藍帆科技控股有限公司*

LINEFAN TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8166

* for identification purpose only

Annual Report 2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risk of investing in such companies and should make decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Linefan Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Wang Yong *(Chairman)*
Zhu Guang Bo
Ma Gui Fang

Independent Non-Executive Directors

Chan, Peter Yat Tung
Feng Jue Min
Zhang Gong

COMPLIANCE OFFICER

Wang Yong

COMPANY SECRETARY

Ho Suet Man Stella *FCCA, CPA*

QUALIFIED ACCOUNTANT

Ho Suet Man Stella *FCCA, CPA*

AUDIT COMMITTEE

Chan, Peter Yat Tung *(Chairman)*
Feng Jue Min
Zhang Gong

AUDITORS

Horwath Hong Kong CPA Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1901, Henan Building
90 Jaffe Road
Wanchai
Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drives, P.O. Box 2681 GT
George Town, Grand Cayman
British West Indies

HONG KONG SHARE REGISTRAR

Tengis Limited
Level 28
Three Pacific Place
1 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Limited
Hang Seng Bank Limited

GEM STOCK CODE

8166

WEBSITE ADDRESS

www.linefan.com.cn

During 2005, Linefan Technology Holdings Limited, together with its subsidiaries (the "Group") kept on adjusting its strategies in response to the changes of telecommunications policies and the market condition. With the expansion of the nationwide operations of China Unicom, the Group's voice search services, an application of knowledge management, recorded a significant growth and has become our new centre of growth in 2005.

BUSINESS REVIEW

Ongoing development of new products

In accordance with the needs of the market and customers, the Group continued to expand its product lines and ventured into the businesses of Blazing Ringtone, Cell Phone Games and industrial information application for business community at the headquarters of Unicom, Shandong Unicom, Heilongjiang Unicom and Beijing Unicom. It also launched the Phonebook Expert ("話音專家") business, which integrates voice, SMS and network resources by effectively combining voice phonebook and cell phone SIM cards.

Greater effort in marketing

By working closely with the media such as local radio stations, the Group continued to develop its promotion channels and put greater effort in marketing in 2005. The Group's business development maintained its focus on the application of industrial information and on the improvement of its risk resistance. The Company actively sought cooperation in order to expand its scale of business with a minimum cost.

OUTLOOK

In the coming year, the Group will continue to expand the application of knowledge management business and develop the voice search services.

The Group will continue to work closely with China Unicom so as to develop a more personalized information application service of mobile voice search services, perfect the application of industrial information system voice search services, and expand its industrial coverage into the education consultancy, agricultural information and other sectors, in our attempt to provide one-stop services to customers.

In addition, the Group will make use of more marketing channels and put greater effort in promotion and increase the scale of cooperation with the media, aiming at raising the brand profile, customers' utilization and loyalty. The Group will fully utilize the advantages in resources, promote cooperation with external parties with reference to the cooperation model and experience of the Nicam business, as well as leverage on its partners' advantages, so as to realize a rapid and steady growth with a low cost structure.

In order to further expand its business, the Group will cooperate with other leading mobile communication service providers in the field of value-added voice business in the coming year.

In line with the development progress of the 3G business, the Group will quicken the pace of development of its data business. Apart from integrating its existing customers resources, the Group will also combine the industrial application of the data business with that of the voice search business as well as integrating the WAP business with voices, SMS and network services. This will lay a solid foundation for the 3G business.

Looking ahead, the Group will keep its promise and spare no efforts in developing its mobile value-added services, with an aim of creating a promising environment for the future growth of its revenue and profit for the coming year.

Wang Yong
Chairman

Hong Kong, 27 March 2006

Biographical Details of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Yong (王勇), aged 35, was appointed as the executive director of the Company on 28 May 2004. Mr. Wang is responsible for the overall strategic development of the Group. Mr. Wang holds an executive master degree in business administration and a bachelor degree in sports medicine. Mr. Wang had served as the general manager of the Beijing subsidiary of the China Scholars Group Company Limited (神州學人集團股份有限公司北京分公司), a company listed on the Shenzhen Stock Exchange in the People's Republic of China (the "PRC"); assistant to president of China HuaRui Investment and Management Company Limited (中國華瑞投資管理有限公司); vice president of GuoZhong Investment and Management Company Limited (國眾投資管理有限公司). Mr. Wang is currently the director and president of China Scholars Group Company Limited (神州學人集團股份有限公司), a company listed on the Shenzhen Stock Exchange in the PRC.

Mr. Zhu Guang Bo (祝廣波), aged 39, is the executive director of the Company. Mr. Zhu joined the Group in January 2004 and was subsequently appointed as Director in March 2004. Mr. Zhu holds a bachelor's degree in automatic control studies and a master's degree in business administration. Before joining the Group, Mr. Zhu was an officer sitting on the Education Commission of the People's Republic of China. Currently, Mr. Zhu is also serving as the chairman of an information technology company in the PRC.

Ms. Ma Gui Fang (馬桂芳), aged 40, is the executive director of the Company and the general manager of Beijing subsidiary of the Group. Ms. Ma joined the Group in March 2002, and was appointed as the executive director of the Company in August 2002. Ms. Ma holds a bachelor degree in Information Engineering from Chengdu University of Science and Technology, and a master degree in business administration from Dalian University of Technology. Prior to joining the Group, Ms. Ma had worked in the HuaGuang Group, act as the director of manufacture planning department, and had worked in the Jade Bird HuaGuang Group, act as the general manager of Enterprise Management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Doctor Chan, Peter Yat Tung (陳日東博士), aged 55, was appointed as the independent non-executive director and the chairman of the audit committee of the Company in November 2002. Doctor Chan holds a bachelor of science degree from the University of Miami, Florida, USA, and a doctor degree from the Loyola Law School, Los Angeles, USA. Doctor Chan had served in the Law Offices of Jeffery Winter (Lawyer), the University of International Business and Economics (Visiting Professor), the King & Wood Law Offices (Lawyers, Partner). Doctor Chan was also the member of the American Bar Association, the California Bar Association and the Phi Delta Phi member.

Mr. Zhang Gong (張工), aged 37, was appointed as an independent non-executive director and member of audit committee of the Company in October 2004. Mr. Zhang is a member of The Chinese Institute of Certified Public Accountants. Mr. Zhang holds an executive master's degree in business administration and a bachelor's degree in economics. Mr. Zhang has over 15 years experience in auditing and accounting and is currently the senior vice president and financial controller in a risk management company in the People's Republic of China.

Mr. Feng Jue Min (馮覺民), aged 42, was appointed as an independent non-executive director and a member of audit committee of the Company in May 2004. Mr. Feng obtained an executive master's degree in business administration from the Guanghua School of Management in Peking University and a bachelor's degree in economics from Peking University. Mr. Feng is a senior economist and currently the general manager of China Great Wall Finance Company (北京長城財務公司) since October 2000.

SENIOR MANAGEMENT

Mr. Gao Pei Min (高佩民先生), aged 43, joining the Group in January 2005, is the general manager of Beijing subsidiary of the Group. Mr. Gao graduated from University of Management and Technology and major in Enterprise Management. Mr. Gao has 10 years of experience in business development and enterprise management. Mr. Gao has worked in Oxford Cambridge Multi-Media Company and Yanjing Overseas Chinese University.

Miss Ho Suet Man Stella (何雪雯), aged 34, has been appointed as the Company secretary and authorised representative of the Company in May 2004. Miss Ho also serves as the financial controller of the Company. Miss Ho is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Miss Ho has 10 years of experience in auditing and financial management. Miss Ho has worked in the international accounting firms, main board and GEM companies listed in Hong Kong.

