial assets at fair value through profit or loss	18	496	–
		731	1,244
Total assets		12,648	12,633
Current liabilities			
Other payables		560	1,245
Borrowings	19	–	14
Amounts due to directors	20	500	205
		1,060	1,464
Net current liabilities		(329)	(220)
Total assets less current liabilities		11,588	11,169
Non-current liabilities			
Borrowings	19	–	52
Net assets		11,588	11,117
EQUITY			
Share capital	21	4,000	2,000
Reserves	24	7,588	9,117
Total equity		11,588	11,117

Zhou Chao
Director

Huang Song
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2005

	Equity attributable to equity holders of the Company				
	Share capital	Share premium	Investment revaluation reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004	1,440	101,127	53	(90,276)	12,344
Unrealised loss arising on revaluation of investments not recognised in the consolidated income statement – net expense recognised directly in equity	–	–	(6)	–	(6)
Loss for the year	–	–	–	(7,107)	(7,107)
Total recognised expenses for the year	–	–	(6)	(7,107)	(7,113)
Shares issued at premium (note 21(a) & (b))	560	5,731	–	–	6,291
Share issue expenses	–	(432)	–	–	(432)
At 31 December 2004 and 1 January 2005	2,000	106,426	47	(97,383)	11,090
Transfer to income statement on disposal of available-for-sale financial assets – net expense recognised directly in equity	–	–	(47)	–	(47)
Loss for the year	–	–	–	(5,248)	(5,248)
Total recognised expenses for the year	–	–	(47)	(5,248)	(5,295)
Shares issued at premium (note 21(d))	2,000	3,200	–	–	5,200
Shares issue expenses	–	(511)	–	–	(511)
At 31 December 2005	4,000	109,115	–	(102,631)	10,484

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2005

<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash flow from operating activities		
Loss before income tax	(5,248)	(7,107)
Adjustments for:		
Depreciation	234	35
Finance costs	25	7
Loss on disposal of property, plant and equipment	62	10
Impairment loss recognised in respect of available-for-sale financial assets/investments in securities	2,043	3,808
Operating loss before working capital changes	(2,884)	(3,247)
Increase in financial assets at fair value through profit or loss	(3,096)	–
Decrease/(Increase) in prepayment, deposits paid and other receivables	1,977	(1,780)
(Decrease)/Increase in other payables	(2,093)	1,004
Increase/(Decrease) in amounts due to directors	295	(125)
Cash used in operations	(5,801)	(4,148)
Interest paid	(25)	(2)
Net cash used in operating activities	(5,826)	(4,150)
Cash flow from investing activities		
Acquisition of a subsidiary	3	–
29		
Purchases of investments in available-for-sale financial assets/investments in securities	–	(3,564)
Proceeds from sale of available-for-sale financial assets	500	–
Purchases of property, plant and equipment	(1,258)	(209)
Proceeds from disposal of property, plant and equipment	970	12
Net cash generated from/(used in) investing activities	215	(3,761)
Cash flow from financing activities		
Net proceeds from issue of shares	4,689	5,859
Capital element of finance lease payments	(66)	(9)
Interest element of finance lease payments	–	(5)
Decrease/(Increase) in pledged deposit	1,000	(1,000)
Net cash from financing activities	5,623	4,845
Net increase/(decrease) in cash and cash equivalents	12	(3,066)
Cash and cash equivalents at 1 January	40	3,106
Cash and cash equivalents at 31 December	52	40

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

1. NATURE OF OPERATIONS

The principal activity of Haywood Investments Limited (the “Company”) is to act as an investment holding company. The principal activities of the Company’s subsidiaries are set out in note 16 to the financial statements. The Group principally invests in listed and unlisted companies in Hong Kong and in other parts of the People’s Republic of China, excluding Hong Kong (the “PRC”) and investment property in Hong Kong.

The investment and acquisition of Summit Asset Holdings Limited (“Summit Asset”) described in note 29 are in line with the Group’s strategy to strengthen the investment portfolio of the Group.

2. GENERAL INFORMATION

The financial statements set out on pages 23 to 67 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the Company’s registered office is Uglan House, PO Box 309, George Town, Grand Cayman, Cayman Islands and, its principal place of business is Unit 2206, 22nd Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Hong Kong.

