1 GENERAL INFORMATION

E2-Capital (Holdings) Limited (the Company) and its subsidiaries (together the Group) are primarily engaged in six main business segments namely Broking Services, Investment Banking, Direct Investments, Industrial and Management Operating Services, Digital Consumer Products and Property.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 1 March 2006.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of E2-Capital (Holdings) Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of properties for development/sale, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
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 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases-Incentives
HKAS-Int 21	Income Taxes-Recovery of Revalued Non-Depreciated Assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

The adoption of new/revised HKASs 1, 2, 7, 10, 16, 21, 23, 24, 27, 28, 33, 36 and HKAS-Int 15 did not result in any substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

— HKASs 2, 7, 10,16, 23, 27, 28, 33, 36 and HKAS-Int 15 had no material effect on the Group's accounting 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 in the revised standard. The majority of the Group entities have the same functional currency as the presentation currency for the respective entities financial statements.

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

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value.

The adoption of the revised HKAS 40 has resulted in a change in the accounting policy for investment properties with changes in fair values recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

The adoption of the revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The Group adopted the proportionate consolidation method under HKAS 31 to account for its interest in joint ventures.

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.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

— HKAS 16 which requires the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction to be accounted at fair value prospectively only to future transactions.

— HKAS 39 which does not permit the Group to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.

— HKAS 40 since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information. Any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property.

— HKAS-Int 15 which does not require the recognition of incentives for leases beginning before 1st January 2005.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

(i) *The adoption of the revised HKAS 17 resulted in:*

	2005 HK$'000	2004 HK$'000
Increase in leasehold land and land use rights	336,884	63,000
Decrease in properties for development/sale	336,884	63,000
Increase in administrative expenses	4,727	1,432
Decrease in provision for impairment	—	1,432
Decrease in basic earnings per share	1.18 cents	—

(ii) *The adoption of HKAS 39 resulted in an increase in opening reserves at* 1 January 2005 by HK$1,550,000 and the details of the adjustments to the balance sheet for the adoption of HKAS 39 at 31 December 2005 are as follows:

	2005 HK$'000
Increase in available-for-sale financial assets	53,189
Decrease in non-current investments in securities	47,567
Increase in other financial assets at fair value through profit or loss	65,408
Decrease in current investments in securities	65,408
Increase in retained earnings	1,550

There was no impact on basic earnings per share from the adoption of HKAS 39.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.10).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.10).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Buildings comprise mainly offices. Buildings are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. The principal annual rates are as follows:

- Leasehold improvements	20%
- Motor vehicles	20%
- Furniture, fixtures and equipment	10 % – 33⅓%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair value are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Leasehold land and land use rights

Leasehold land and land use rights are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

2.8 Properties for development

Properties for development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for investment purposes or no decision has yet been made on their future use. These properties are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses.

2.9 Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost includes land cost, construction cost, interest, finance charges and other direct costs. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Where presale has taken place, properties under development for sale are stated at cost plus attributable profits less foreseeable losses and deposits received from presale; otherwise, properties under development for sale are stated at the lower of cost and net realisable value. Cost includes construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Foreseeable losses represent estimated or actual selling price less all costs to completion and selling expenses. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary / associate / jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(b) Trading rights

The trading rights of the Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited are recognised as intangible assets on the balance sheet and stated at nominal costs.

2.11 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, but are at least tested annually for impairment and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as current and non-current investment in securities.

(a) Non-current investment in securities

Investments which were held for non-trading purposes were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

Where there was objective evidence that individual investments were impaired, the cumulative loss recorded in the revaluation reserve was taken to the income statement.

(b) Current investment in securities

Investments which were held for trading purposes were stated at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments (Continued)

From 1 January 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in loans receivable from investee companies, mortgage loans receivable and trade and other receivables in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments (Continued)

Purchases and sales of investments are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. For unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary difference arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Employee benefits

(a) Pension obligations

The Group operates defined contribution plans under the mandatory provident fund scheme and the ORSO scheme, the assets of which are held in separate trustee-administered funds.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.21 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

(b) Service income is recognised on completion of contract which typically lasts for one to six months.

(c) Proceeds from disposal of securities are recognised when a sale and purchase contract is entered into.

(d) Proceeds from the sale of properties are recognised on execution of a binding sales agreement.

Proceeds from properties pre-sold prior to completion of development are recognised over the period from the execution of a binding sales agreement to the completion of development on the basis of development costs to date as a proportion of estimated total development costs.

(e) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

(f) Advisory fees, introductory fees and management fees are recognised when the service is rendered, the income can be reliably estimated and it is probable that the revenue will be received.

(g) Dividend income is recognised when the right to receive payment is established.

(h) Operating lease rental income is recognised on a straight line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Leases

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease periods.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group's assets and liabilities are primarily denominated in Hong Kong dollars. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. The Investment Committee meets on an ad hoc basis to review the investments held by the Group in order to minimise the price risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet short term cash requirements.

(d) Cash flow interest rate risk

The Group's interest-rate risk arises from borrowings, bank deposits and mortgage loans receivable. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group's borrowings are based on Prime or HIBOR interest rates. Details of the Group's borrowings are set out in note 33. Bank deposits are primarily short term in nature and mortgage loans are priced based on Prime +1 % p.a..