Ms. Liu Nian (劉念), aged 43, joining the Group in 1999, is the accounting manager of Beijing subsidiary of the Group. Ms. Liu graduated from Renmin University of China and major in accounting. Ms. Liu is responsible for the Group's financial and accounting matters in China. Prior to joining the Group, She had worked in the Beijing Kuashiji Cultural Office and the Beijing Film Institute.

FINANCIAL REVIEW

For the year ended 31 December 2005, the Group's turnover decreased by 1.86% to approximately HK$6,066,000 from approximately HK$6,181,000.

Distribution costs for the year under review increased to approximately HK$4,071,000 from approximately HK$3,052,000 last year, representing an increase of 33.39%. The increase was due to the expansion of sales and distribution networks and launching a series of promotional campaign.

Administrative expenses for the year under review decreased to HK$13,556,000 from approximately HK$33,803,000 last year, representing a decrease of 59.90%. The decrease in administrative expenses was mainly attributable to the inclusion of write off of intangible assets for HK$7,386,000 last year and adoption of cost control measure by the Group this year.

As a result, the Group recorded a loss attributable to shareholders for the amount of approximately HK$13,525,000 as compared to the loss attributable to shareholders of approximately HK$36,493,000 last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its business operations with internally generated cash flows and issuance of new shares. As at 31 December, 2005, the Group's cash and cash equivalents balance was approximately HK$2,014,000 (2004: HK$582,000).

The shareholders' funds of the Group amounted to approximately HK$33,252,000 (2004: HK$39,698,000). Current assets and current liabilities amounted to approximately HK$4,420,000 (2004: HK$7,094,000) and HK$3,661,000 (2004: HK$3,841,000) respectively as at 31 December 2005.

GEARING RATIO

As at 31 December 2005, the Group did not have any long-term debts. The Group had a net cash position and its gearing ratio is zero as at 31 December 2005.

BUSINESS REVIEW

In 2005, based on the persistent expansion of the application scale and scope of the voice search business, which is an application of knowledge management, in China Unicom's voice value-added business and the further expansion of the nationwide operations of China Unicom in over twenty provinces and cities in the PRC, the Company's nationwide Nicam business experienced a substantial improvement in its results through the enlarged scope of cooperation and extended marketing effort and has become a new centre of growth of the Company. The Company further expanded its product lines in accordance with customers' needs, and ventured into the businesses of Blazing Ringtone, Cell Phone Games and industrial information application for business community at Shandong Unicom. It also launched the "Phonebook Expert"（「話簿專家」）business, which integrates voice, SMS and network resources by effectively combining voice phonebook and cell phone SIM cards. The Company continued to develop the application of business information in voice search services. According to customers' needs, the Company has developed a personalized voice search application information services, providing one-stop information services of travel, accommodation, catering and transportation. We continuously improved the sources of business information, and will have more information sources to provide higher coverage of business information in 2006.

By working closely with the media such as local radio stations, the Company continued to develop its promotion channels and put greater effort in marketing. The Company's business development shifted its focus from entertainment to the application of industrial information to improve of its risk resistance. The Company actively sought cooperation in order to expand its scale of business with a minimum cost.

OUTLOOK

In 2006, in respect of the application of knowledge management in voice search services, the Company will continue to strengthen its development in the scale and scope of cooperation with domestic mobile services providers in value-added voice services. It will also continue to develop the information application of the voice search services in relevant industries so as to develop a more personalized information application service of mobile voice search services, perfect the application of information system voice search services, and expand its industrial coverage into the education consultancy, agricultural information and other sectors. We will make use of more marketing channels and put greater effort in promotion and increase the scale of cooperation with the media for its one-stop services, aiming at raising the brand profile, customers' utilization and loyalty. The Company will fully utilize the advantages and resources, promote cooperation with external parties with reference to the cooperation model and experience of the Nicam business, as well as leverage on its partners' advantages, so as to realize a rapid and steady growth with a low cost structure.

In order to further expand its business, the Company will cooperate with other leading mobile communication service provider in the field of voice add-value business in 2006.

In line with the development progress of the 3G business, the Company will continue to strengthen the development of its data business. This will involve the integration of its existing customers resources by effectively consolidating the industrial information application of the data business and the voice search business, as well as the WAP business with voices, SMS and network services. This will lay a solid foundation for the 3G business, hence contributing to the healthy and steady development of the Company.

SEGMENTAL INFORMATION

During the year, voice portal gateway facilities in communication and voice portal application software accounted for 100% of turnover of the Group (2004: approximately 38.15%). There were no sales of KM products during the year (2004: approximately 61.85%). On the other hand, the Group's turnover all came from China, representing 100% (2004: 100%) of the total turnover. The details are set out in note 5 to the financial statements.

EMPLOYEES

As at 31 December 2005, the Group had 47 (31 December 2004: 53) full time employees.

The Group remunerates its employees mainly based on individual expertise and performance. Apart from the basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution. Other benefits include retirement schemes.

The staff costs, including directors' remuneration, of the Group for the year ended 31 December 2005 totalled HK$2,717,000 (2004: HK$2,962,000), representing a decrease of 8.27%. The major reason is tightened cost control of the Company. Salaries of certain staff were cut, the number of staff decreased and the directors' remuneration were substantially reduced.

CAPITAL STRUCTURE

On 1 April 2005, a share consolidation was effected that every ten shares of issued and unissued shares of the Company's share capital were consolidated into one consolidated share. The nominal value of the share capital of the Company increased from HK$0.01 to HK$0.1 each. On 3 May 2005, the Company issued 78,533,230 shares of HK$0.1 each for one rights share for every two consolidated shares. As a result, the total issued shares of the Company increased to 235,599,690.

SIGNIFICANT INVESTMENTS

As at 31 December 2005, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS

There had been no material acquisitions and disposals during the year. At present, the Company and the Group have no plans for material investments or capital assets.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

There was no charge on the Group's assets and no significant contingent liabilities as at 31 December 2005.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

All of the Group's assets, liabilities and transaction are denominated either in Hong Kong dollars or Renminbi (RMB). As the exchange rate of HK$ against RMB has stable for the year under review, so the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging or other alternatives have been implemented.

The directors of the company are pleased to present the annual report and the audited financial statements for the year ended 31 December 2005.

CORPORATE REORGANIZATION AND LISTING ON THE GROWTH ENTERPRISE MARKET

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 30 November 2000. Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the group (the "Group") upon the completion of the Group Reorganisation on 24 January 2002.

Details of the Group Reorganisation are set out in the prospectus issued by the Company dated 28 January 2002.

The shares of the Company have been listed on the GEM of the Stock Exchange since 5 February 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 15 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 19.

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2005 (2004: Nil).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 53 and 54 in the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and the five largest customers account for approximately 100% and approximately 100% of the Group's turnover, respectively, and the largest and the five largest suppliers account for approximately 60% and 97% of the Group's cost of sales respectively for the year ended 31 December 2005. None of the directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in the customers or suppliers disclosed above.

SHARE CAPITAL

Details of movements during the year 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 Company and the Group are set out in note 22 to the financial statements and the consolidated statement of changes in equity of the Group on page 22 respectively.

SHARE OPTIONS

On 24 January 2002, a share option scheme was approved pursuant to a written resolution of the Company (the "Share Option Scheme").

The purpose of the Share Option Scheme is to enable the Company to grant options to selected employees to subscribe for shares of the Company as incentives or rewards for their contributions to the Group. The Board may, at its discretion, invite any full-time or part-time employee of the Company or any member of the Group, including any executive and non-executive directors, advisors, consultants of the Company or any subsidiary of the Company to take up options to subscribe for shares of the Company. The total number of shares of the Company issued and to be issued upon exercise of the options granted to a participant under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the shares of the Company in issue from time to time unless approved by the shareholders of the Company. An option may be exercised at any time during the period to be determined and notified by the Board to each participant. Upon acceptance of the option, the employee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for the shares of the Company will be a price determined by the Board based on the highest of (i) the closing price of the shares on the GEM as stated on the Stock Exchange's daily quotation sheets of the date of granting the options; (ii) the average closing price of the shares on the GEM as stated on the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of granting the options; and (iii) the nominal value of the share. The Share Option Scheme will be valid and effective for a period of 10 years commencing on 24 January 2002.