The financial statements for the year ended 31 December 2005 were approved by the board of directors on 18 April 2006.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

3. ADOPTION OF NEW/REVISED HKFRS

From 1 January 2005, the Group has adopted the new/revised standards and interpretations of HKFRS, which are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC) Int-12	Scope of HKAS-Int 12 Consolidation-Special Purpose Entities
HK(SIC) Int-15	Operating Leases-Incentives
HK(SIC) Int-21	Income Taxes-Recovery of Revalued Non-Depreciable Assets

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment. Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

Adoption of HKAS 32 and HKAS 39

Prior to the adoption of HKAS 39, non-trading securities are measured at fair value. Changes in fair value are dealt with in investment revaluation reserve until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in investment revaluation reserve is included in the income statement for that period.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

3. ADOPTION OF NEW/REVISED HKFRS (Continued)

Adoption of HKAS 32 and HKAS 39 (Continued)

On the adoption of HKAS 39, the Group classified its investment into available-for sale and measured its financial assets at fair value.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, the reclassification is made on 1 January 2005 and the comparative figures have not been restated.

The effect of changes in the accounting policies as a result of adopting HKAS 32 and 39 on the consolidated balance sheet is set out below. There was no effect on the income statement in the current or prior year:

At 1 January 2005	HK\$'000
(Decrease)/increase in assets	
Investments in securities	(9,464)
Available-for-sale financial assets	9,464
	—

Other standards adopted

The adoption of other HKASs did not result in significant alterations to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

New Standards or interpretations that have been issued but are not yet effective

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

3. ADOPTION OF NEW/REVISED HKFRS (*Continued*)

New Standards or interpretations that have been issued but are not yet effective (*Continued*)

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 19 (Amendment)	Employee Benefits-Actuarial Gains and Losses, Group Plans and Disclosures ²
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates-Net Investment in a Foreign Operation ²
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ²
HKAS 39 (Amendment)	The Fair Value Option ²
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts-Financial Guarantee Contracts ²
HKFRS 1& HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources ²
HKFRS 6	Exploration for and Evaluation of Mineral Resources ²
HKFRS 7	Financial Instruments-Disclosures ¹
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease ²
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ²
HK(IFRIC)-Int 6	Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment ³
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴

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

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

³ Effective for annual periods beginning on or after 1 December 2005

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. All material inter-company transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

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

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

(i) Depreciation

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

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

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

(ii) Measurement bases

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

(e) Investment property

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payments (the “initial value”), if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreement, ie depreciation methods and useful lives corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

All other leases are treated as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the terms of the lease. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

(g) Financial assets

In previous year, the Group classified its investments in non-trading securities other than subsidiaries as investment in securities and were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement. Where there is objective evidence that individual investments were impaired, the cumulative loss recorded in the revaluation reserve was taken to the income statement.

From 1 January 2005 onwards, the Group classifies its financial assets into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial assets *(Continued)*

All financial assets are recognised on their trade date. All financial assets that are not classified as fair value through profit or loss are initially recognised at fair value, plus transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets at fair value through profit or loss include financial assets that are either held for trading or are designated by the Group to be carried at fair value through profit or loss on initial recognition.

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

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognised in equity, net of any effects arising from income taxes.

Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised. Impairment losses previously recognised in the income statement on equity instruments will not reverse through income statement in subsequent periods. Impairment losses previously recognised in income statement on debt securities are subsequently reversed through income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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, 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 income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

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

(i) Income tax

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

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Income tax *(Continued)*

Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

(j) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

(k) Share capital

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Pension obligations and short term employee benefits

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

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

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

(m) Financial liabilities

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

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

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Recognition of revenue

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

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

(o) Foreign currencies

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

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement under "other income" or "other operating expenses", respectively.

