1. GENERAL

China Investment Fund Company Limited ("the Company") is an exempted company incorporated with limited liability in the Cayman Islands on 18 September 2001. Its registered office is at Century Yard, Cricket Square, Hutchins Drive P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies and principal place of business in Hong Kong is at 4/F, Aon China Building, 29 Queen's Road Central, Hong Kong. The Company has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 January 2002.

The Company is principally engaged in investing in listed and unlisted securities. The activities of its subsidiaries are set out in note 15 to the financial statements.

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

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2005 comprise of the financial statements of the Company and its subsidiaries (together referred to as the "Group").

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

In the current year, the Group has applied, for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. The changes in presentation have been applied retrospectively.

2. **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

(b) **Basis of preparation** *(continued)*

The applicable HKFRSs are set out below and the 2004 financial statements have been restated in accordance with the relevant requirements.

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 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
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
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of HKAS 1, 7, 8, 10 ,12, 18, 19, 21, 23, 24, 27, 33 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 affects certain presentation in the income statement, balance sheet, and statement of changes in equity.

- HKAS 8, 17, 21 and 28 affect certain disclosures of the financial statements.

- HKAS 7, 10, 12, 14, 18, 19, 23, 27, 33 and 37 do not have any impact as the Group's accounting policies already comply with the standards.

- HKAS 24 affects the identification of related parties and the disclosures of related party transactions.

- HKAS 32 and 39 affect the classification and presentation of financial assets and liabilities.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation *(continued)*

HKFRS 3 "Business Combinations"

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

With effective from 1 January 2005, in order to comply with HKFRS 3 "Business Combinations", any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in income statement in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised the carrying amount of its negative goodwill of HK$64,857 at 1 January 2005, which was previously presented as a deduction from assets, with a corresponding decrease to the opening balance of accumulated losses.

HKAS 32 "Financial Instruments: Disclosure and Presentation"
HKAS 39 "Financial Instruments: Recognition and Measurement"

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation *(continued)*

Debt and equity securities previously accounted for under the benchmark treatment of Statement of Standard Accounting Practice ("SSAP") 24

Prior to 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of SSAP 24. Under SSAP 24, debt securities that the Group intends and has the ability to hold to maturity ("held-to-maturity securities") are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of a discount or premium arising from the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment. Investments other than held-to-maturity securities are classified as investment securities or other investments. Securities which are held for an identified long-term purpose, are classified as investment securities. They are measured at subsequent reporting dates at cost, less any impairment loss that is other than temporary. Securities not classified as investment securities are classified as other investments. Other investments are measured at fair value at subsequent reporting dates, with unrealised gains and losses included in net profit or loss for the period.

From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", and "loans and receivables". "Financial assets at fair value through profit or loss" that are not part of a hedging relationship and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. The Group reclassified its investment securities as available-for-sale financial assets, other investments and other marketable securities as financial assets at fair value through profit or loss. This change has had no material effect on the results for the current and prior periods.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" and "loans and receivables". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. This change has had no material effect on the results for the current or prior periods.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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

The Company's interests in subsidiaries are stated at cost less impairment loss, if any. All significant inter-company transactions and balances among group companies have been eliminated on consolidation.

(d) Subsidiaries

A subsidiary is an entity in which the Company is able to exercise its control on it. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(e) Revenue

Revenue from sales of investments in securities is recognised on a trade-date basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

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

(f) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Goodwill *(continued)*

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

(g) Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

On consolidation, the results of overseas operations are translated into Hong Kong dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Group or the overseas operation concerned.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

(h) Financial Instruments

(i) Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Financial Instruments *(continued)*

(i) Financial assets (continued)

Fair value through profit or loss: This category comprises the financial assets that have been acquired for the purpose of selling or repurchasing it in the short-term or if so designated by the management. This category includes derivatives which are not qualified for hedge accounting. Debt securities and bank deposits with embedded derivatives for yield enhancement whose economic characteristics and risks are not closely related to the host securities and deposits are designated as financial assets at fair value through profit or loss. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost less any identified impairment losses.

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Financial Instruments *(continued)*

(ii) Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. Other than financial liabilities in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises only out-of-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

- Bank borrowings, certain preference shares and the debt element of convertible debt issued by the Group are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(iii) Derecognition

The Group derecognises a financial asset where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the transfer meets the criteria for derecognation in accordance with HKAS 39.