Details of the options granted since the adoption of the Share Option Scheme up to 31 December 2005 were as follows:

	Granting date	Exercise price	Exercisable period	No. of options held as at 1 January 2005	No. of options exercised during the year	No. of options lapsed during the year	No. of options held as at 31 December 2005
Selected Employees (in aggregate)	15/11/2002	HK$0.183	15/11/2002–14/11/2005	18,000,000	Nil	18,000,000	–

The directors are of the view that the theoretical value of the options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained on a number of theoretical and speculative assumptions. Accordingly, the directors of the Company believed that any calculation of the value of the options will not be meaningful and may be misleading to shareholders in the circumstances. In addition, the Group has taken advantage of the transitional provisions set out in HKFRS 2 – share-based payment, under which the new recognition and measurement policies have not been applied to all options granted to employee after 7 December 2002 but which had vested before 1 January 2005, details of which were disclosed in note 2(c) to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

Executive directors:

Ma Gui Fang
Wang Yong
Zhu Guang Bo

Independent non-executive directors:

Chan, Peter Yat Tung
Feng Jue Min
Zhang Gong

In accordance with article 87 of the Company's articles of association, Mr. Zhu Guang Bo and Mr. Feng Jue Min will retire by rotation and will offer themselves for re-election at the forthcoming annual general meeting.

Details of the appointments of the independent non-executive directors are set out in the Corporate Governance Report.

The Company confirms that it has received from each of its independent non-executive directors a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive directors to be independent.

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years and which will continue thereafter until terminated by either party by giving to the other not less than three months' advance written notice of termination. Ms Ma Gui Fang commenced from 13 August 2002, Mr Zhu Guang Bo commenced from 9 March 2004 and Mr Wang Yong commenced from 28 May 2004.

Other than as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of the companies which became its subsidiaries on 24 January 2002 which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors of the Company and the five highest paid individuals of the Group are set out in notes 7 and 8 to the financial statements, respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the paragraph headed "Directors' and chief executive's interest in securities" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or children under 18 years of age, nor were any such rights exercised by them, nor was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE's INTERESTS IN SECURITIES

As at 31 December 2005, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests of short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the directors was as follows:

Long position in ordinary shares of the Company:

	No. of shares held			
Name of director or chief executive	Personal interests	Family interests	Corporate interests	Other interests
Mr. Zhu Guang Bo	–	–	30,660,000 (Note 1)	–

Note:

1. These shares are registered in the name of World Develop Limited, which is beneficially-owned by Mr Zhu Guang Bo.

Save as disclosed above, as at 31 December 2005, none of the directors and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to notify to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests of short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the following persons had an interest or short position in the shares and underlying share of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of other members of the Group.

Name	Capacity	No. of shares	Approximate percentage of holding
Ms. Lu Wen Bin	Beneficial owner	44,533,911	18.90%
World Develop Limited (Note 1)	Beneficial owner	30,660,000	13.01%
Mr. Zhu Guang Bo (Note 1 and 2)	Held by controlled corporation	30,660,000	13.01%

Notes:

1. World Develop Limited ("WDL") is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr Zhu Guang Bo.

2. The shares are registered in the name of World Develop Limited, and Mr. Zhu Guang Bo is the executive director of the Company.

Save as disclosed above, as at 31 December 2005, no other person had an interest or short position in the shares and underlying share of the Company or any of its associated corporations was directly or indirectly interested in 5% or more of the issued share capital of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year ended 31 December 2004, a director, Mr. Zhu Guang Bo advanced HK$744,000 to the Company. The advances were unsecured, interest free and were repayable on demand. As at 31 December 2005, the amount had been fully repaid.

COMPETING INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association although there is no restriction against such under the laws in the Cayman Islands.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 15 to 17 of the annual report.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint the auditors, Horwath Hong Kong CPA Limited.

By Order of the Board
Wang Yong
Chairman

Hong Kong, 27 March 2006

INTRODUCTION

The Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules during the period under review subject to the deviations as disclosed in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the directors throughout the year ended 31 December 2005.

BOARD OF DIRECTORS

The Board comprises six directors, of whom three are executive directors and three are independent non-executive directors.

Each of the independent non-executive directors has entered into a service contract with the Company for a term of one year and is subject to termination by either party giving not less than one month's prior written notice to the other.

The Board considers that all of the independent non-executive directors are independent and has received from each of them the annual confirmation of independence required by the GEM Listing Rules.

The Board is responsible to the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to executive directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive directors who have attended at Board meetings.

The Board members for the year ended 31 December 2005 were:

Chairman

Mr. Wang Yong

Executive directors

Mr. Zhu Guang Bo
Ms. Ma Gui Fang

Independent non-executive directors

Mr. Chan Peter Yat Tung
Mr. Feng Jue Min
Mr. Zhang Gong

The Board held a board meeting for each quarter. Details of the attendance of the Board are as follows:

Directors	**Attendance**
Mr. Wang Yong	4/4
Mr. Zhu Guang Bo	4/4
Ms. Ma Gui Fang	4/4
Mr. Chan Peter Yat Tung	4/4
Mr. Feng Jue Min	4/4
Mr. Zhang Gong	4/4

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Wang Yong assumes the role of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Wang leads the Board and is responsible for the proceedings and workings of the Board. He ensures that the Board acts in the best interests of the Group and the Board functions effectively and that all key and appropriate issues are properly briefed and discussed by the Board.

The role of chairman and chief executive officer of the Group rest on the same individual which deviates from the code provision in the CG Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision making because the independent non-executive directors made up of half of the board, audit committee composed exclusively of independent non-executive directors and the independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

REMUNERATION OF DIRECTORS

The remuneration committee is established and comprising three independent non-executive directors, namely Mr. Chan Peter Yat Tung, Mr. Feng Jue Min and Mr. Zhang Gong. Mr. Feng Jue Min is the Chairman of the remuneration committee.

The role and function of the remuneration committee includes the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the year, no meeting was held and a meeting of the remuneration committee will be convened in 2006.

NOMINATION OF DIRECTORS

The nomination committee is established and comprising three independent non-executive directors, namely Mr. Chan Peter Yat Tung, Mr. Feng Jue Min and Mr. Zhang Gong. Mr. Zhang Gong is the Chairman of the nomination committee.

The role and function of the nomination committee includes the appointment and removal of directors. The nomination committee considers the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship. During the year, no meeting was held and a meeting of the nomination committee will be convened in 2006.

All the existing directors shall be recommended to be retained by the Company. In accordance with the Company's articles of association (subject to the proposed amendments at the forthcoming annual general meeting), Mr. Zhu Guang Bo and Mr. Feng Jue Min will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Under code provision A.4.2 of the Corporate Governance Practices, every director should be subject to retirement by rotation at least once every three years. The existing articles of association of the Company provide that one-third of the directors shall retire from office by rotation at each annual general meeting. In order to comply with code provision A.4.2 of the Corporate Governance Practices, amendments will be proposed at the forthcoming annual general meeting to specify that every director shall be subject to retirement by rotation at least once every three years.

AUDITORS' REMUNERATION

An amount of approximately HK$0.14 million (2004: HK$0.57million) was charged to the Group's income statement for the year ended 31 December 2005. There was no significant non-audit service assignment undertaken by the auditors during the year.