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

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into Hong Kong Dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rate.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Foreign currencies *(Continued)*

Exchange differences arising from the translation of the net investment in foreign entities, and on borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(p) Segment reporting

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Investment properties

The investment property of the Group was stated at fair value in accordance with the accounting policy state in note 4(e). The fair value of the investment properties are determined by the directors as set out in note 15. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Impairment of available-for-sale financial assets

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

5. SEGMENT INFORMATION

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

5. SEGMENT INFORMATION (Continued)

Segment information about these geographical markets is presented below:

	Hong Kong		PRC		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Revenue – turnover	177	49	–	–	177	49
Results						
Segment results	(352)	(3,575)	(2,043)	(744)	(2,395)	(4,319)
Unallocated corporate expenses					(2,828)	(2,781)
Loss from operations					(5,223)	(7,100)
Finance costs					(25)	(7)
Loss before income tax					(5,248)	(7,107)
Income tax expense					–	–
Loss for the year					(5,248)	(7,107)
Assets						
Segment assets	7,384	3,564	6,874	8,917	14,258	12,481
Unallocated corporate assets					52	206
Total assets					14,310	12,687
Liabilities						
Segment liabilities	(3,326)	(66)	–	–	(3,326)	(66)
Unallocated corporate liabilities					(500)	(1,531)
Total liabilities					(3,826)	(1,597)
Other information						
Capital expenditure	1,258	284	–	–	1,258	284
Depreciation	234	35	–	–	234	35
Impairment loss recognised in income statement	–	3,064	2,043	744	2,043	3,808

No business segment analysis is presented as less than 10% of the Group's revenue and contribution to loss from operations is attributable to the investment property.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

6. REVENUE AND TURNOVER

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest income	127	49
Dividend income	50	–
	177	49

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted equity securities:		
– Tianjin Standard International Building Materials Industry Co., Ltd 天津標準國際建材工業有限公司 ("Tianjin Standard") (note 17(b)(i))	2,043	744
– Koffman Asset Holdings Limited ("Koffman Asset") (note 17(b)(iii))	–	3,064
	2,043	3,808

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

8. LOSS FROM OPERATIONS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss from operations is arrived at after charging/(crediting):		
Auditors' remuneration		
– current year	123	197
– overprovision in prior year	(76)	(12)
Depreciation		
– owned assets	234	24
– leased assets	–	11
Investment management fee	369	203
Financial assets at fair value through profit or loss		
– fair value loss	150	–
– fair value gain	(36)	–
Gain on disposal of financial assets at fair value through profit or loss	(25)	–
Loss on disposal of property, plant and equipment	62	10
Operating lease charges on office premises	226	446
Retirement benefits scheme contributions	22	43
Staff costs (including directors' remuneration (note 10(a)) but excluding retirement benefits scheme contributions)	1,155	1,018
Write off of other payables	(240)	(102)

9. FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Finance charges on finance leases	25	5
Interest charges on other loan	–	2
	25	7

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Remuneration of the directors for the year is as follows:

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2005				
Executive directors				
Mr. Tham Ming Yong (note (i))	50	–	–	50
Mr. Phang Yul Cher Yeow	312	–	8	320
Mr. Zhou Chao (note (ii))	280	–	–	280
Ms. Huang Song (note (iii))	60	–	–	60
Mr. Chu Kin Wang, Peleus (note (iv))	113	7	4	124
Mr. Tai Ah Lam, Michael (note (v))	–	–	–	–
Non-executive directors				
Mr. Wong Yao Dong (note (vi))	10	–	–	10
Mr. Fong Chi Hou (note (vi))	–	–	–	–
Independent non-executive directors				
Ms. Lam Lin Chu (note (vii))	45	–	–	45
Mr. Liu Wing Ting, Stephen (note (iii))	60	–	–	60
Ms. Tse Po Chu (note (iv))	35	–	–	35
Mr. Wong Wing Hang, Henry (note (viii))	30	–	–	30
	995	7	12	1,014

(i) resigned on 7 July 2005

(ii) appointed on 1 June 2005

(iii) appointed on 7 July 2005

(iv) appointed on 16 September 2005

(v) resigned on 16 September 2005

(vi) appointed on 1 November 2005

(vii) appointed on 4 April 2005

(viii) resigned on 31 March 2005

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (*Continued*)(a) Remuneration of the directors for the year is as follows: (*Continued*)

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2004				
Executive directors				
Mr. Tham Ming Yong	36	58	3	97
Mr. Phang Yul Cher Yeow	–	182	5	187
Mr. Wong Fong Kim	–	–	–	–
Mr. Tai Ah Lam, Michael	–	–	–	–
Independent non-executive directors				
Mr. Chang Kin Man	49	–	–	49
Dr. Wong Yun Kuen, Edward	90	–	–	90
Mr. Wong Wing Hang, Henry	42	–	–	42
Mr. Hsieh Dominick	–	–	–	–
	217	240	8	465

No directors waived or agreed to waive any emoluments in respect of the year (2004: Nil).