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives. and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables is assumed to approximate its fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(b) Estimate of fair value of unlisted securities

Certain unlisted securities included in available-for-sale financial assets and other financial assets at fair value through profit or loss are stated at cost at the balance sheet date as the Group determines the fair value of such assets closely approximated the cost. For the unlisted securities valued at fair value, the Group uses the discounted cashflows valuation method and makes assumptions that are based on market conditions existing at each balance sheet date for the determination of the fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

5 SEGMENT INFORMATION

Primary reporting format – business segments

At 31 December 2005, the Group is organised on a regional basis into six main business segments:

(1) Broking Services – securities broking and provision of margin financing, commodities, options and futures broking

(2) Investment Banking – provision of corporate finance services

(3) Direct Investments – securities trading and investments

(4) Industrial and Management Operating Services – manufacture of quality plastic and paper boxes for luxury consumer goods, and trading of dyestuffs

(5) Digital Consumer Products – sourcing and distribution of digital consumer products

(6) Property – property development and holding

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

The segment results for the year ended 31 December 2004 are as follows:

	Broking Services (Note (a))	Investment Banking (Note (b))	Direct Investments (Note (b))	Industrial and Management Operating Services	Digital Consumer Products	Property	Unallocated	Group
	HK$'000	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
Turnover	—	—	41,709	37,551	2,629	272,641	—	354,530
Operating profit/(losses)	—	(57)	54,403	2,131	—	25,085	(25,525)	56,037
Finance costs *(Note 9)*	—	—	(1,030)	—	—	(1,863)		(2,893)
Share of results of associates *(Note 20)*	2,049	9,261	—	7,176	—	—		18,486
Profit before income tax								71,630
Income tax expenses *(Note 10)*								(1,965)
Profit before minority interests								69,665
Minority interests								(2,603)
Profit attributable to shareholders								67,062

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

The segment results for the year ended 31 December 2005 are as follows:

	Broking Services (Note (a))	Investment Banking (Note (a))	Direct Investments (Note (b))	Industrial and Management Operating Services	Digital Consumer Products	Property	Unallocated	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	14,274	8,664	119,731	21,397	1,150	41,460	—	206,676
Operating profit/(losses)	75	1,813	7,697	(1,135)	(3,236)	62,292	(21,831)	45,675
Finance costs *(Note 9)*	(214)	(20)	(284)	(24)	—	(1,637)		(2,179)
Share of results of associates *(Note 20)*	(3,049)	86	—	8,992	—	—		6,029
Profit before income tax								49,525
Income tax expenses *(Note 10)*								(2)
Profit before minority interests								49,523
Minority interests								988
Profit attributable to shareholders								50,511

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31 December 2004 and capital expenditure for the year then ended are as follows:

	Broking Services (Note (a))	Investment Banking (Note (a))	Direct Investments (Note (b))	Industrial and Management Operating Services	Digital Consumer Products	Property	Unallocated	Group
	HK$'000	HK$'000	HK$'000 (restated)	HK$'000 (restated)	HK$'000	HK$'000 (restated)	HK$'000	HK$'000
Assets	—	—	138,266	38,636	2,629	126,931	211,650	518,112
Interests in associates	42,496	6,930	—	56,144	—	—	—	105,570
Total assets	42,496	6,930	138,266	94,780	2,629	126,931	211,650	623,682
Liabilities	—	—	—	12,269	2,629	35,797	5,110	55,805
Capital expenditure *(Note 14, 16, 17)*	—	—	307	33	—	986	—	1,326
Depreciation	—	—	311	782	—	330	—	1,423
Amortisation	—	—	—	—	—	1,432	—	1,432

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Broking Services (Note (a))	Investment Banking (Note (a))	Direct Investments (Note (b))	Industrial and Management Operating Services	Digital Consumer Products	Property	Unallocated	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	72,716	2,101	280,930	16,845	618	391,571	30,202	794,983
Interests in associates	16,275	2,208	—	57,536	—	—	—	76,019
Total assets	88,991	4,309	280,930	74,381	618	391,571	30,202	871,002
Liabilities	41,525	4,369	1,429	5,214	244	215,563	7,848	276,192
Capital expenditure *(Note 14,16,17)*	12	20	—	3	43	297,116	947	298,141
Depreciation	73	79	—	118	1	483	761	1,515
Amortisation	—	—	—	—	—	4,727	—	4,727

Segment assets consist primarily of leasehold land and land use rights, properties for development/sale, investment property, property, plant and equipment, intangible assets, inventories, available-for-sale financial assets, other financial assets at fair value through profit or loss, receivables and operating cash.

Segment liabilities comprise operating liabilities and borrowings.

Unallocated assets consist mainly of cash and cash equivalents, amount due from associates and other deposits and receivables.

Unallocated liabilities are mainly represented by accrual of corporate expenses.

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and properties for development/sale.

Notes:

(a) SBI E2-Capital Limited ("SBI E2"), formerly an associated company of the Group, became a 49% owned joint venture on 1 January 2005 (note 21). The results of SBI E2 are proportionately consolidated and classified under Broking Services and Investment Banking of the Group.

(b) In 2005, the Group considers Direct Investments activities as one of the business segments. The sales proceeds of the investments and trading results, which represent the difference between the net sales proceeds and the carrying amounts, are included in the revenue and segment results of Direct Investments accordingly. The results of this segment represents net realised/unrealised gain/(loss) on investments. The comparative figures have been amended to correspond with this new presentation.

Secondary reporting format – geographical segments

The Group's six business segments operate in two main geographical areas, even though they are managed on a regional basis.

The Group's broking services, investment banking, direct investments, industrial and management operating services and property mainly operate in The People's Republic of China including Hong Kong.

The Group's digital consumer products segment is mainly operated in Europe.