(i) Employee benefits

(i) Defined contribution pension plan

Obligations for contributions to defined contribution retirement plan are recognised as an expense in the income statement as incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Employee benefits *(continued)*

(ii) Employee entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(j) Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet. Final dividends are recognised as a liability when they are approved by the shareholders.

(m) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(n) Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturing at acquisition.

(o) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen geographical segment information as the reporting format for the purposes of these financial statements, as the Group's securities investment business is its only business segment.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

(q) Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not yet applied the following new HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipated that the application of these new HKFRSs will have no material impact of the financial statements of the Group.

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial gains and losses, Group plans and disclosures
HKAS 21 Amendment	Net investment in a foreign operation
HKAS 39 Amendment	The fair value option
HKAS 39 & HKFRS 4 Amendments	Financial guarantee contracts
HKFRS 7	Financial instrument: Disclosures
HKFRS – Interpretation 4	Determining whether an arrangement contains a lease
HKFRS – Interpretation 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – Interpretation 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC) – Interpretation 7	Applying the restatement approach under HKAS 29 "Financial reporting in hyperinflationary economies"

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

(a) Market price risk

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

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

The Group's investment activities expose it to the various types of market risks which are associated with the markets in which it invests and to the extent of the amount invested in equities, debts and options totaling HK$34,564,119 as at year end (2004: HK$30,843,050).

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

(b) Credit risk

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

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

Accordingly, the Group has no significant concentration of credit risk

(c) Liquidity risk

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

The Group considered that its significant liquidity risk is on the unlisted investments totaling HK$10,000,000 as at year end (2004: HK$23,500,000).

(d) Interest rate risk

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

(e) Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group has no significant currency risk because substantially all assets and liabilities are denominated in Hong Kong dollars or US dollars.

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

(f) Fair values

As at 31 December 2005, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the balance sheet at amounts approximating to their fair values. The available-for-sale financial assets included unlisted investments, which do not have a quoted market price in an active market, have been measured at cost less any impairment loss.

5. TURNOVER AND OTHER INCOME

The Group is principally engaged in investing in listed and unlisted securities. Turnover represents proceeds from sale of investments and dividend income. An analysis of turnover and other income is as follows:

	2005	2004
	HK$	*HK$*
Turnover		
Proceeds from sale of investments	**25,901,235**	10,612,164
Dividend income from listed securities	**2,306,676**	62,591
	28,207,911	10,674,755
Other income		
Exchange gain	**114,604**	16,347
Gain on disposal of a subsidiary	**–**	46,339
Interest income	**246,972**	274,453
Sundry income	**–**	1,248
	361,576	338,387

6. LOSS/(GAIN) ON INVESTMENTS IN SECURITIES

	2005 HK$	2004 HK$
Loss on fair value changes of financial assets at fair value through profit or loss	(3,483,526)	–
Unrealised gain on investments in securities	–	962,876
Unrealised loss on other marketable securities	–	(253,621)
	(3,483,526)	709,255

7. SEGMENT INFORMATION

The Group's turnover and net profit for the year are entirely derived from the investing in listed and unlisted securities and dividends received. The directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is trading of securities, it is not considered meaningful to provide a business segment analysis of operating loss and segment assets.

The following table presents revenue and certain assets for the Group's geographical segments.

	Hong Kong		United Kingdom		United States of America		Others		Consolidated	
	2005 HK$	2004 HK$	2005 HK$	2004 HK$	2005 HK$	2004 HK$	2005 HK$	2004 HK$	2005 HK$	2004 HK$
Segment revenue:										
Proceeds from sale of investments	25,901,235	5,200,000	–	4,680,000	–	–	–	732,164	25,901,235	10,612,164
Dividend income from listed securities	2,306,676	62,591	–	–	–	–	–	–	2,306,676	62,591
	28,207,911	5,262,591	–	4,680,000	–	–	–	732,164	28,207,911	10,674,755
Segment assets	44,149,337	48,737,985	–	–	10,000,000	13,993,760	–	9,238,586	54,149,337	71,970,331
Unallocated assets									–	–
Total assets									54,149,337	71,970,331