No emoluments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2004: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2004: three) individual during the year are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	71	344
Retirement benefits scheme contributions	–	10
	71	354

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of all individuals were within the band ranging from Nil to HK\$1,000,000 of the year (2004: Nil).

No emoluments were paid to the highest paid individual (2004: three) as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: Nil).

11. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the financial statements as the Group did not have any assessable profits during the year (2004: Nil).

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss before income tax	(5,248)	(7,107)
Tax at applicable rate of 17.5%	(918)	(1,244)
Tax effect of non-deductible expenses	468	709
Tax losses not recognised as deferred tax asset	450	535
Income tax expense	–	–

At 31 December 2005, a deferred tax asset of approximately HK\$2,686,000 (2004: HK\$2,236,000) in respect of tax losses available to offset future profits was not recognised in the financial statements as it is not certain that the Group will generate future taxable profits to enable it to utilise such tax losses. This tax loss has no expiry date.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

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

Of the consolidated loss for the year of HK\$5,248,000 (2004: HK\$7,107,000), a loss of HK\$4,171,000 (2004: HK\$7,084,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the consolidated loss for the year attributable to the equity holders of the Company of HK\$5,248,000 (2004: HK\$7,107,000) and on the weighted average number of 136,547,945 (2004: 70,809,180, restated) shares in issue during the year as adjusted for the share consolidation on the basis of every five ordinary shares of the Company of HK\$0.01 each into two ordinary shares of HK\$0.025 each (note 21(c)).

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

14. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Net book amount	–	–	–	–
Year ended 31 December 2004				
At 1 January 2004	–	–	–	–
Additions	29	255	–	284
Disposals	–	(22)	–	(22)
Depreciation	(7)	(28)	–	(35)
At 31 December 2004	22	205	–	227
At 31 December 2004				
Cost	29	231	–	260
Accumulated depreciation	(7)	(26)	–	(33)
Net book amount	22	205	–	227
Year ended 31 December 2005				
At 1 January 2005	22	205	–	227
Additions	321	97	840	1,258
Disposals	(34)	(262)	(736)	(1,032)
Depreciation	(107)	(23)	(104)	(234)
At 31 December 2005	202	17	–	219
At 31 December 2005				
Cost	302	20	–	322
Accumulated depreciation	(100)	(3)	–	(103)
Net book amount	202	17	–	219

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

14. PROPERTY, PLANT AND EQUIPMENT (*Continued*)

(b) Company

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Year ended 31 December 2004			
At 1 January 2004	–	–	–
Additions	29	255	284
Disposals	–	(22)	(22)
Depreciation	(7)	(28)	(35)
At 31 December 2004	22	205	227
At 31 December 2004			
Cost	29	231	260
Accumulated depreciation	(7)	(26)	(33)
Net book amount	22	205	227
Year ended 31 December 2005			
At 1 January 2005	22	205	227
Additions	302	20	322
Disposals	(22)	(205)	(227)
Depreciation	(100)	(3)	(103)
At 31 December 2005	202	17	219
At 31 December 2005			
Cost	302	20	322
Accumulated depreciation	(100)	(3)	(103)
Net book amount	202	17	219

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

14. PROPERTY, PLANT AND EQUIPMENT (*Continued*)

- (c) At 31 December 2004, the cost of property, plant and equipment included an amount of HK\$80,000 in respect of assets held under finance leases and the related accumulated depreciation amounted to HK\$11,000. The finance lease liabilities were fully repaid during the year.

15. INVESTMENT PROPERTY – GROUP

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Carrying amount as at 1 January	–	–
Additions	3,860	–
Carrying amount as at 31 December	3,860	–

In the opinion of the directors, the property interests held under operating leases are classified as investment property due to the potential of earning rentals or for capital appreciation or both, rather than for (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business and are measured using the fair value model.