	2005	2004
	HK$'000	HK$'000 (restated)
Turnover:		
The People's Republic of China including Hong Kong	205,526	351,901
Europe	1,150	2,629
	206,676	354,530

5 SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments (Continued)

Sales are allocated based on the countries in which the customers are located.

As the total carrying amount of segment assets and the total cost incurred during the year to acquire segment assets for each geographical segment other than The People's Republic of China including Hong Kong are less than 10% of the total assets of all geographical segments, no separate disclosure is shown for segment assets by geographical segment.

Analysis of sales by category

	2005	2004
	HK$'000	HK$'000 (restated)
Turnover		
Sales of properties and properties for development	39,430	268,728
Sales proceeds of investments	114,252	38,143
Sales of goods	22,547	40,180
Brokerage commission income	20,040	—
Advisory fee, introductory fee and other commission income	2,728	660
Dividend income		
– listed investments	194	349
– unlisted investments	199	977
Interest income	6,294	3,740
Rental income and building management fee income	992	1,753
Total turnover	206,676	354,530
Other (losses)/revenues	(442)	10,729
Total revenues	206,234	365,259

6 EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs and general and administrative expenses are analysed as follows:

	2005	2004
	HK$'000	HK$'000 (restated)
Cost of sales of securities	107,983	30,604
Cost of sales of properties	43,914	244,182
Cost of sales of goods	14,643	30,240
Brokerage costs	3,724	—
Amortisation of leasehold land *(Note 16)*	4,727	1,432
Depreciation *(Note 14)*	1,515	1,423
Employee benefit expenses *(Note 7)*	32,363	27,540
Operating lease rentals in respect of land and buildings	4,315	1,140
Auditors' remuneration		
– current year	2,397	1,000
– under-provision in prior years	719	—
Provision for impairment of doubtful receivables	3,394	6,548

7 EMPLOYEE BENEFIT EXPENSES

	2005	2004
	HK$'000	HK$'000 (restated)
Wages and salaries	21,208	16,924
Discretionary bonus	10,585	10,055
Termination benefits	9	158
Pension costs - defined contribution plans	561	403
	32,363	27,540

7 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Pensions – defined contribution plans

Contributions totalling HK$394,000 (2004: HK$305,000) were payable to the fund at the year end.

(b) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name of director	Fees	Salary	Discretionary inducement bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fung Ka Pun	—	2,880	2,740	12	5,632
Dato' Wong Sin Just	—	2,930	2,740	11	5,681
Ongpin Roberto V	50	—	—	—	50
Chung Cho Yee, Mico	75	—	—	—	75
Ho Kwan Tat	110	—	—	—	110
Hui Ka Wah, Ronnie	110	—	—	—	110

The remuneration of every Director for the year ended 31 December 2004 is set out below:

Name of director	Fees	Salary	Discretionary inducement bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fung Ka Pun	—	2,880	4,240	12	7,132
Dato' Wong Sin Just	—	2,880	4,240	12	7,132
Ongpin Roberto V	50	—	—	—	50
Chung Cho Yee, Mico	70	—	—	—	70
Ho Kwan Tat	18	—	—	—	18
Hui Ka Wah, Ronnie	18	—	—	—	18

7 EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Five highest paid individuals

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

	2005	2004
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	2,560	1,949
Discretionary bonus	—	1,500
Pensions	30	24
	2,590	3,473

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2005	2004
HK$nil – HK$1,000,000	3	1
HK$1,000,001 – HK$1,500,000	0	2

8 INVESTMENT (LOSSES)/GAINS

	2005	2004
	HK$'000	HK$'000 (restated)
Other financial assets at fair value through profit or loss:		
– Unrealised fair value gains	13,298	—
– Unrealised fair value losses	(13,734)	—
Unrealised gains on other investments	—	22,052
Unrealised losses on other investments	—	(1,648)
	(436)	20,404

9 FINANCE COSTS

	2005	2004
	HK$'000	HK$'000
Interest on bank loans		
Wholly repayable within five years	1,564	1,764
Interest on other loans		
Wholly repayable within five years	497	1,026
Not wholly repayable within five years	118	103
	2,179	2,893

10 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2005	2004
	HK$'000	HK$'000 (restated)
Current income tax:		
– Hong Kong profits tax	25	—
– Under – provision in prior years	—	1,965
Deferred income tax:		
– Over – provision in prior years	(23)	—
	2	1,965

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Company and is reconciled as follows:

	2005	2004
	HK$'000	HK$'000 (restated)
Profit before tax	49,525	71,630
Calculated at a taxation rate of 17.5% (2004: 17.5%)	8,667	12,535
(Over)/under provision for previous years	(23)	1,965
Income not subject to taxation	(14,548)	(9,777)
Expenses not deductible for taxation purpose	1,221	14,321
Addition/(utilisation) of unrecognised tax losses	4,685	(17,079)
Taxation charge	2	1,965

11 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK$3,037,000 (2004: HK$21,794,000).

12 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$50,511,000 (2004: HK$67,062,000) and the weighted average of 400,633,217 (2004: 400,633,217) ordinary shares in issue during the year.

13 DIVIDENDS

	2005	2004
	HK$'000	HK$'000
Interim, paid, of 2.5 HK cents (2004: 5 HK cents) per ordinary share	10,016	20,032
Final, proposed of 5 HK cents (2004: 5 HK cents) per ordinary share	20,032	20,032
	30,048	40,064

The final dividend has been proposed by the directors subject to the approval by the shareholders in the forthcoming annual general meeting.