8. LOSS FROM OPERATIONS

	2005	2004
	HK$	*HK$*
The Group's loss from operations has been arrived at after charging:		
Directors' remuneration *(Note 9)*:		
Fees	**180,000**	135,000
Other emoluments	**539,083**	269,315
Mandatory provident fund contributions	**20,438**	11,000
Staff costs:		
Salaries	**–**	–
Other benefits	**–**	–
Mandatory provident fund contributions	**–**	–
Total staff costs (including directors' remuneration)	**739,521**	415,315
Auditors' remuneration	**65,000**	53,000
Depreciation	**–**	54,935
Loss on written-off of property, plant and equipment	**–**	49,647
Operating lease rentals of land and buildings	**36,000**	276,929
Loss on investments in securities	**3,483,526**	–
Impairment loss on available-for-sale financial assets	**13,500,000**	–
and after crediting:		
Gain on investments in securities	**–**	709,255
Net realised gain on financial assets at fair value through profit or loss	**139,682**	–
Bank interest income	**246,972**	274,453

9. DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

		2005		
	Directors' Fees	**Salaries, allowances and benefits in kind**	**Mandatory Provident Fund Contribution**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
Executive directors				
Ng Hon Cheung, Sannio	–	60,000	3,000	63,000
Wan Ho Yan, Letty	–	150,000	7,500	157,500
Wong Wai Kwok, Tony	–	329,083	9,938	339,021
Independent non-executive directors				
Lo Wah Wai	60,000	–	–	60,000
Yan Mou Keung, Ronald	60,000	–	–	60,000
Cheng Wing Keung, Raymond	60,000	–	–	60,000
	180,000	539,083	20,438	739,521

		2004		
	Directors' Fees	Salaries, allowances and benefits in kind	Mandatory Provident Fund Contribution	Total
	HK$	*HK$*	*HK$*	*HK$*
Executive directors				
Ng Hon Cheung, Sannio	–	60,000	3,000	63,000
Wan Ho Yan, Letty	–	–	–	–
Wong Wai Kwok, Tony	–	109,315	3,000	112,315
Wan Chuen Hing, Alexander	–	100,000	5,000	105,000
Independent non-executive directors				
Lo Wah Wai	15,000	–	–	15,000
Yan Mou Keung, Ronald	60,000	–	–	60,000
Cheng Wing Keung, Raymond	15,000	–	–	15,000
Lok Shing Kwan, Sunny	45,000	–	–	45,000
	135,000	269,315	11,000	415,315

9. DIRECTORS' REMUNERATION *(continued)*

The above fees, directors' fee, salaries, allowances and benefits in kind and mandatory provident fund contributions were paid to all directors, executives and non-executives, in respect of their length of services to the Group.

There was no arrangement under which a director waived or agreed to waive any remuneration during both years ended 31 December 2005 and 2004.

(b) Individuals with highest emoluments

The five highest paid individuals are all directors of the Group whose emoluments have been disclosed in note (a) above.

During the year, no remuneration was paid to the five highest paid individuals (including directors and employees) as an inducement to join the Group or as compensation for loss of office (2004: Nil).

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of Nil (2004: Nil) which has been dealt with in the financial statements of the Company.

11. TAXATION

During the year ended 31 December 2005 and 2004, no provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for both years.

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

	The Group	
	2005	2004
	HK$	*HK$*
Loss before taxation	**(17,838,601)**	(2,104,702)
Tax calculated at the Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	**(3,121,755)**	(368,323)
Tax effect of non-deductible expenses and non-taxable income	**2,099,534**	(122,377)
Tax effect of tax losses not recognised	**1,022,221**	490,700
Actual tax expenses	**–**	–

Details of the potential deferred tax asset not recognised in the year are set out in note 24.

12. NET ASSET VALUE PER SHARE AND LOSS PER SHARE

Net asset value per Share

The net asset value per share is calculated by dividing the net assets included in the consolidated balance sheet of HK$53,961,708 (2004: HK$71,735,452) by the number of shares in issue as at 31 December 2005, being 480,000,000 (2004: 480,000,000).