AUDIT COMMITTEE

The Company established an audit committee on 31 July 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee currently comprises Mr. Chan Peter Yat Tung, Mr. Feng Jue Min and Mr. Zhang Gong who are the independent non-executive directors of the Company. The chairman of the audit committee is Mr Chan Peter Yat Tung.

The audit committee held four meetings in 2005, which were attended by all members. The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2005 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Report of the Auditors

Horwath

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TO THE SHAREHOLDERS OF LINEFAN TECHNOLOGY HOLDINGS LIMITED
（藍帆科技控股有限公司）

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 19 to 52 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 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 Statements of Auditing Standards 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to circumstances of the Company and the Group, 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 of the Group as at 31 December 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HORWATH HONG KONG CPA LIMITED
Certified Public Accountants
Hong Kong, 27 March 2006

Wei Min, Eileen Chan
Practising Certificate number P03036

Consolidated Income Statement

For the year ended 31 December 2005 (Expressed in Hong Kong dollars)

	Notes	2005 HK$'000	2004 HK$'000
Revenue	4	6,066	6,181
Cost of sales		(2,778)	(2,825)
Gross profit		3,288	3,356
Other revenue		265	70
Distribution costs		(4,071)	(3,052)
Administrative expenses		(13,556)	(33,803)
Amortisation of goodwill		–	(972)
Operating loss		(14,074)	(34,401)
Interest on bank borrowings		(1)	(93)
Share of results of associates		–	(94)
Share of result of a jointly controlled entity		–	(3,203)
Loss on disposal of associates		–	(11)
Gain on disposal of subsidiaries		–	30
Loss before taxation	6	(14,075)	(37,772)
Income tax	9	–	–
Loss for the year		(14,075)	(37,772)
Attributable to:			
Equity holders of the Company	10	(13,525)	(36,493)
Minority interest		(550)	(1,279)
		(14,075)	(37,772)
Loss per share			
Basic (HK cents)	12	(8.12)	(28.3)
Diluted (HK cents)		N/A	N/A

The notes on pages 25 to 52 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2005 (Expressed in Hong Kong dollars)

	Notes	2005 HK$'000	2004 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	13	11,900	15,766
Intangible assets	14	1,337	2,321
Goodwill	16	22,777	22,360
		36,014	40,447
Current assets			
Inventories	17	11	7
Trade receivables	18	1,578	1,985
Other receivables, deposits and prepayments		817	4,520
Cash and cash equivalents		2,014	582
		4,420	7,094
Current liabilities			
Trade payables	20	1,795	530
Other payables and accruals		1,866	2,568
Amounts due to directors		–	743
		3,661	3,841
Net current assets		759	3,253
Net assets		36,773	43,700
Capital and reserves			
Share capital	21	23,560	15,707
Reserves		9,692	23,991
Equity attributable to equity holders of the Company		33,252	39,698
Minority interest		3,521	4,002
Total equity		36,773	43,700

These financial statements were approved and authorised for issue by the board of directors on 27 March 2006:

Wang Yong
Director

Zhu Guang Bo
Director

The notes on pages 25 to 52 form part of these financial statements.

Balance Sheet

At 31 December 2005 (Expressed in Hong Kong dollars)

	Notes	2005 HK$'000	2004 HK$'000
Assets and liabilities			
Non-current assets			
Investments in subsidiaries	15	32,844	41,920
Current assets			
Other receivables, deposits and prepayments		85	155
Cash and cash equivalents		7	7
		92	162
Current liabilities			
Accruals		341	698
Net current liabilities		(249)	(536)
Net assets		32,595	41,384
Capital and reserves			
Share capital	21	23,560	15,707
Reserves	22	9,035	25,677
Total equity		32,595	41,384

These financial statements were approved and authorised for issue by the board of directors on 27 March 2006:

Wang Yong
Director

Zhu Guang Bo
Director

The notes on pages 25 to 52 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005 (Expressed in Hong Kong dollars)

	Attributable to equity holders of the Company									
	Share capital HK$'000 (note 21)	Share premium HK$'000	Capital reserve HK$'000 (note 22)	Special reserve HK$'000 (note 22)	PRC statutory reserve HK$'000 (note 22)	Exchange reserve HK$'000	Accumu-lated losses HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
At 31 December 2003	9,291	28,408	3,970	3,324	11,623	18	(13,582)	43,052	–	43,052
Issue of new shares	6,416	27,307	–	–	–	–	–	33,723	–	33,723
Share issue expenses	–	(599)	–	–	–	–	–	(599)	–	(599)
Exchange difference arising on translation of PRC operations	–	–	–	–	–	15	–	15	–	15
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	5,281	5,281
Elimination on disposal of subsidiaries	–	–	–	–	(8,594)	–	8,594	–	–	–
Loss for the year	–	–	–	–	–	–	(36,493)	(36,493)	(1,279)	(37,772)
At 31 December 2004	15,707	55,116	3,970	3,324	3,029	33	(41,481)	39,698	4,002	43,700
At 31 December 2004										
As previously reported	15,707	55,116	3,970	3,324	11,623	33	(50,075)	39,698	4,002	43,700
Elimination arising on disposal of subsidiaries not recognised in previous year	–	–	–	–	(8,594)	–	8,594	–	–	–
As restated	15,707	55,116	3,970	3,324	3,029	33	(41,481)	39,698	4,002	43,700
Rights issue	7,853	–	–	–	–	–	–	7,853	–	7,853
Rights issue expenses	–	(657)	–	–	–	–	–	(657)	–	(657)
Exchange difference arising on translation of PRC operations	–	–	–	–	–	(117)	–	(117)	69	(48)
Loss for the year	–	–	–	–	–	–	(13,525)	(13,525)	(550)	(14,075)
At 31 December 2005	**23,560**	**54,459**	**3,970**	**3,324**	**3,029**	**(84)**	**(55,006)**	**33,252**	**3,521**	**36,773**

The notes on pages 25 to 52 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2005 (Expressed in Hong Kong dollars)

	2005 HK$'000	2004 HK$'000
Operating activities		
Operating loss	(14,074)	(34,401)
Adjustment for:		
Amortisation of goodwill	–	972
Allowance for bad and doubtful debts	344	3,868
Depreciation	4,443	4,992
Amortisation of intangible assets	1,017	3,227
Interest income	(12)	(14)
Loss on disposal of property, plant and equipment	4	3,968
Intangible assets written off	–	7,386
Operating cash flows before working capital changes	(8,278)	(10,002)
(Increase)/decrease in inventories	(4)	87
Decrease/(increase) in trade receivables	407	(2,050)
Decrease in other receivables, deposits and prepayments	3,359	14,106
Increase/(decrease) in trade payables	1,265	(4,055)
(Decrease)/increase in other payables and accrued charges	(702)	50
Decrease in amount due from an associate	–	2,486
Effect of foreign exchange differences	(753)	–
Cash (used in)/generated from operations	(4,706)	622
Interest received	12	14
Net cash (used in)/generated from operating activities	(4,694)	636
Investing activities		
Purchase of property, plant and equipment	(328)	(16,962)
Purchase of intangible assets	–	(2,362)
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	407
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	1,517
Proceeds from disposal of property, plant and equipment	–	3,885
Advance to shareholders	–	(109)
Net cash used in investing activities	(328)	(13,624)

For the year ended 31 December 2005 (Expressed in Hong Kong dollars)

	2005 HK$'000	2004 HK$'000
Financing activities		
Repayment of bank borrowings	–	(3,881)
Interest paid on bank borrowings	(1)	(96)
Issue for new shares	7,853	16,741
Share issue expenses	(657)	(599)
(Repayment to)/advance from directors	(743)	743
Net cash generated from financing activities	6,452	12,908
Net increase/(decrease) in cash and cash equivalents	1,430	(80)
Cash and cash equivalents at beginning of year	582	579
Effect of foreign exchange rate changes	2	83
Cash and cash equivalents at end of year	2,014	582
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	2,014	582

The notes on pages 25 to 52 form part of these financial statements.