14 PROPERTY, PLANT AND EQUIPMENT

	Group				
	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004					
Cost	41,292	4,904	7,645	2,763	56,604
Accumulated depreciation/impairment	(21,720)	(4,676)	(7,439)	(1,782)	(35,617)
Net book amount	19,572	228	206	981	20,987
Year ended 31 December 2004					
Opening net book amount	19,572	228	206	981	20,987
Additions	922	15	314	11	1,262
Disposals	—	—	(2)	—	(2)
Depreciation	(860)	(109)	(107)	(347)	(1,423)
Closing net book amount	19,634	134	411	645	20,824
At 31 December 2004					
Cost	42,214	4,919	3,092	2,774	52,999
Accumulated depreciation/impairment	(22,580)	(4,785)	(2,681)	(2,129)	(32,175)
Net book amount	19,634	134	411	645	20,824
Year ended 31 December 2005					
Opening net book amount	19,634	134	411	645	20,824
Effect of adopting proportionate consolidation of a joint venture	—	319	873	—	1,192
Additions	—	—	154	871	1,025
Disposals	(18,294)	(60)	(25)	(330)	(18,709)
Depreciation	(452)	(302)	(456)	(305)	(1,515)
Exchange differences	—	1	—	—	1
Closing net book amount	888	92	957	881	2,818
At 31 December 2005					
Cost	923	3,423	6,324	3,095	13,765
Accumulated depreciation/impairment	(35)	(3,331)	(5,367)	(2,214)	(10,947)
Net book amount	888	92	957	881	2,818

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company		
	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2004			
Cost	105	1,422	1,527
Accumulated depreciation	(33)	(582)	(615)
Net book amount	72	840	912
Year ended 31 December 2004			
Opening net book amount	72	840	912
Additions	2	10	12
Depreciation	(21)	(258)	(279)
Closing net book amount	53	592	645
At 31 December 2004			
Cost	107	1,432	1,539
Accumulated depreciation	(54)	(840)	(894)
Net book amount	53	592	645
Year ended 31 December 2005			
Opening net book amount	53	592	645
Additions	27	871	898
Disposals	—	(330)	(330)
Depreciation	(27)	(252)	(279)
Closing net book amount	53	881	934
At 31 December 2005			
Cost	134	1,754	1,888
Accumulated depreciation	(81)	(873)	(954)
Net book amount	53	881	934

15 INVESTMENT PROPERTY – GROUP

	2005	2004
	HK$'000	HK$'000
Beginning of the year	4,500	4,500
Fair value gains	5,500	—
End of the year	10,000	4,500

The investment property was revalued at 31 December 2005 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment property at their net book values are analysed as follows:

	2005	2004
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	10,000	4,500

16 LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	2005	2004
	HK$'000	HK$'000 (restated)
In Hong Kong held on:		
Leases of between 10 to 50 years	336,884	63,000
Current portion	—	20,000
Non-current portion	336,884	43,000
Opening net book amount	63,000	190,000
Additions	280,500	—
Amortisation of prepaid operating lease payment	(4,727)	(1,432)
Disposals	(29,600)	(127,000)
Write back of provision for impairment	27,711	1,432
Closing net book amount	336,884	63,000
At 31 December		
Cost	370,633	126,733
Accumulated impairment	(15,018)	(44,098)
Accumulated depreciation	(18,731)	(19,635)
Net book amount	336,884	63,000

17 PROPERTIES FOR DEVELOPMENT/SALE – GROUP

	Properties for development	Properties for sale	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2004			
Cost or valuation	24,870	131,800	156,670
Accumulated impairment	(24,870)	(26,889)	(51,759)
Net book amount	—	104,911	104,911
Year ended 31 December 2004			
Opening net book amount	—	104,911	104,911
Additions	—	64	64
Disposals	—	(104,911)	(104,911)
Closing net book amount	—	64	64
At 31 December 2004			
Cost or valuation	24,870	14,436	39,306
Accumulated impairment	(24,870)	(14,372)	(39,242)
Net book amount	—	64	64
Year ended 31 December 2005			
Opening net book amount	—	64	64
Additions	—	16,616	16,616
Disposals	—	(14,313)	(14,313)
Write back of provision for impairment	3,400	14,033	17,433
Closing net book amount	3,400	16,400	19,800
At 31 December 2005			
Cost or valuation	24,870	23,400	48,270
Accumulated impairment	(21,470)	(7,000)	(28,470)
Net book amount	3,400	16,400	19,800
Current portion	—	—	—
Non-current portion	3,400	16,400	19,800

17 PROPERTIES FOR DEVELOPMENT/SALE (Continued)

The Group's properties for development/sale were revalued at 31 December 2005 by Savills Valuation and Professional Services Limited.