Loss per Share

The calculation of the basic loss per share is based on the net loss for the year of HK$17,838,601 (2004: loss of HK$2,104,702) and the weighted average number of 480,000,000 (2004: 337,923,497) ordinary shares in issue during the year. The diluted loss per share is not presented because there was no potential dilutive shares during the both years ended 31 December 2005 and 2004.

13. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2005 (2004: Nil).

14. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary.

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$	*HK$*
Unlisted shares, at cost	**10,000,008**	10,000,008

Details of subsidiaries as at 31 December 2005 are as follows:

Name	**Place of incorporation**	**Particulars of issued and paid-up share capital**	**Percentage of equity attributable to the Company**		**Principal activity**
			Direct	**Indirect**	
Capital Handle Investment Limited	British Virgin Islands	1 share of US$1 each	100%	–	Investments holdings
Crystal Shine Limited	British Virgin Islands	2 shares of US$1 each	100%	–	Investments holdings
San Francisco Alden, Inc.	United States of America	100 shares of US$10 each	–	100%	Investments holdings

16. INVESTMENTS IN SECURITIES

Details of investments in securities are set out below. Upon the application of HKAS 39 on 1 January 2005, investments in securities were reclassified to appropriate headings under HKAS 39 (see note 2 (b)).

	The Group 2004 HK$	The Company 2004 HK$
Non-current		
Unlisted debt security, at cost *(note 17 (a))*	9,500,000	9,500,000
Unlisted investment securities, at cost *(note 17 (b))*	14,000,000	–
	23,500,000	9,500,000
Current		
Listed other investments, at market value	4,459,220	4,459,220
	27,959,220	13,959,220

Details of listed other investments as at 31 December 2004 are as follows:

		2004						
			Investment value					
The Group	*Note*	Proportion of investee company capital owned	Cost *HK$*	Market value/ Directors' valuation *HK$*	Percentage of total assets of the Group	Net assets Attributable to the Group (Note c) *HK$*	Dividend Received *HK$*	Dividend Cover *%*
Investee company								
Prosperity Investment Holdings Ltd.	*a*	3.95%	2,164,826	2,644,300	3.67%	9,267,300	Nil	Nil
Golden Resources Development International Ltd.	*b*	0.41%	1,756,224	1,814,920	2.52%	3,494,508	62,591	3.68%
The Company								
Prosperity Investment Holdings Ltd.	*a*	3.95%	2,164,826	2,644,300	3.73%	9,267,300	Nil	Nil
Golden Resources Development International Ltd.	*b*	0.41%	1,756,224	1,814,920	2.54%	3,494,508	62,591	3.68%

16. INVESTMENTS IN SECURITIES *(continued)*

Notes:

a. Prosperity Investment Holdings Limited, formerly known as GR Investment International Limited, is principally engaged in holding equity and equity-related investments and providing management services to its investee companies.

b. Golden Resources Development International Limited is principally engaged in sourcing, importing, wholesaling, processing, packaging marketing and distribution of rice, warehousing operation, property investment, securities investment and financial services.

c. The calculation of net assets attributable to the Group and the Company are based on the latest published interim reports or annual reports of respective investee companies at the balance sheet date.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group 2005 *HK$*	The Company 2005 *HK$*
Overseas unlisted debt securities, at cost *(note a)*	9,500,000	9,500,000
Less: Impairment *(note c)*	(9,500,000)	(9,500,000)
	–	–
Overseas unlisted equity securities, at cost *(note b)*	14,000,000	–
Less: Impairment *(note c)*	(4,000,000)	–
	10,000,000	–
Total	10,000,000	–

The fair value of the overseas unlisted debt and equity securities cannot be measured reliably using open market valuer as there is no active market for the trading of the securities at arm's length.

Following the adoption of HKAS 39 in 2005, certain investments in securities are re-designated as available-for-sale financial assets on 1 January 2005. There was no such redesignation in 2004 as retrospective application of HKAS 39 is not permitted.