Investment property was revalued on 28 December 2005 by an independent, professionally qualified valuer, Centraline Surveyors. The valuation (“professional valuation”) was based on current prices in an active market. At 31 December 2005, investment property was stated at valuation estimated by the directors of the Company with reference to the professional valuation. Investment property is located in Hong Kong and held under a medium term lease.

The investment property has been pledged as security for certain bank borrowings as set out in note 19.

No outgoings was incurred since the acquisition of this investment property.

16. INTERESTS IN SUBSIDIARIES – COMPANY

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares, at cost	10	–
Amounts due from subsidiaries	53,774	51,204
Less: Impairment loss	(42,086)	(40,089)
	11,698	11,115

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, no part of the amount will be repayable within one year from the balance sheet date and the balances are therefore shown as non-current.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

16. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of subsidiaries at 31 December 2005 are as follows:

Name	Place of incorporation/ operations	Particulars of issued capital	Percentage of issued capital held		Principal activities
			by the Company Directly	Indirectly	
Double Dragon Profits Limited*	Hong Kong	2 ordinary shares of HK\$1 each	100%	–	Provision of management services
Gold Canal International Limited (“Gold Canal”)	British Virgin Islands (“BVI”)	10 ordinary shares of US\$1 each	–	100%	Investment holding
Good Place Investments Limited*	Hong Kong	2 ordinary shares of HK\$1 each	100%	–	Inactive
Mega Way *	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	–	Investment in Hong Kong listed shares
New Portfolio Limited	BVI	1 ordinary share of US\$1 each	100%	–	Investment holding
Speedy Zone Limited	BVI	1 ordinary shares of US\$1 each	100%	–	Inactive
Summit Asset*	Hong Kong	10 ordinary shares of HK\$1 each	100%	–	Properties investment

* Not audited by Grant Thornton or other Grant Thornton International member firms.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENTS IN SECURITIES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Equity securities listed in Hong Kong (Note 17(a))	–	47	–	47
Unlisted equity securities (Note 17(b))	6,874	9,417	–	–
	6,874	9,464	–	47

Particulars of available-for-sale financial assets at 31 December 2005 are as follows:

(a) Securities listed on the Stock Exchange – Group and Company

Name of investee company	Place of Incorporation	Number of shares held	Market value/ Fair value	
			Cost HK\$'000	Fair value HK\$'000
At 31 December 2004				
Riche Multi-Media Holding Limited	Bermuda	220,000	–	47

The Group's interest in this company is less than 1% as at 31 December 2004 and was disposed of during the current year.

(b) Unlisted securities – Group

Name of investee company	Note	Place of incorporation	Cost		Accumulated impairment losses		Carrying value	
			2005	2004	2005	2004	2005	2004
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tianjin Standard Standard Supplies Limited	(i)	PRC	17,461	17,461	(10,587)	(8,544)	6,874	8,917
("Standard Supplies")	(ii)	Hong Kong	–	500	–	–	–	500
Koffman Asset	(iii)	BVI	3,064	3,064	(3,064)	(3,064)	–	–
			20,525	21,025	(13,651)	(11,608)	6,874	9,417

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENTS IN SECURITIES

(Continued)

(b) Unlisted securities *(Continued)*

- (i) Pursuant to various agreements entered into in December 2000, the Group acquired all the issued share capital of Gold Canal for a nominal value, changed the terms of the convertible loan note such that it has become interest-free and has neither fixed repayment terms nor the right to conversion. Gold Canal's sole asset is a 21% equity interest in Tianjin Standard, which is principally engaged in the manufacture and trading of building materials and the provision of related consultancy services. In the opinion of the directors, since the acquisition of Gold Canal by the Group, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Tianjin Standard due to the lack of representation on the board of directors in Tianjin Standard. Accordingly, Tianjin Standard is accounted for as an unlisted equity security. Based on Tianjin Standard's audited PRC financial statements for the year ended 31 December 2005, the company continued to make losses and therefore, an additional impairment charge of HK\$2,043,000 (2004: HK\$744,000) was made for the year after taking into account the investee's current year's results.

At 31 December 2005, the carrying amount of interests in Tianjin Standard exceeded 10% of total assets of the Group.