18 INTANGIBLE ASSETS – GROUP

	2005	2004
	HK$'000	HK$'000
Trading rights on The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited, at nominal costs	1	—

19 INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares at cost	1,214,284	1,205,188
Amounts due from subsidiaries (Note 26)	753,400	624,471
Amounts due to subsidiaries (Note 35)	(1,396,891)	(1,284,325)
	(643,491)	(659,854)

Amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

19 INVESTMENTS IN SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2005:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held Direct %	Interest held Indirect %
Access Way Investment Limited	Hong Kong, limited liability company	Property development	2 ordinary shares of HK$1 each	—	100
Active Way International Limited	Hong Kong, limited liability company	Property development	2 ordinary shares of HK$1 each	—	100
Capital Guru Group Limited	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	—	100
Cash Level Investments Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100
Cheung Wah Ho Dyestuffs Company Limited	Hong Kong, limited liability company	Trading of dyestuffs	10 ordinary shares of HK$100 each 8,001 Non-Voting deferred shares of HK$100 each (Note (a))	—	70

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held Direct %	Interest held Indirect %
Elite Way International Development Limited	Hong Kong, limited liability company	Property development	1,000,000 ordinary shares of HK$1 each	—	75
Fair Winner Ltd	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100
Full Success Investments Limited	Hong Kong, limited liability company	Property holding	2 ordinary shares of HK$1 each	—	100
Goodwill Investment (BVI) Limited	British Virgin Islands, limited liability company	Investment holding	100 ordinary shares of US$1 each	100	—
Goodwill Properties (Holdings) Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100
Goodwill Properties Limited	Hong Kong, limited liability company	Investment holding	2 ordinary shares of HK$1 each	—	100

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held Direct %	Interest held Indirect %
NAPA Global Limited	Hong Kong, limited liability company	Sourcing and distribution of digital consumer products	20,000,000 ordinary shares of HK$1 each	—	100
Oceanpass Holdings Limited	British Virgin Islands, limited liability company	Property development	1,000 ordinary shares of US$1 each	—	75
Paper Rich Investment Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100
Profit Union Investments Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100
Right Max Development Limited	Hong Kong, limited liability company	Property development	1,000,000 ordinary shares of HK$1 each	—	75
Right Way Holdings Limited	Hong Kong, limited liability company	Property development	10 ordinary shares of HK$1 each	—	70

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held Direct %	Interest held Indirect %
Sinojet Properties Limited	British Virgin Islands, limited liability company	Property development	1 ordinary share of US$1 each	—	100
Winslow Investment Management Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100

Note:

(a) The non-voting deferred shares are not owned by the Group. These non-voting deferred shares carry no voting rights and holders are not entitled to participate in the profits of the Company.

The Company's principal subsidiaries listed above principally operate in Hong Kong. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of all other subsidiaries of the Company would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding as at 31 December 2005, or at any time during the year.

20 INTERESTS IN ASSOCIATES – GROUP

	2005	2004
	HK$'000	HK$'000
Beginning of the year	105,570	110,143
Share of associates' results		
- profit before taxation	8,538	21,799
- taxation	(2,509)	(3,313)
- minority interest	—	(1,636)
Effect of adoption of proportionate consolidation of a joint venture	(47,304)	—
Dividend received	(7,600)	(3,800)
Investments in an associate	19,446	—
Reclassified to investments in securities	—	(10,193)
Disposal of associates	—	(7,430)
Exchange difference	(122)	—
	76,019	105,570
Loans to associates (Note 26)	3,877	2,611
Loans from an associate (Note 35)	(1,120)	—
	2,757	2,611

The loans to associates are unsecured, interest free and have no fixed terms of repayment.

20 INTERESTS IN ASSOCIATES – GROUP (Continued)

The Group's interest in its principal associates, all of which are unlisted, were as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit HK$'000	% Interest held
2004							
Boxmore Limited (Note a)	2,807,972 Ordinary shares of US$1 each	British Virgin Islands	61,497	5,727	40,363	7,076	38
Right Venture Holdings Limited	449 Ordinary shares of US$1 each	British Virgin Islands	3,515	3,146	804	100	36
SBI E2-Capital Limited	147 Ordinary shares of HK$1 each	Cayman Islands	83,089	33,663	23,818	4,463	49
City Greenite Co. Limited	5,000 ordinary shares of HK$1 each	Hong Kong	5	—	—	—	50
Westcomb Financial Group Limited (Note b)	—	Singapore	—	—	18,074	5,211	—
			148,106	42,536	83,059	16,850	

20 INTERESTS IN ASSOCIATES – GROUP (Continued)

Name	Particulars of issued shares held	Country of incorporation	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit/(loss) HK$'000	% Interest held
2005							
Boxmore Limited (Note a)	2,807,972 Ordinary shares of US$1 each	British Virgin Islands	69,700	12,415	61,042	9,114	38
Right Venture Holdings Limited	449 Ordinary shares of HK$1 each	British Virgin Islands	4,561	4,315	944	(122)	36
SBI E2-Capital Asia Holdings Pte. Ltd. (Note c)	4,164,000 Ordinary shares of SG$1 each	Singapore	20,865	4,590	235	(3,049)	69.4
City Greenite Co. Limited	5,000 Ordinary shares of HK$1 each	Hong Kong	5	—	—	—	50
SBI E2-Capital (HK) Limited	2,401,000 Ordinary shares of HK$1 each	Hong Kong	2,335	127	279	86	24
			97,466	21,447	62,500	6,029	

Notes:

(a) Boxmore Limited has a financial accounting period of 31 March which is not coterminous with the Group.

(b) Westcomb Financial Group Limited ceased to be an associated company of the Group in August 2004. The financial information disclosed above is for the 7-months period ended 31 July 2004.

(c) The Group holds a 69.4% effective interest in SBI E2-Capital Asia Holdings Pte. Ltd, 40% of which was held directly by the Group whereas the remaining 29.4% was held indirectly through a 49% owned joint venture, SBI E2-Capital Limited and the investment was accounted for as an associate.