Notes:

(a) At 28 September 2004, the Group acquired a zero coupon debt security (the "Debt Security") with a face value of RMB29,077,380 issued by Yuen Hing Hotel (Wuhan) Company Limited ("Yuen Hing"), which is incorporated in Hong Kong, from Golden Resources Development International Limited ("Golden Resources") at a cost of HK$9,500,000. Golden Resources is a company listed on the Stock Exchange. Yuen Hing is principally engaged in the management of hotel, food and beverage facilities. The Debt Security effectively covered the rights of debts arising from its past dealings with Yuen Hing's designated debtors. Yuen Hing would pay full amount of RMB29,077,380 to the Group by the same installments as Yuen Hing recovers its debts from its designated debtors. Pursuant to the supplemental deed dated 28 September 2004 entered by the Company, Yuen Hing and Golden Resources, at the same day of the acquisition of the Debt Security, the clause of a guarantee originally given by Golden Resources for the full amount of RMB29,077,380 due from Yuen Hing was replaced by a new clause in which no guarantee is included. As at 31 December 2005, the Directors considered the recoverability of the debt security is in doubt and the cost of investment is therefore fully impaired.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Notes: (continued)

(b) Investment in the limited partnership of 765 Airport Boulevard Partnership is not equity accounted for in accordance with the HKAS 28 "Investments in associates". This is because the Group does not have the power to participate in the financial and operating policy decisions of the 765 Airport Boulevard Partnership. 765 Airport Boulevard Partnership is registered in the United States of America and is principally engaged in the holding and operation of a hotel. As at 31 December 2005, the cost of the investment in 765 Airport Boulevard Partnership was HK$14,000,000, against which a provision for impairment of HK$4,000,000 was made with reference to a subsequent sale as stated in note 28.

(c) Provision for impairment loss was set up based on estimated recoverable amount of available-for-sale financial assets.

18. AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries are unsecured, interest free and of no fixed repayment term.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2005	2004
	HK$	*HK$*
Held for trading:		
Equity securities listed in Hong Kong, at fair value	**24,564,119**	–

	The Company	
	2005	2004
	HK$	*HK$*
Held for trading:		
Equities securities listed in Hong Kong, at fair value	**21,128,575**	–

Following the adoption of HKAS 39 in 2005, certain investments in securities and other marketable securities were re-designated as financial assets at fair value through profit or loss on 1 January 2005. There was no such redesignation in 2004 as retrospective application of HKAS 39 is not permitted.

The Group's and the Company's carrying amounts of financial assets at fair value through profit or loss at 1 January 2005 were HK$7,343,050 and HK$5,910,380 respectively and these assets were classified as following at 31 December 2004.

	The Group	The Company
	2004	2004
Classified as:	***HK$***	*HK$*
Investments in securities	4,459,220	4,459,220
Other marketable securities	2,883,830	1,451,160
	7,343,050	5,910,380

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

As at 31 December 2005, financial assets at fair value through profit or loss included the following investments:

The Group

		2005						
			Investment value					
	Note	Proportion of investee company capital owned	Cost *HK$*	Market value/ Directors' valuation *HK$*	Percentage of total assets of the Group	Net assets Attributable to the Group (Note k) *HK$*	Dividend received *HK$*	Dividend cover *%*
Investee company								
Prosperity Investment Holdings Ltd.	*a*	3.95%	2,164,826	2,217,800	3.25%	11,171,265	Nil	Nil
Golden Resources Development International Ltd.	*b*	0.41%	1,756,224	1,734,850	2.55%	3,631,309	133,450	7.69%
Kenfair International (Holdings) Ltd	*c*	0.02%	444,920	260,400	<0.10%	9,117	Nil	Nil
Tracker Fund of Hong Kong	*d*	N/A	12,202,718	12,750,544	22.00%	N/A	337,500	3%
K. Wah International Holdings Ltd.	*e*	0.14%	8,822,250	5,362,500	9.25%	13,767,790	156,500	3%
Galaxy Entertainment Group Ltd.	*f*	0.02%	1,584,375	1,421,875	2.45%	720,611	Nil	Nil
Hong Kong Exchanges and Clearing Ltd.	*g*	<0.01%	167,700	192,900	<0.10%	24,458	Nil	Nil
China Mobile (Hong Kong) Ltd	*h*	<0.01%	259,250	275,250	<0.10%	105,041	Nil	Nil
Ngai Lik Industrial Holdings Ltd.	*i*	0.01%	95,000	102,000	<0.10%	108,834	Nil	Nil
China Eastern Airlines Corporation Ltd.	*j*	<0.01%	238,000	246,000	<0.10%	275,721	Nil	Nil