(Expressed in Hong Kong dollars)

1. ORGANISATION AND OPERATIONS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 30 November 2000.

Pursuant to a group reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM"), the Company became the holding company of the group (the "Group") formed after the completion of the group reorganisation on 24 January 2002.

The Group resulting from the group reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the merger basis as set out in the Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The shares of the Company were listed on the GEM on 5 February 2002.

The Group is engaged in the business of sales, development and implementation of structural information integration and analysis systems, non-structural knowledge integration systems, and knowledge management ("KM") related network application systems and technology and provision of voice search engine portal.

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

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs") issued by the HKICPA which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The applicable HKFRSs are set out below and the 2004 comparatives have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
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	Revenues
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 Payment
HKFRS 3	Business Combinations
HKAS-Int 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

(Expressed in Hong Kong dollars)

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

The adoption of new or revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 37 and HKAS-Int 27 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 23, 27, 33, 37 and HKAS Int 27 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities except the Company have the same functional currency. The presentation currency of the consolidated financial statements is the functional currency of the Company.

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

– HKAS 38 had no material effect on the Group's policy. The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

The major effects on adoption of the other HKFRSs are summarised as follows:

(a) Amortisation of positive and negative goodwill (HKFRS 3 – Business combinations and HKAS 36 – Impairment of assets)

In prior periods:

– positive goodwill which arose on or after 1 January 2001 was amortised on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the profit and loss account as those expected losses were incurred.

With effect from 1 January 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill had been allocated exceeds its recoverable amount. Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately on the profit and loss account as it arises. Further details of these new policies are set out in Note 3(e).

The new policy in respect of the amortisation of positive goodwill has been applied prospectively after 1 January 2005 in accordance with the transitional arrangements under HKFRS 3. As detailed in Note 16 to the financial statements, the Group's accumulated amortisation and impairment of goodwill of approximately $2,890,000 has been eliminated against the cost of goodwill as at 1 January 2005. The adoption of this new policy also reduced the amortisation of goodwill of approximately $2,355,000 during current year had the Group not adopted this new policy.

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

(a) Amortisation of positive and negative goodwill (HKFRS 3 – Business combinations and HKAS 36 – Impairment of assets) (continued)

The change in policy relating to negative goodwill had no effect on these consolidated financial statements as there was no negative goodwill deferred as at 31 December 2004.

(b) Financial instruments (HKAS 32 – Financial Instruments: Disclosure and Presentation and HKAS39 – Financial Instruments: Recognition and Measurement)

In the current year, the Group has applied HKAS 32 and HKAS 39. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for annual 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.

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities 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", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Unquoted equity investments for which fair value cannot be measured reliably are stated at cost less impairment. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". "Other financial liabilities" are carried at amortised cost using the effective interest method.

The application of HKAS 39 has had no material effect on the recognition and measurement of financial assets and financial liabilities of the Group.

(c) Share option scheme (HKFRS 2 – Share-based Payment)

In prior years, no amounts were recognised when option holders (which term includes directors) were granted share options over shares in the Company. If the option holders chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for the share options. Under the new policy, the fair value of share options is recognised as an expense with a corresponding increase recognised in a capital reserve within equity. Further details of the new policy are set out in Note 3(r)(ii).

The application of this new accounting policy, which requires retrospective application, has had no material effect on the recognition and measurement of share-based payment of the Group. The Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

(Expressed in Hong Kong dollars)

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

(c) Share option scheme (HKFRS 2 – Share-based Payment) (continued)

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective, to these financial statements. The group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these HKFRSs would have a significant impact on its result of operation and financial position.

		Effective for accounting periods on or after
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS – Int 4	Determining Whether an Arrangement Contains a Lease	1 January 2006

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with HKFRSs, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

(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.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

(c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss account.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Subsidiaries

A subsidiary is an enterprise in which the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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

(e) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhead costs, is charged to profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, and after taking into account their estimated residual value using the straight-line method at the rate of 20% per annum. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(g) Intangible assets

The intangible assets of the Group comprise computer software and are measured initially at cost and amortised on a straight-line basis over the estimated useful lives of 3 years.

(h) Impairment of tangible and intangible assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

(i) Inventories

Inventories, comprise software licences and hardwares for resale, are stated at the lower of cost and net realisable value. Cost comprises the purchase costs and where applicable, those overheads incurred in bringing the inventories to their present location and condition and is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet which the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for impairment for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(iv) Equity instruments

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

(k) Revenue recognition

Service fees from software development and system application are derived from services for providing customers with software application and technology. Service fees are recognised when services are provided.

Revenue from provision of voice search engine portal is recognized in accordance with the terms of agreements.

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

(l) Taxation

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

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

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Taxation (continued)

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

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

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

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

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

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(n) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated statements.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Translation of foreign currencies (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(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.

(p) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

No development costs have been deferred during the year.

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Operating leases

Rentals payable under operating leases are charged to the profit and loss on a straight-line basis over the term of the relevant leases.

(r) Employees' benefits

(i) Retirement benefit schemes

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

(ii) Share based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using appropriate option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in 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 business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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 enterprises 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 year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

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

(Expressed in Hong Kong dollars)

4. TURNOVER

Turnover represents sales values of KM software systems and voice portal software less discounts and value added tax as follows:

	2005 HK$'000	2004 HK$'000
Voice portal gateway facilities in communication and voice portal application software	6,066	2,358
KM Systems		
– Non-structural knowledge integration systems	–	3,153
– Structural information integration and analysis systems	–	314
KM related network application systems	–	265
Other system and software related services	–	91
	6,066	6,181

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the business segments are as follows:

(a) the KM systems segment engages in the sale, development and implementation of non-structural knowledge integration systems and KM related network application system and technology; and

(b) The voice portal segment engages in the provision of voice search engine portal.

In determining the Group's geographical segment, information based on location of assets is similar to that of the location of its customers.

(Expressed in Hong Kong dollars)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments:

	KM Systems		Voice portal		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Turnover	–	3,823	6,066	2,358	6,066	6,181
Segment results	(6,408)	(26,925)	(5,328)	(3,253)	(11,736)	(30,178)
Unallocated corporate expenses					(2,338)	(4,223)
Loss from operations					(14,074)	(34,401)
Interest of bank borrowings					(1)	(93)
Share of results of associates					–	(94)
Share of result of a jointly controlled entity					–	(3,203)
Gain on disposal of subsidiaries					–	30
Loss on disposal of associates					–	(11)
Loss for the year					(14,075)	(37,772)
Assets:						
Segment assets	8,133	9,561	30,690	37,496	38,823	47,057
Unallocated corporate assets					1,611	484
Consolidated total assets					40,434	47,541
Liabilities:						
Segment liabilities	980	2,353	2,282	743	3,262	3,096
Unallocated corporate liabilities					399	745
					3,661	3,841
Other information:						
Allowance for bad and doubtful debts	–	3,775	329	93	329	3,868
Amortisation of goodwill	–	(5)	–	972	–	967
Capital expenditures	3	18,876	325	448	328	19,324
Depreciation	1,915	3,742	2,528	1,250	4,443	4,992
Amortisation of intangible assets	783	3,036	234	191	1,017	3,227

(Expressed in Hong Kong dollars)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographic segments

The following table provides an analysis of the Group's turnover, results, assets and expenditure information by geographical market:

	Hong Kong		PRC other than Hong Kong		Consolidated	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
External sales	–	–	6,066	6,181	6,066	6,181
Loss from operations	–	–	(14,074)	(34,401)	(14,074)	(34,401)
Assets:						
Segment assets	1,611	484	16,046	24,697	17,657	25,181
Unallocated assets					22,777	22,360
					40,434	47,541
Other information:						
Capital expenditures	3	–	325	19,324	328	19,324