- (ii) The Group subscribed for 425,000 class "A" shares and 75,000 class "B" shares of Standard Supplies at the consideration of HK\$500,000 on 19 October 2004. The Group owned 25% of Standard Supplies' shareholding after subscription which is principally involved in the trading of flooring materials in Hong Kong and PRC. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Standard Supplies. Accordingly, Standard Supplies is accounted for as an unlisted equity security. On 29 July 2005, the Group disposed its entire interest in this investment to a third party at a consideration of HK\$500,000.
- (iii) Pursuant to the subscription agreement dated 5 May 2004, the Group subscribed for 10 new shares of Koffman Asset at the consideration of approximately HK\$3,064,000 representing a 9.1% equity interest in that company. The consideration was satisfied by setting off the same against the amount of loan owed by Koffman Professional Insurance Brokerage Limited, a subsidiary of Koffman Asset. Koffman Asset is a company principally involved in an insurance brokerage business which operated in Hong Kong. In 2004, Koffman Asset encountered financial difficulties and ceased operations, and accordingly an impairment charge was made against the full investment cost in 2004.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	Group		Company	
		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Securities listed in					
Hong Kong	(a)	2,710	–	110	–
Unlisted security	(b)	386	–	386	–
		3,096	–	496	–

(a) Securities listed in Hong Kong

Name of investee company	<i>Note</i>	Place of incorporation/ registration	Number of units/ shares held	Market value/Fair value	
				Cost <i>HK\$'000</i>	value <i>HK\$'000</i>

At 31 December 2005**Debt security**

The Link REIT	(i)	Hong Kong Unit Trust authorised under section 104 of the Securities and Futures Ordinance	7,500 units	74	110
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Equity security

Midland Holdings Limited	(ii)	Bermuda	650,000 shares	2,750	2,600
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2,824 2,710

- (i) Securities directly held by the Company.
- (ii) At 31 December 2005, the carrying amount of interests in this company exceeded 10% of total assets of the Group.
- (iii) The Group's interests in these investments were less than 1% as at 31 December 2005.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (*Continued*)**(b) Unlisted security**

	<i>Notes</i>	Group and Company	
		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Designated as financial assets at fair value through profit or loss on initial recognition			
Investment in Rise Profits			
Holdings Limited (“Rise Profits”)	(i)	–	–
Loan to Rise Profits	(ii)	386	–
		386	–

Note:

- (i) The Group subscribed for 3 ordinary shares of Rise Profits of HK\$1 per ordinary share on 21 July 2005 which represents 30% equity interest in that company. Rise Profits is principally involved in the investment holding of a taxi and its licence in Hong Kong. In the opinion of the directors, Rise Profits is intended to be held temporarily and the directors are actively seeking a buyer to dispose of its entire interest in Rise Profits. In this connection, the investment in Rise Profits is accounted for as an unlisted equity security rather than investment in an associate. With reference to the market price of a taxi and its license quoted by a taxi agent as at 31 December 2005, the directors considered that the carrying value of this investment approximated its fair value at that date.
- (ii) The amount due is unsecured, interest free and has no fixed terms of repayment.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

19. BORROWINGS

	Group		Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current				
Bank borrowings, secured	2,565	–	–	–
Finance lease liabilities	–	52	–	52
	2,565	52	–	52
Current				
Bank borrowings, secured	121	–	–	–
Finance lease liabilities	–	14	–	14
	121	14	–	14
Total borrowings	2,686	66	–	66

Bank borrowings are denominated in Hong Kong Dollar, secured by the investment property of the Group (Note 15) and joint and several guarantee by Mr. Zhou Chao and Ms. Huang Song, directors of the Company, which is at nil consideration, and bear interest at variable interest rate.

Finance lease liabilities are effectively secured as the rights to the leased asset which will revert to the lessor in the event of default.