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

The Company

		2005						
			Investment value					
	Note	Proportion of investee company capital owned	Cost HK$	Market value/ Directors' valuation HK$	Percentage of total assets of the Company	Net assets attributable to the Company (Note k) HK$	Dividend received during the year HK$	Dividend cover %
Investee company								
Prosperity Investment Holdings Ltd.	*a*	3.95%	2,164,826	2,217,800	3.78%	11,171,265	Nil	Nil
Golden Resources Development International Ltd.	*b*	2.55%	1,756,224	1,734,850	2.96%	3,631,309	133,450	7.69%
Kenfair International (Holdings) Ltd.	*c*	0.02%	444,920	260,400	<0.10%	9,117	Nil	Nil
Tracker Fund of Hong Kong	*d*	N/A	8,985,050	9,315,000	15.88%	N/A	246,500	3%
K. Wah International Holdings Ltd.	*e*	0.14%	8,822,250	5,362,500	9.14%	13,767,790	156,500	3%
Galaxy Entertainment Group Ltd.	*f*	0.02%	1,584,375	1,421,875	2.42%	720,611	Nil	Nil
Hong Kong Exchanges and Clearing Ltd.	*g*	<0.01%	167,700	192,900	<0.10%	24,458	Nil	Nil
China Mobile (Hong Kong) Ltd	*h*	<0.01%	259,250	275,250	<0.10%	105,041	Nil	Nil
Ngai Lik Industrial Holdings Ltd.	*i*	0.01%	95,000	102,000	<0.10%	108,834	Nil	Nil
China Eastern Airlines Corporation Ltd.	*j*	<0.01%	238,000	246,000	<0.10%	275,721	Nil	Nil

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Notes:

a. Prosperity Investment Holdings Limited, formerly known as GR Investment International Limited, is principally engaged in investing equity and equity-related securities and providing management services to its investee companies.

b. Golden Resources Development International Limited is principally engaged in sourcing, importing, wholesaling, processing, packaging marketing and distribution of rice, warehousing operation, property investment, securities investment and financial services.

c. Kenfair International (Holdings) Limited is principally engaged in organising of trade fairs, trade shows and related activities to promote and facilities trade between international buyers and manufactures.

d. Tracker Fund of Hong Kong is collective investment fund which is listed on the Stock Exchange.

e. K. Wah International Holdings Limited is principally engaged in properties investment and development in Hong Kong and the People's Republic of China.

f. Galaxy Entertainment Group Limited, formerly known as K. Wah Construction Materials Limited, is principally engaged in the operation in casino games of chance or games of other forms, manufacture, sale and distribution of construction materials.

g. Hong Kong Exchanges and Clearing Limited is principally engaged in operating and maintenance of the stock market and futures market in Hong Kong.

h. China Mobile (Hong Kong) Limited is principally engaged in providing mobile telecommunications and related services in the People's Republic of China.

i. Ngai Lik Industrial Holdings Limited is principally engaged in design, manufacture and sales of electronic and electrical products.

j. China Eastern Airlines Corporation Limited is principally engaged in providing air carriers serving in the People's Republic of China.

k. The calculation of net assets attributable to the Company and the Group is based on the latest published interim reports or annual reports of respective investee companies at the balance sheet date.

20. OTHER MARKETABLE SECURITIES

	The Group	**The Company**
	2004	2004
	HK$	*HK$*
Equity securities		
– Listed	1,451,160	1,451,160
– Unlisted	1,432,670	–
	2,883,830	1,451,160
Market value of listed securities	1,451,160	1,451,160

20. OTHER MARKETABLE SECURITIES *(continued)*

Details of other marketable securities are set out below. Upon the application of HKAS 39 on 1 January 2005, other marketable securities were reclassified to appropriate headings under HKAS 39 (see note 2 (b)).