21 INTEREST IN JOINT VENTURE – GROUP

On 1 January 2005, a contractual agreement was signed between the shareholders of SBI E2-Capital Limited ("SBI E2"), a former associated company of the Group, and SBI E2 became a 49% owned joint venture afterwards. SBI E2 is incorporated in Cayman Islands and is engaged in the provision of corporate finance services, securities and futures broking and margin financing. The Group adopted the proportionate consolidation method under HKAS 31 to account for its interest in SBI E2 effective on 1 January 2005. In previous years, SBI E2 was accounted for as an associated company under the equity accounting method. The following amounts represent the Group's 49% share of the assets and liabilities, and sales and results of SBI E2 and are included in the consolidated balance sheet and income statement:

The Group's share of the results of SBI E2 which are included in the financial statements are as follows:

	2005	2004
	HK$'000	HK$'000
Assets		
Non-current assets	14,865	5,471
Current assets	83,683	77,706
	98,548	83,177
Liabilities		
Non-current liabilities	28	9,624
Current liabilities	45,811	24,128
	45,839	33,752
Net assets	52,709	49,425
Income	22,938	24,309
Expenses	(19,864)	(18,852)
Profit after income tax	3,074	5,457

Corporate guarantees were given to financial institutions for working capital facilities of SBI E2. At 31 December 2005, HK$5,000,000 of such facilities was utilised by SBI E2 (Note 38).

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2005
	HK$'000
Beginning of the year	—
Effect of adopting HKAS 39	53,189
Disposals	(2,335)
End of the year	50,854
Less: non-current portion	(36,854)
Current portion	14,000

There were no impairment provisions on available-for-sale financial assets in 2005.

Available-for-sale financial assets include the following:

	2005
	HK$'000
Unlisted securities	
- Debt securities – Hong Kong	19,000
- Equity securities – Overseas	31,854
	50,854

23 MORTGAGE LOANS RECEIVABLE – GROUP

The mortgage loans receivable are as follows:

	2005	2004
	HK$'000	HK$'000
Due within one year	1,802	2,916
Due after one year	22,393	31,174
	24,195	34,090
Less: Provision for impairment of receivables	(1,500)	(1,550)
	22,695	32,540

The mortgage loans receivable are secured by sub-mortgages of second ranking on certain residential properties in Hong Kong and bear interest at Prime + 1% p.a..

The carrying value of the mortgage loans receivable approximates the fair values is based on cash flows discounted using the effective interest rate of Prime + 1% p.a. (2004: Prime + 1% p.a.).

24 OTHER NON-CURRENT ASSETS

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Statutory and other deposits relating to the securities dealing businesses	2,066	50	—	—
Chinese antiques	2,017	2,017	2,017	2,017
Other deposits	125	125	—	—
	4,208	2,192	2,017	2,017

25 INVENTORIES – GROUP

	2005	2004
	HK$'000	HK$'000
Finished goods	6,429	7,834

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$14,643,000 (2004: HK$30,240,000).

26 TRADE AND OTHER RECEIVABLES

The carrying amount of trade and other receivables are as follows:

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	7,841	17,509	—	—
Accounts receivable arising from the ordinary course of business of dealing in securities	51,924	—	—	—
Due from subsidiaries	—	—	753,400	624,471
Due from associates	3,877	2,611	1,563	2,065
Other receivables, prepayments and deposits	22,966	29,244	8,246	3,752
	86,608	49,364	763,209	630,288

The carrying amount of trade and other receivables approximate fair value.

26 TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 61-90 days for trade debtors. As at 31 December 2005 and 31 December 2004, the ageing analysis of the trade receivables were as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
0-60 days	3,130	8,597
61-90 days	1,048	3,439
Over 90 days	3,663	5,473
	7,841	17,509

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

27 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2005
	HK$'000
Equity securities	
- Listed in Hong Kong	21,336
- Listed outside Hong Kong	10,040
Market value of listed securities	31,376
Unlisted equity securities	69,008
	100,384

The carrying amount of the above financial assets are classified as follows:

	2005
	HK$'000
Designated as fair value through profit or loss on initial recognition	100,384

Other financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (Note 37).

Changes in fair values of other financial assets at fair value through profit or loss are recorded in investment gain/(losses) in the income statement (Note 8).

28 INVESTMENTS IN SECURITIES

	Group 2004 HK$'000
Equity securities	
Listed in Hong Kong	23,756
Listed outside Hong Kong	31,069
	54,825
Unlisted equity securities	37,796
Unlisted debt securities	20,354
Total carrying amount	112,975
Total investments in securities analysed for reporting purpose:	
Current portion	65,408
Non-current portion	47,567
	112,975

29 BANK DEPOSITS UNDER CONDITIONS

	The Group		The Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Other bank deposits (Note a)	57,988	—	57,988	—

Note:

(a) Pursuant to a letter of undertaking given by the Company to a bank, the Company covenanted to maintain deposits of not less than SGD12,500,000 (2004: Nil) with a bank as one of the conditions precedent to a bank guarantee in favour of the Monetary Authority of Singapore on behalf of SBI E2-Capital Asia Securities Pte. Ltd. a subsidiary of SBI E2-Capital Ltd., which is 69.4% indirectly owned by the Company.

30 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and in hand	24,699	68,737	8,931	53,043
Short-term bank deposits	71,615	154,188	60,559	137,333
	96,314	222,925	69,490	190,376

The effective interest rate on short-term bank deposits was 7.6% (2004: 1.9%); these deposits have an average maturity of 7 days.