At 31 December 2005, the Group's bank borrowings (excluding finance lease liabilities) were repayable as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	121	–
In the second year	128	–
In the third to fifth year	446	–
Wholly repayable within 5 years	695	–
After the fifth year	1,991	–
	2,686	–

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

19. BORROWINGS *(Continued)*

The analysis of the finance lease liabilities is as follows:

	Group and Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Due within one year	–	20
Due in the second to fifth years	–	59
	–	79
Future finance charges on finance leases	–	(13)
Present value of finance lease liabilities	–	66
The present value of finance lease liabilities is as follows:		
Due within one year	–	14
Due in the second to fifth years	–	52
	–	66
Less: Portion due within one year included under current liabilities	–	(14)
Non-current portion included under non-current liabilities	–	52

20. AMOUNTS DUE TO DIRECTORS

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

21. SHARE CAPITAL

	2005		2004	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each at 1 January	200,000,000	2,000	200,000,000	2,000
Increase in ordinary shares of HK\$0.01 each on 17 March 2005 (Note 21(c))	800,000,000	8,000	–	–
Consolidation of five ordinary shares of HK\$0.01 each to two ordinary shares of HK\$0.025 each on 17 March 2005 (Note 21(c))	(600,000,000)	–	–	–
Ordinary shares of HK\$0.025 each (2004: HK\$0.01) at 31 December	400,000,000	10,000	200,000,000	2,000

	Number of shares	HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 January 2004	144,000,000	1,440
Shares issued on 29 March 2004 (Note 21(a))	28,800,000	288
Shares issued on 4 August 2004 (Note 21(b))	27,200,000	272
Ordinary shares of HK\$0.01 each at 31 December 2004 and 1 January 2005	200,000,000	2,000
Consolidation of five ordinary shares of HK\$0.01 each to two ordinary shares of HK\$0.025 each on 17 March 2005 (Note 21(c))	(120,000,000)	–
Issue of ordinary shares of HK\$0.025 each on 18 April 2005 (Note 21(d))	80,000,000	2,000
Ordinary shares of HK\$0.025 each at 31 December 2005	160,000,000	4,000

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

21. SHARE CAPITAL *(Continued)*

- (a) On 10 March 2004, the Company entered into a placing agreement for the placing of 28,800,000 new shares (“Placing Shares”) at a price of HK\$0.124 per Placing Share (the “Placement”). The Placing Shares rank pari passu in all respects with the existing issued share capital of the Company.
- (b) On 10 June 2004, the Company entered into a subscription agreement to allot and issue 27,200,000 new shares (“Subscription Shares”) to a subscriber in cash at a subscription price of HK\$0.10 per Subscription Share. The Subscription Shares rank pari passu in all respects with the existing issued share capital of the Company.
- (c) Pursuant to the shareholders’ approval at the extraordinary general meeting held on 17 March 2005, the authorised share capital of the Company was increased from HK\$2,000,000 divided into 200,000,000 shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each by creation of an additional 800,000,000 unissued shares of HK\$0.01 each. On the same date, a share consolidation of every five existing ordinary shares of HK\$0.01 par value each into two new ordinary shares of HK\$0.025 par value each (“New Shares”) was approved. The New Shares rank pari passu in all respects with the then issued share capital of the Company.
- (d) On 28 January 2005, the Company entered into an underwriting agreement for the open offer of 80,000,000 new shares at HK\$0.065 per share (“Offer Share”) on the basis of one offer share for every New Share held on record date (“Open Offer”). An ordinary resolution in respect of the Open Offer was passed at the extraordinary general meeting held on 17 March 2005. The Offer Shares rank pari passu in all respects with the existing share capital of the Company. The Open Offer was completed on 18 April 2005.

22. SHARE OPTION SCHEME

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

22. SHARE OPTION SCHEME *(Continued)*

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

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

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

23. RESERVES – GROUP

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Share premium	109,115	106,426
Investment revaluation reserve	–	47
Accumulated losses	(102,631)	(97,383)
	6,484	9,090

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

24. RESERVES – COMPANY

	Share premium <i>HK\$ '000</i>	Investment revaluation reserve <i>HK\$ '000</i>	Accumulated losses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 January 2004	101,127	53	(90,272)	10,908
Unrealised loss arising on revaluation of investments – net expense recognised directly in equity	–	(6)	–	(6)
Loss for the year	–	–	(7,084)	(7,084)
Total recognised expenses for the year	–	(6)	(7,084)	(7,090)
Shares issued at premium (note 21(a) and (b))	5,731	–	–	5,731
Share issue expenses	(432)	–	–	(432)
At 31 December 2004 and 1 January 2005	106,426	47	(97,356)	9,117
Transfer to income statement on disposal of available- for-sale financial assets – net expense recognised directly in equity	–	(47)	–	(47)
Loss for the year	–	–	(4,171)	(4,171)
Total recognised expenses for the year	–	(47)	(4,171)	(4,218)
Shares issued at premium (note 21(d))	3,200	–	–	3,200
Share issue expenses	(511)	–	–	(511)
At 31 December 2005	109,115	–	(101,527)	7,588