The Group

	Note	Proportion of investee company capital owned	2004 Investment value Cost	Market value/ Directors' valuation	Percentage of total assets of the Group	Net assets attributable to the Group (Note c)	Dividend received during the year	Dividend cover
			HK$	HK$		HK$	HK$	%
Investee company								
Listed								
Kenfair International (Holdings) Ltd. W0512	a	N/A	1,672,448	1,451,160	2.02%	N/A	Nil	Nil
Unlisted								
GSNE-ER option	b	N/A	1,364,758	1,432,670	1.99%	N/A	Nil	Nil

The Company

	Note	Proportion of investee company capital owned	2004 Investment value Cost	Market value/ Directors' valuation	Percentage of total assets of the Company	Net assets attributable to the Company (Note c)	Dividend received during the year	Dividend cover
			HK$	HK$		HK$	HK$	%
Investee company								
Listed								
Kenfair International (Holdings) Ltd.. W0512	a	N/A	1,672,448	1,451,160	2.02%	Nil	Nil	Nil

Notes:

a. Equity warrants for Kenfair International (Holdings) Limited is traded in the Stock Exchange of Hong Kong Limited.

b. Call options on Goldman Sachs Non-Energy Excess Return Index ("GSNE-ER") is a composite index with commodities. The call options are issued by Goldman Sachs International.

c. The calculation of net assets attributable to the Company and the Group are based on the latest published interim reports or annual reports of respective investee companies at the balance sheet date.

21. CASH AND CASH EQUIVALENTS

The Group	**2005** **HK$**	2004 *HK$*
Deposits with banks and other financial institutions	**9,370,323**	27,458,924
Cash at bank and in hand	**1,554,109**	10,800,912
	10,924,432	38,259,836

The Company	**2005** **HK$**	2004 *HK$*
Deposits with banks and other financial institutions	**7,169,158**	22,254,791
Cash at bank and in hand	**1,495,292**	10,742,295
	8,664,450	32,997,086

Included in cash and cash equivalents in the consolidated balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

The Group	**2005**	2004
US Dollars	**USD266,252**	USD667,197

As at 31 December 2005, the Company holds no cash and cash equivalents denominated in a currency other than its functional currency.

22. SHARE CAPITAL

	Number of shares		Amount	
	2005	2004	**2005**	2004
			HK$	*HK$*
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning of year and at end of year	600,000,000	600,000,000	6,000,000	6,000,000
Issued and fully paid:				
At beginning of year	480,000,000	80,000,000	4,800,000	800,000
Issue of shares	–	400,000,000	–	4,000,000
At beginning of year and at end of year	480,000,000	480,000,000	4,800,000	4,800,000

In May 2004, a total of 400,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.125 per share to the public for a total consideration of HK$50,000,000, before the related issue expenses of HK$1,651,000. The net proceeds will be applied to make investments and for general working capital purposes. There is no share issue in 2005.

These shares rank pari passu in all respects with other shares in issue.

23. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 December 2001. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceeding 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

23. SHARE OPTION SCHEME *(continued)*

HK$1 per option is payable on the acceptance of an option offer. Options may be exercised in accordance with the terms of the Scheme at any time during the five-year period commencing on the date upon which the option is accepted by the grantee and expiring on the last day of the five-year period or the expiry of the tenth anniversary of the Scheme, whichever is the earlier.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Scheme will remain in force for a period of 10 years commencing on 3 December 2001.

No option had been granted or agreed to be granted under the Scheme from the date of adoption of the Scheme.

24. DEFERRED TAXATION

At the balance sheet date, the Group has estimated unrecognised tax losses of approximately HK$17,115,000 (2004: HK$11,274,000) to set off against future taxable income. No deferred tax asset is recognised in respect of such tax losses carried forward as the realisation of the related tax benefit through future taxable profits is not probable. This tax losses do not expire under the current tax legislation.

The Group and the Company had no material unprovided deferred tax liabilities at the balance sheet date (2004: Nil).

25. RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group had the following significant related party and connected transactions:

	Notes	2005 HK$	2004 HK$
Investment management fees paid to Baron Asset Management Limited (the "Investment Manager")	(i)	**420,000**	420,000
Rental expenses paid to Baron International Investment Holdings Limited ("Baron International")	(ii)	**36,000**	27,000
Commission fee for underwriting paid to Baron Capital Limited ("Baron Capital")	(iii)	**–**	1,149,938

Notes:

(i) Pursuant to the investment management agreement dated 12 December 2001 (the "Investment Management Agreement") entered into between the Company and the Investment Manager, the Investment Manager has agreed to provide the Company with investment management services commencing on the date of agreement. The Investment Management Agreement will continue for successive periods unless be terminated at any time by either the Company or the Investment Manager serving not less than six month's prior notice in writing. Under the Investment Management Agreement, the Investment Manager is entitled to an annual management fee of HK$500,000.