31 SHARE CAPITAL

	No. of shares	Nominal value HK$'000
Authorised:		
At 31 December 2004 and 31 December 2005	750,000,000	750,000

	No. of shares	Nominal value HK$'000
Issued and fully paid:		
At 1 January 2004	572,333,168	572,333
Capital reduction (Note (a))	—	(171,700)
Share consolidation (Note (b))	(171,699,951)	—
At 31 December 2004 and 31 December 2005	400,633,217	400,633

	2005	2004
	HK$'000	HK$'000
Shown in the financial statements as	400,633	400,633

By a special resolution passed on 30 April 2004, the Company effected the following exercise (referred to as "Capital Reduction") on 3 May 2004 pursuant to which (all capitalised terms used in sub paragraphs (a) to (c) have the same meaning ascribed to them as stated in the circular issued by the Company dated 7 April 2004):

(a) the nominal value of all the issued Existing Shares will be reduced from HK$1.00 to HK$0.70 each by the cancellation of HK$0.30 of the paid-up capital on each issued Existing Share;

(b) every ten Reduced Shares in the Company will be consolidated into seven New Shares; and

(c) the credit of HK$171,699,951 arising from the Capital Reduction on the basis of 572,333,168 issued Existing Shares will be transferred to a contributed surplus account of the Company, where it may be utilised in accordance with the Bye-laws of the Company and all applicable laws.

Share option scheme

No share option scheme has been adopted since the expiration of the previous share option scheme on 14 December 2002.

32 OTHER RESERVES

(a) Group

	Contributed surplus	Other reserve	Revaluation reserve	Exchange reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	82,445	3,369	—	—	85,814
Capital reorganisation *(Note 31(c))*	171,700	—	—	—	171,700
Transfer from contributed surplus to retained earnings *(Note)*	(171,700)	—	—	—	(171,700)
Currency translation difference	—	—	—	(270)	(270)
At 31 December 2004	**82,445**	**3,369**	**—**	**(270)**	**85,544**
At 1 January 2005, as per above	82,445	3,369	—	(270)	85,544
Fair value gains on available-for-sale financial assets	—	—	5,622	—	5,622
Currency translation difference	—	—	—	(711)	(711)
At 31 December 2005	**82,445**	**3,369**	**5,622**	**(981)**	**90,455**

32 OTHER RESERVES (Continued)

(b) Company

	Contributed surplus	Other reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	—	2,184	208,861	211,045
Capital reorganisation *(Note 31(c))*	171,700	—	—	171,700
Transfer from contributed surplus to retained earnings *(Note)*	(171,700)	—	171,700	—
Loss for the year	—	—	(21,794)	(21,794)
Dividend	—	—	(20,032)	(20,032)
At 31 December 2004	**—**	**2,184**	**338,735**	**340,919**
At 1 January 2005	—	2,184	338,735	340,919
Loss for the year	—	—	(3,037)	(3,037)
Dividend	—	—	(30,048)	(30,048)
At 31 December 2005	**—**	**2,184**	**305,650**	**307,834**

Note:

HK$45,240,000 of the Group's contributed surplus represents the difference between net assets of the companies acquired as at 15 December 1992 and the aggregate nominal value of shares issued by the Company under the scheme of arrangement which became effective on that date, less dividend paid and payable thereafter. The balance of the Group's contributed surplus represents other realised capital reserves. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

By a special resolution passed on 18 June 2003, the full amount of contributed surplus of the Company has been transferred to retained profits.

33 BORROWINGS

The carrying amounts of the borrowings are as follows:

	2005	2004
	HK$'000	HK$'000
Non-current		
Bank loans (secured)	172,440	—
Other loan (secured)	1,298	1,577
	173,738	1,577
Current		
Bank loans (secured)	1,102	24,190
Other loan (secured)	77	77
	1,179	24,267
Total borrowings	174,917	25,844

Bank loans are secured by the leasehold land and land use rights and properties for development/sale of the Group of HK$336,884,000 and HK$19,800,000 respectively (2004: HK$43,000,000 and nil). Other loan is secured by mortgage loans receivable of HK$1,811,000 (2004: HK$2,211,000).

Interest capitalised to properties for sale by the Group during the year is HK$3,598,000 (2004: Nil), which is attributable to 70% of the interest expenses on bank loans.

The Group's bank loans and other loan are repayable as follows:

	Bank loans		Other loan	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	1,102	24,190	77	77
In the second year	172,440	—	77	77
In the third to fifth year	—	—	231	231
After the fifth year	—	—	990	1,269
	173,542	24,190	1,375	1,654

33 BORROWINGS (Continued)

The effective interest rate as at 31 December 2005 for bank loans repayable within one year is Prime + 0.5% p.a. (2004: Prime + 0.5% p.a.). The effective interest rate for bank loans repayable in the second year is HIBOR + 0.82% p.a..

Other loan is repayable by instalments from 1 January 2002 to 30 November 2018. Interest is charged on the outstanding balance at Prime + 1.5% p.a. (2004: Prime + 1.5% p.a.).

The carrying amounts of borrowings approximate their fair value.

The carrying amounts of borrowings are denominated in the following currency:

	2005	2004
	HK$'000	HK$'000
Hong Kong dollar	174,917	25,844

The company and its subsidiaries has the following undrawn borrowing facilities:

	2005	2004
	HK$'000	HK$'000
Floating rate		
– expiring within one year	4,898	29,500
– expiring beyond one year	55,000	—
	59,898	29,500

The facilities expiring within one year are annual facilities subject to review at various dates during 2006.