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

25. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2005 of HK\$10,484,000 (2004: HK\$11,090,000) and 160,000,000 (2004: 80,000,000, restated) ordinary shares in issue as at that date after adjusting for the effect of the share consolidation as set out in note 21(c).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

26. OPERATING LEASE COMMITMENTS

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

	Group		Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	476	–	368	–
In the second to fifth years	130	–	125	–
	606	–	493	–

The Group leases a number of properties under operating leases. The leases run for an initial period of one to two years, without an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

27. RELATED PARTY TRANSACTIONS

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

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee expenses		
Haywood Investment Management Limited (note 27(a))	–	103
Altus Capital Limited (“Altus”) (note 27(b))	–	100
Hua Yu Investment Management Limited (“Hua Yu”) (note 27(c))	369	–

Note:

- (a) The management fee was charged in accordance with the management agreement dated 6 July 1988 (the “Agreement”). Management fees and incentive fees were calculated at 1.5% per annum of the net asset value of the Company at each preceding month end as defined in the Agreement and 10% of the surplus in the net asset value (with appropriate adjustment) over the preceding financial year, respectively, in accordance with the Agreement. The Group entered into an agreement with Haywood Investment Management Limited on 4 March 2004, whereby both parties had conditionally agreed to terminate the above mentioned agreement.

Haywood Investment Management Limited is a company in which Mr. Wong Fong Kim, a former director of the Company, has a 9% beneficial interest.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

27. RELATED PARTY TRANSACTIONS *(Continued)*

Note: *(Continued)*

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

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

The Group entered into an agreement with Altus during the year, whereby both parties had conditionally agreed to terminate the above mentioned agreement effective on 1 January 2005.

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

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

28. CONTINGENT LIABILITIES

At 31 December 2005, both the Group and the Company had no material contingent liabilities (2004: Nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

29. BUSINESS COMBINATIONS

On 27 December 2005, the Group acquired 100% of the share capital of Summit Asset, a property investment company. If the acquisition had occurred on 1 January 2005, the Group's revenue and loss for the year would have been HK\$178,000 and HK\$5,473,000 respectively. Details of the net assets acquired of Summit Asset is as follows:

Purchase consideration

	2005 HK\$'000
Cash paid	–

The assets and liabilities arising from the acquisition are as follows:

	Fair value and acquiree's carrying amount HK\$'000
Cash and cash equivalents	3
Investment property	3,860
Other receivables	230
Payables	(1,407)
Borrowings	(2,686)
Net assets acquired	–
Purchase consideration settled in cash	–
Cash and cash equivalents in subsidiary acquired	3
Cash inflow on acquisition	3

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

30. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

(a) Foreign currency risk

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

(b) Credit risk

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

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

(c) Cash flow and fair value interest rate risks

The Group has no significant interest-bearing assets. The Group's interest rate risk arises from long term borrowings. The interest rates and terms of repayment of the borrowings are disclosed in note 19.

(d) Fair value

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

Summary of Financial Information

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

	Year ended 31 December				
	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Results					
Turnover	369	876	4	49	177
Loss from operations	(40,621)	(27,075)	(11,799)	(7,100)	(5,223)
Finance costs	–	(148)	(61)	(7)	(25)
Loss before taxation	(40,621)	(27,223)	(11,860)	(7,107)	(5,248)
Taxation	–	–	52	–	–
Loss for the year	(40,621)	(27,223)	(11,808)	(7,107)	(5,248)

	As at 31 December				
	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Assets and liabilities					
Property, plant and equipment	243	69	–	227	219
Investment property	–	–	–	–	3,860
Available-for-sale financial assets	–	–	–	–	6,874
Investments in securities	39,537	23,323	9,714	9,464	–
Current assets	4,973	2,240	3,282	2,996	3,357
Current liabilities	(1,151)	(2,801)	(652)	(1,545)	(1,261)
Non-current liabilities	–	–	–	(52)	(2,565)
Shareholders' funds	43,602	22,831	12,344	11,090	10,484