Under the Supplementary Agreement entered into between the Company and the Investment Manager on 30 September 2003, the annual management fee is revised to HK$420,000 effective from 1 October 2003. The Directors consider that the Investment Management Agreement was entered into with reference to normal commercial terms.

(ii) Pursuant to a tenancy agreement signed on 20 March 2004 between the Company and Baron International, Baron International has leased office premises to the Company commencing on 1 April 2004 for a monthly rental of HK$3,000. The tenancy agreement will continue for successive period unless terminated at any time by either the Company or the lessor by notice in writing. The Directors consider that the tenancy agreement was negotiated between the parties with reference to the normal commercial terms. Baron International is a fellow subsidiary of the Investment Manager.

(iii) In 2004, the Company appointed Baron Capital as its underwriter relating to an open offer of 400,000,000 shares at HK$0.125 per share. Pursuant to the underwriting agreement dated 26 February 2004, a documentation fee of HK$180,000 together with a commission of HK$969,938 was paid to Baron Capital. The Directors consider that the transactions were negotiated between the parties with reference to the normal commercial terms. Baron Capital is a fellow subsidiary of the Investment Manager.

There is no commission paid to Baron Capital in the year.

(iv) Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 9(a) and certain of the highest paid employees as disclosed in note 9(b), is as follows:

	2005 HK$	2004 HK$
Directors' fee	**180,000**	135,000
Salaries, allowances and benefits in kind	**539,083**	269,315
Mandatory Provident Fund Contribution	**20,438**	11,000
	739,521	415,315

26. DISPOSAL OF SUBSIDIARY

In 2004, the Company disposed of its entire 100% equity interests in Greater Achieve Limited ("Greater Achieve") for a consideration of US$602,000. Greater Achieve was incorporated in the British Virgin Islands and its only asset was an investment property located in Hong Kong.

Greater Achieve had not been consolidated because the investment was acquired in December 2003 with an exclusive view to dispose it in the near future. The investment was therefore accounted for as other investments under SSAP 24, and was carried at fair value, with valuation movements dealt with in the income statement. The interest in Greater Achieve at the date of disposal was as follows:

	2005	2004
	HK$	*HK$*
NET ASSETS DISPOSED OF:		
Investment in securities	–	8
Amount due from an investee company	–	4,634,383
	–	4,634,391
Gain on disposal	–	46,339
Total consideration	–	4,680,730
Satisfied by:		
Cash	–	4,680,730
Net cash inflow arising on disposal:		
Cash consideration	–	4,680,730

During the year ended 31 December 2005, there is no disposal of subsidiary.

27. ACQUISITION OF SUBSIDIARIES

In 2004, the Group acquired 100% of the issued share capital of Crystal Shine Limited, which owned 100% issued share capital of San Francisco Alden Inc.

This acquisitions have been accounted for by the acquisition method of accounting. A negative goodwill of HK$64,857 arising as a result of the acquisitions has been derecognised to accumulated losses as at 1 January 2005 in accordance with HKFRS 3 (see note 2(b)).

	2005	2004
	HK$	*HK$*
NET ASSETS ACQUIRED		
Investment	–	10,000,000
Bank balances and cash	–	64,857
	–	10,064,857
Negative Goodwill	–	(64,857)
Total consideration	–	10,000,000
Satisfied by:		
Cash	–	10,000,000
Net cash outflow arising on acquisition:		
Cash consideration	–	(10,000,000)
Bank balances and cash acquired	–	64,857
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	–	(9,935,143)

During the year ended 31 December 2005, there is no acquisition of subsidiary.

28. SUBSEQUENT EVENT

On 19 April 2006, the Group entered into a provisional agreement with Wealthy Win Investment Limited, an independent third party, to dispose of its equity investment in 765 Airport Boulevard Partnership at a consideration of HK$10,000,000.

29. COMPARATIVE FIGURES

Certain figures have been reclassified in conforming with the presentation of the current year.