6. LOSS BEFORE TAXATION

	2005 HK$'000	2004 HK$'000
Loss before taxation is arrived at after charging:–		
Directors' remuneration:–		
Fees	–	–
Other emoluments	224	231
Retirement benefits scheme contributions	12	4
Salaries and other staff costs	2,143	2,625
Retirement benefits scheme contributions (excluding directors)	338	109
	2,717	2,969
Auditors' remuneration	140	568
Allowance for bad and doubtful debts	344	3,868
Depreciation	4,443	4,992
Amortisation of intangible assets (included in administrative expenses)	1,017	3,227
Loss on disposal of property, plant and equipment	4	3,968
Research and development costs	2,370	2,816
Intangible assets written off	–	7,386
Net exchange losses	–	74
and after crediting:–		
Interest income from bank deposits	12	14
Net exchange gains	835	–

(Expressed in Hong Kong dollars)

7. DIRECTORS' REMUNERATION

	2005 HK$'000	2004 HK$'000
Executive directors:		
Directors' fees	–	–
Salaries and other benefits	62	161
Contributions to retirement benefits pension schemes	12	4
Independent non-executive directors:		
Directors' fees	–	–
Salaries and other benefits	162	60
Non-executive directors:		
Directors' fees	–	–
Salaries and other benefits	–	10
Contributions to retirement benefits pension schemes	–	–
Total emoluments	236	235

	2005 HK$'000	2004 HK$'000
Zhu Zhaofa	–	22
Ma Gui Fang	71	90
Wang Yong	3	16
Xu Wen Bo	–	15
Zhang Gong	54	6
Jiang Jian Sheng	–	10
Zhu Guang Bo	–	12
Gao Xinmin	–	10
Chan Yat Tung, Peter	54	37
Hu Wei	–	17
Feng Jue Min	54	–
	236	235

The emoluments of each of the above directors were less than HK$1,000,000 during each of the years ended 31 December 2005 and 2004. No directors waived any emoluments for both years.

(Expressed in Hong Kong dollars)

8. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2004: one) was a director of the Company whose emoluments are included in the disclosure in note 7 above. The emoluments of the remaining four (2004: four) individuals were as follows:–

	2005 HK$'000	2004 HK$'000
Employees:		
Basic salaries and allowances	865	1,005
Retirement benefit scheme contributions	49	36
	914	1,041

The emoluments of each of the above employees were less than $1,000,000 during each of the years ended 31 December 2005 and 2004.

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

9. TAXATION

The Group's primary operations are carried out in the PRC. The general tax rate for corporation in the PRC is 33%. However, in accordance with the applicable enterprise income tax law of the PRC, Beijing Linefan Technology Company Limited ("Beijing Linefan"), one of the Group's operating subsidiaries in the PRC is entitled to exemption for income tax for its first two profitable years of operations and a 50% relief on the income tax that would otherwise be charged for the succeeding three years. The income tax exemption period of Beijing Linefan expired in the year ended 31 December 2001. No provision for PRC income tax has been made for the year as Beijing Linefan has incurred a loss. Moreover, Unlimited Business Opportunity Communication Technology Company Limited ("UBO"), another PRC operating subsidiary of the Group, was officially recognised as Hi-Tech Enterprise by the Beijing Municipal Government in November 2001, and therefore is eligible to receive preferential treatment in form of a concession tax rate of 15%. It is also eligible for full exemption from income tax for its first three years of operations. No provision for PRC income tax has been made for the year as UBO incurred a loss. All of the PRC subsidiaries of the Group have incurred losses for the year and no provision for PRC income tax are required. These losses can be carried forward to offset against future profits for a period of five years.

At the balance sheet date, the Group has unused tax losses of approximately $16,770,000 (2004: $6,208,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

(Expressed in Hong Kong dollars)

9. TAXATION (continued)

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company's Hong Kong subsidiary has made no assessable profit for the year.

	2005 HK$'000	2004 HK$'000
Loss before taxation	(14,075)	(37,772)
Tax at the domestic income tax rate of 33% (2004: 33%)	(4,645)	(12,465)
Tax effect of expenses that are not deductible in determining taxable profit	412	3,003
Effect of different tax rates of preferential tax treatments	781	658
Tax effect of tax losses not recognised	3,452	8,804
Tax expense for the year	–	–

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately $15,985,000 (2004: $42,349,000).

11. DIVIDEND

No dividend was paid or proposed during 2005, nor has any dividend been proposed since the balance sheet date (2004: Nil).

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2005 HK$'000	2004 HK$'000
Loss for the year and loss of the purpose of the basic loss per share	**(13,525)**	(36,493)
Weighted average number of ordinary shares for the purpose of basic loss per share	**166,550,578**	128,955,965
Effect of dilutive potential ordinary shares on options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**166,550,578**	128,955,965

The weighted average number of ordinary shares in issue for the year 2004 was restated as if the share consolidation and the rights issue as described in note 21 have taken place on 1 January 2004.

There is no diluted loss per share since the Company has no dilutive potential shares.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer, network and related equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group					
Cost:					
At 1 January 2004	403	1,678	5,951	303	8,335
Exchange adjustments	–	2	6	–	8
Additions	106	5	16,851	–	16,962
Acquisition of subsidiaries	–	246	11,697	357	12,300
Disposal of subsidiaries	(27)	(69)	(475)	–	(571)
Disposals	(362)	(1,078)	(10,979)	(303)	(12,722)
At 31 December 2004	120	784	23,051	357	24,312
Exchange adjustments	2	11	430	7	450
Additions	–	12	316	–	328
Disposals	–	(16)	–	–	(16)
At 31 December 2005	122	791	23,797	364	25,074
Accumulated depreciation:					
At 1 January 2004	168	734	3,544	107	4,553
Exchange adjustments	–	1	6	–	7
Provided for the year	24	330	4,577	61	4,992
Acquisition of subsidiaries	–	162	3,575	298	4,035
Eliminated on disposal of subsidiaries	(11)	(31)	(130)	–	(172)
Eliminated on disposal	(175)	(610)	(3,952)	(132)	(4,869)
At 31 December 2004	6	586	7,620	334	8,546
Exchange adjustments	–	10	181	6	197
Provided for the year	24	104	4,291	24	4,443
Eliminated on disposal	–	(12)	–	–	(12)
At 31 December 2005	30	688	12,092	364	13,174
Net book values:					
At 31 December 2005	92	103	11,705	–	11,900
At 31 December 2004	114	198	15,431	23	15,766

(Expressed in Hong Kong dollars)

14. INTANGIBLE ASSETS

The Group

	Computer software HK$'000
Cost:	
At 1 January 2004	12,489
Additions in the year	2,362
Acquisition of a subsidiary	4,488
Disposals	(12,501)
Exchange adjustments	12
At 31 December 2004	6,850
Exchange adjustments	127
At 31 December 2005	6,977
Amortisation:	
At 1 January 2004	2,331
Provided for the year	3,227
Acquisition of a subsidiary	4,077
Eliminated on disposal	(5,109)
Exchange adjustments	3
At 31 December 2004	4,529
Provided for the year	1,017
Exchange adjustments	94
At 31 December 2005	5,640
Net book value:	
At 31 December 2005	1,337
At 31 December 2004	2,321

15. INVESTMENTS IN SUBSIDIARIES

	The Company 2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	26,074	26,074
Amount due from a subsidiary	61,770	55,846
	87,844	81,920
Less: Provision	(55,000)	(40,000)
	32,844	41,920

The amount due from a subsidiary is unsecured and interest free.

(Expressed in Hong Kong dollars)

15. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Legal form of entity	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Company directly or indirectly held	Principal activities
Chineseroad Incorporated 中國之路 (Note)	Limited liability	The British Virgin Islands ("BVI")	US$67,200	100%	Investment holding
Beijing Linefan Zhihui Technology Co. Ltd. 北京藍帆智慧科技有限公司	Equity joint venture ("EJV")	PRC	RMB1,000,000	100%	Application software provider of non-structural knowledge integration systems and services
Beijing Linefan Technology Company Limited 北京藍帆科技有限公司	EJV	PRC	US$500,000	100%	Sale, development and implementation of non-structural knowledge integration systems and KM related network application system and technology
Beijing Wellpay Software Technology Company Limited 北京威派軟件技術有限公司	EJV	PRC	RMB500,000	100%	Research and development, and provision of KM related network application and services
Unlimited Business Opportunity Communication Technology Company Limited 北京無限商機通信技術有限公司	EJV	PRC	RMB35,000,000	51.43%	Provision of voice search engine portal
Ha Er Bin Runke Communication Technology Company Limited 哈爾濱潤科通信技術有限公司	EJV	PRC	RMB10,000,000	26.23%	Provision of voice search engine portal

Note: Chineseroad Incorporated is held by the Company directly. All other subsidiaries are held by the Company indirectly.

(Expressed in Hong Kong dollars)

16. GOODWILL

The Group

	HK$'000
Cost:	
At 1 January 2004	4,880
Arising on acquisition of a subsidiary	23,332
Disposals	(2,967)
Exchange adjustments	5
At 31 December 2004	25,250
Opening balance adjustment to eliminate accumulated amortization and impairment	(2,890)
Exchange adjustments	417
At 31 December 2005	**22,777**
Accumulated amortisation:	
At 1 January 2004	3,703
Exchange adjustments	5
Provided for the year	972
Disposals	(2,967)
At 31 December 2004	1,713
Opening balance adjustment to eliminate against cost	(1,713)
At 31 December 2005	**–**
Impairment:	
At 1 January 2004 and 31 December 2004	1,177
Opening balance adjustment to eliminate against cost	(1,177)
At 31 December 2005	–
Carrying amount:	
At 31 December 2005	**22,777**
At 31 December 2004	22,360

In 2004, goodwill was amortised on a straight line basis over 10 years. As explained further in Note 2(a), with effect from 1 January 2005 the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS3, the accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date.

16. GOODWILL (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before, recognition of impairment losses, the carrying amount of goodwill had been allocated to the CGUs identified according to business segment as follows:

	2005 HK$'000	2004 HK$'000
KM systems	–	1,177
Voice portal	22,777	24,073
	22,777	25,250

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

As at 31 December 2004, full provision for impairment loss has been made for KM CGU.

The recoverable amounts of the Voice Portal CGU have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 7%. The growth rates are based on industry growth forecasts. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the CGU's past performance and management's expectations for the market development.

17. INVENTORIES

	The Group	
	2005 HK$'000	2004 HK$'000
Low consumables	11	7

(Expressed in Hong Kong dollars)

18. TRADE RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	The Group	
	2005	2004
	HK$'000	HK$'000
0-60 days	801	1,985
61-90 days	335	–
>90 days	442	–
	1,578	1,985

As at 31 December 2005 and 2004, all trade receivables were denominated in Renminbi ("RMB").

19. CASH AND CASH EQUIVALENTS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets of approximates their fair value.

20. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases and going costs.

The following is an aged analysis of trade payables at the balance sheet date:

	The Group	
	2005	2004
	HK$'000	HK$'000
0-60 days	259	–
61-90 days	190	–
>90 days	1,346	530
	1,795	530

As at 31 December 2005 and 2004, all trade payables were denominated in RMB.

21. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
At 31 December 2003 and 31 December 2004	5,000,000,000	50,000
Consolidation of shares	(4,500,000,000)	–
At 31 December 2005	500,000,000	50,000
Issued and fully paid:		
At 31 December 2003	929,090,000	9,291
Issue of shares under private placements (note a)	427,371,800	4,274
Issue of shares on exercise of options (note b)	92,909,000	929
Issue of shares on acquisition of a subsidiary (note c)	121,293,800	1,213
At 31 December 2004	1,570,664,600	15,707
Consolidation of shares (note d)	(1,413,598,140)	–
Rights issue of shares (note e)	78,533,230	7,853
At 31 December 2005	235,599,690	23,560

(a) On 16 January 2004, the Company entered into a conditional subscription agreement with World Develop Limited ("World Develop") and allotted 185,810,000 shares of the Company at a price of HK$0.031 per share to World Develop. On 6 October 2004, the Company entered into a subscription agreement with an independent third party (the "Subscriber") and allotted 241,561,800 shares of the Company at a price of HK$0.032 per share to the Subscriber. The total net proceeds of approximately HK$13,490,000 were used as general working capital of the Group and for the development of technology in voice search engine.

(b) During the year, options were exercised to subscribe for 92,909,000 shares in the Company at a consideration of HK$0.035 per share and totaling approximately HK$3,252,000.

(c) On 19 March 2004, Beijing Silver-Soft, a wholly-owned subsidiary of the Company, entered into a conditional agreement (the "Agreement") with 福州數通信息有限公司 ("Fuzhou Zhutong") and 南都集團控股有限公司 ("Nandu Group"), both of which were companies incorporated in the PRC and beneficially owned by independent third parties. Pursuant to the Agreement, Beijing Silver – Soft acquired an aggregate of 51.43% equity interest in UBO from Fuzhou Zhutong and Nandu Group. The consideration of the acquisition amounted to approximately HK$25.14 million (RMB26,646,000) was satisfied as to RMB8,646,000 by the assignment of certain trade receivables of Beijing Silver-Soft and as to RMB18 million by the issue of shares (the "Consideration Shares") of the Company. On 21 July 2004, the Company issued the Consideration Shares valued at HK$0.14 per share as to 20,215,633 shares to Fuzhou Zhutong and 101,078,167 shares to Nandu Group respectively.

(d) Pursuant to an ordinary resolution passed in a extraordinary general meeting on 31 March 2005, a share consolidation was effected that every ten shares of issued and unissued shares of the Company's share capital were consolidated into one consolidated share. The nominal value of the share capital of the Company was increased from HK$0.01 to HK$0.1 each.

(Expressed in Hong Kong dollars)

21. SHARE CAPITAL (continued)

(e) During the year, a rights issue ("Rights Issue") of one rights share for every two consolidated shares held by members on the register of member on 31 March 2005 was made at an issue price of HK$0.1 per rights share, resulting in the issue of 78,533,230 shares of HK$0.1 each for a total cash consideration, after expenses, of approximately $7,196,000. The net proceeds of the Rights Issue were used as additional working capital for operating activities.

22. SHARE PREMIUM AND RESERVES

The Group

The capital reserve represents the Group's share of the contributions made by the minority shareholders to certain subsidiaries of the Group in the PRC.

The special reserve represents the difference between the nominal amount of shares and share premium of Chineseroad Incorporated and the nominal amount of the Company's shares issued pursuant to a group reorganisation in 2002.

PRC statutory reserves are reserves required by the relevant PRC law applicable to the Group's PRC subsidiaries.

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
The Company				
At 31 December 2003	28,408	26,067	(13,157)	41,318
Issue of new shares	27,307	–	–	27,307
Share issue expenses	(599)	–	–	(599)
Loss for the year	–	–	(42,349)	(42,349)
At 31 December 2004	55,116	26,067	(55,506)	25,677
Right issue expenses	(657)	–	–	(657)
Loss for the year	–	–	(15,985)	(15,985)
At 31 December 2005	54,459	26,067	(71,491)	(9,035)

The contributed surplus of the Company arose from a group reorganisation in 2002. The balance represents the difference between the nominal amount of the Company's shares issued and the consolidated shareholders' funds of Chineseroad Incorporated.

The Company's reserves available for distribution to shareholders as at 31 December 2005 represent the aggregate of share premium, contributed surplus and accumulated losses and amounted to approximately $9,035,000 (2004: $25,677,000).

(Expressed in Hong Kong dollars)

23. SHARE OPTIONS

The Company has adopted a share option scheme on 24 January 2002 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant options to selected employees to subscribe for shares of the Company as incentives or rewards for their contributions to the Group. The board of directors of the Company may, at its discretion, invite any full-time or part-time employees of the Company or any member of the Group, including any executive and non-executive directors, advisors, consultants of the Company or any subsidiary of the Company to take up options to subscribe for shares of the Company. The total number of shares of the Company available for issue under the Share Option Scheme is initially 10% of the issued share capital as at the date of adoption of the Share Option Scheme. The total number of shares of the Company issued and to be issued upon exercise of the options granted to a participant under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the shares of the Company in issue from time to time. An option may be exercised at any time during a period to be determined and notified by the Board to each participant. Upon acceptance of the option, the employee shall pay HK$1.00 to the Company by way of consideration for the grant. The subscription price for the shares of the Company will be a price determined by the Board and will be the highest of (i) the closing price of the shares on the GEM as stated on the Stock Exchange's daily quotations sheet on the date of granting of the options; (ii) the average closing price of the shares on the GEM as stated on the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of granting of the options; and (iii) the nominal value of a share. The Share Option Scheme will be valid and effective for a period of 10 years commencing on 24 January 2002.

An aggregate of 92,900,000 options each with an exercise price of HK$0.183 for one ordinary share were granted by the Company on 15 November 2002 pursuant to the Share Option Scheme to selected employees of the Group. During the year ended 31 December 2004, 74,900,000 options had been lapsed. No options have been exercised for the year ended 31 December 2005 and all 18,000,000 options lapsed on 14 November 2005.

As the original 10% general limit on the grant of options of the Share Option Scheme has almost been fully utilised in 2002, a refreshment of the 10% general limit was approved at the annual general meeting of the Company held on 23 April 2003, so that the total number of shares which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company has been re-set at 10% of the shares of the Company in issue as at the date of approval of the "refreshed" limit.

(Expressed in Hong Kong dollars)

24. OPERATING LEASE COMMITMENT

	The Group	
	2005	2004
	HK$'000	HK$'000
Minimum lease payments paid under operating leases in respect of office premises during the year	695	752

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

	The Group	
	2005	2004
	HK$'000	HK$'000
Within one year	578	564
In the second to fifth year inclusive	49	18
	627	582

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms of one to two years and rentals are fixed over the terms of the leases.

25. RETIREMENT BENEFITS SCHEMES

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in retirement benefits schemes operated by the relevant local government authorities. The Group is required to make contributions on behalf of employees who are registered permanent residents in the PRC. The Group's contributions for the year ended 31 December 2005 were based on 20% and 22% (2004: 20%, 20%, 22.5% and 22%) of the average wages of workers in Beijing and Harbin (2004: Beijing, Wuhan, Shanghai and Harbin), the city where the Group's PRC's staff are located, and amounted to approximately $326,000 (2004: $71,000).

The Group's Hong Kong office implemented a Mandatory Provident Fund Scheme (the "MPF") in compliance with the applicable regulations in Hong Kong for its staff at the end of 2000. The Group's contribution to the MPF amounted to approximately $24,000 (2004: $45,000).

(Expressed in Hong Kong dollars)

26. FINANCIAL INSTRUMENTS

(a) Financial risk factors

The main risks arising from the Group's financial instruments are credit risk, foreign exchange risk, liquidity risk and interest rate risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Credit risk

The Group's principal financial assets are cash and bank balances and trade and other receivables. The Group has no significant concentration of credit risk. The carrying amounts of trade receivables included in the balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. No other financial assets carry a significant exposure to credit risk.

(ii) Foreign exchange risk

The Group's main operations are in the PRC and has no significant exposure to any specific foreign currency other than Renminbi.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, other liquid assets and the ability to close market positions. The Group maintains sufficient cash and bank balances at the balance sheet date.

(iv) Fair value and cash flow interest rate risk

The Group has no significant interest-bearing assets, as such its income and operating cash flows are substantially independent of changes in market interest rates.

(b) Fair value estimation

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values.

27. RELATED PARTY TRANSACTIONS

(a) The amount due to a director was unsecured, interest free and had no fixed terms of repayment.

(b) Compensation to key management personnel

The remuneration of two executive directors and other members of key management during the year was as follows:

	2005 HK$'000	2004 HK$'000
Salaries and other benefits	187	136

(Expressed in Hong Kong dollars)

28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the judgements in relation to impairment of assets apart from those involving estimation as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year in respect of impairment test of assets.

The Group determines whether an asset is impaired at least on an annual basis or where on indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Financial Summary

For the year ended 31 December 2005 (Expressed in Hong Kong dollars)

The following is a summary of the consolidated results and of the assets and liabilities of the Group prepared on the basis set out in notes 1 and 2 below:

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	6,066	6,181	14,421	51,024	26,680
Cost of sales	(2,778)	(2,825)	(5,380)	(3,958)	(1,664)
Gross profit	3,288	3,356	9,041	47,066	25,016
Other revenue	265	70	482	239	169
Distribution costs	(4,071)	(3,052)	(2,352)	(1,029)	(127)
Administrative expense	(13,556)	(33,803)	(34,295)	(27,187)	(9,173)
Amortisation of goodwill	–	(972)	(489)	(428)	(462)
Impairment loss recognised in respect of goodwill on subsidiaries	–	–	(3,818)	–	–
(Loss)/profit from operations	(14,074)	(34,401)	(31,431)	18,661	15,423
Interest on bank borrowings	(1)	(93)	(77)	(7)	(13)
Share of results of associates	–	(94)	(1,640)	(477)	–
Share of result of a jointly controlled entity	–	(3,203)	13	–	–
Gain/(loss) on disposal of subsidiaries	–	30	(127)	(2,199)	–
Loss on disposal of associates	–	(11)	–	–	–
Impairment loss recognised in respect of goodwill on an associate	–	–	(4,351)	–	–
(Loss)/profit before taxation	(14,075)	(37,772)	(37,613)	15,978	15,410
Taxation	–	–	–	(414)	–
(Loss)/profit for the year	(14,075)	(37,772)	(37,613)	15,564	15,410
Attributable to:					
Equity holders of the Company	(13,525)	(36,493)	(37,031)	16,354	15,157
Minority interests	(550)	(1,279)	(582)	(790)	253
	(14,075)	(37,772)	(37,613)	15,564	15,410

For the year ended 31 December 2005 (Expressed in Hong Kong dollars)

ASSETS AND LIABILITIES

	At 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	36,014	40,447	18,749	17,636	7,221
Current assets	4,420	7,094	29,737	67,850	29,062
Current liabilities	3,661	3,841	5,434	4,757	9,780
Net current assets	759	3,253	24,303	63,093	19,282
Net assets	36,773	43,700	43,052	80,729	26,503

Notes:

1. The assets and liabilities as at 31 December 2001 have been extracted from the published financial information of the Company for the year ended 31 December 2001 prepared for the purpose of the listing of the Company's shares on the GEM.

2. The consolidated results of the Group for the years ended 31 December 2002 and 2003 and the assets and liabilities as at 31 December 2002 and 2003 of the Group have been extracted from the Company's published annual reports. The consolidated results of the Group for the years ended 31 December 2005 and 2004 are set out on page 19 of the annual report and the assets and liabilities as at 31 December 2005 and 2004 are as set out on page 20 of the annual report.