34 DEFERRED INCOME TAXATION

	2005	2004
	HK$'000	HK$'000
Beginning of the year	—	—
Effect of adopting proportionate consolidation of a joint venture	51	—
Recognised in the income statement *(Note 10)*	(23)	—
End of the year	28	—

At 31 December 2005, the Group has estimated unused tax losses of HK$450,939,000 (2004: HK$323,897,000) available for set off against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Such losses can be carried forward indefinitely.

No deferred tax liability has been provided in respect of the accelerated tax depreciation of the Group's properties, plant and equipment as the amount involved is immaterial and also the Company and its operating subsidiaries have substantial accumulated tax losses which are available for set off against such deferred tax liability.

35 TRADE AND OTHER PAYABLES

The carrying amount of trade and other payables are as follows:

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	2,524	13,224	—	—
Accounts payable arising from the ordinary course of business of dealing in securities	38,202	—	—	—
Due to subsidiaries	—	—	1,396,891	1,284,325
Due to an associate	1,120	—	—	—
Other accounts payables and accruals	19,561	12,794	2,564	2,637
	61,407	26,018	1,399,455	1,286,962

The carrying amount of trade and other payables approximate fair value.

35 TRADE AND OTHER PAYABLES (Continued)

At 31 December, the ageing analysis of trade payables for the Group was as follows:

	2005	2004
	HK$'000	HK$'000
0-60 days	1,639	6,033
61-90 days	276	3,561
Over 90 days	609	3,630
	2,524	13,224

36 LOANS FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The loans from a minority shareholder of a subsidiary are unsecured and non-interest bearing.

37 CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations:

	2005	2004
	HK$'000	HK$'000 (restated)
Profit for the year	49,523	69,665
Adjustments for:		
–Tax *(Note 10)*	2	1,965
–Share of profits of associates *(Note 20)*	(6,029)	(18,486)
–Staff costs	2,843	—
–Depreciation *(Note 14)*	1,515	1,423
–Amortisation *(Note 16)*	4,727	1,432
–Dividend income from associated companies *(Note 20)*	7,600	3,800
–Gain on disposal of interests in associated companies (net)	—	(22,095)
–Write back of provision for impairment of leasehold land and land use rights *(Note 16)*	(27,711)	(1,432)
–Write back of provision for impairment of properties for development/sale *(Note 17)*	(17,433)	—
–Unrealised loss on other financial assets at fair value through profit or loss (net)	436	—
–Unrealised gain on other investments (net)	—	(20,404)
–Fair value gains on investment property *(Note 15)*	(5,500)	—
–Gain on disposal of property, plant and equipment	(28,616)	—
–Provision/(recovery) for loans receivables	3,795	(6,248)
–Loss on partial disposal of a joint venture's subsidiary	734	—
Changes in working capital:		
–Properties for development/sale	14,313	231,911
–Inventories	1,405	(420)
–Trade and other receivables	13,060	(14,518)
–Other financial assets at fair value through profit or loss	(34,421)	(15,678)
–Trade and other payables	2,761	(15,026)
–Leasehold land and land use right	29,600	—
–Available-for-sale financial assets	2,335	—
–Interest income	(6,294)	(3,740)
–Interest expenses	2,179	2,894
–Exchange difference	(662)	(270)
Cash generated from operations	10,162	194,773

37 CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year:

	Share capital and other reserve		Bank loans and other loan		Minority interests	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**404,002**	575,702	**29,787**	141,084	**1,126**	161
New loans raised	**—**	—	**185,950**	—	**—**	—
Minority interests in share of profits/(losses)	**—**	—	**—**	—	**(988)**	2,603
Minority interests attributed to associated companies	**—**	—	**—**	—	**—**	(1,638)
Increase in minority interests upon incorporation /disposal of subsidiaries	**—**	—	**—**	—	**997**	—
Repayment during the year	**—**	—	**(1,114)**	(105,049)	**—**	—
Other movements not involving cash flows:	**—**		**—**	(6,248)	**—**	
Capital reorganisation *(Note 31)*	**—**	(171,700)	**—**	—	**—**	—
At 31 December	**404,002**	404,002	**214,623**	29,787	**1,135**	1,126

37 CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Sale of property, plant and equipment:

	2005
	HK$'000
Net book amount *(Note 14)*	18,709
Gain on disposal of property, plant and equipment	28,616
	47,325
Satisfied by:	
Cash	47,300
Other payables	25
	47,325

37 CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Disposal of a joint venture's subsidiary:

	2005
	HK$'000
The Group's interest of net assets disposed:	
Other non-current assets	25
Trade and other receivables	1,546
Cash and cash equivalents	2,958
Trade and other payables	(133)
Tax payable	(67)
	4,329
Loss on disposal	(734)
	3,595
Satisfied by:	
Interest in an associate	2,121
Cash	1,474
	3,595
Analysis of the net outflow in respect of the sale of a joint venture's subsidiary:	
Cash consideration	1,474
Cash and cash equivalents disposed of	(2,958)
	(1,484)

38 CONTINGENT LIABILITIES

(a) Corporate guarantees were given to financial institutions for working capital facilities of an associated company and a jointly controlled entity in addition to collateral provided by these companies. The aggregate amount of such facilities utilised by these companies, together with the corporate guarantees given by the Company to its subsidiary companies, at 31 December 2005 were as follows:

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Guarantees given to banks for loans to:				
Subsidiary companies	—	—	136,480	24,190
Associates	120,779	6,429	120,779	6,429
Jointly controlled entity	5,000	—	5,000	—
Third party	—	33,000	—	33,000
	125,779	39,429	262,259	63,619

During the year, all the corporate guarantees given to financial institutions for a third party have been discharged.

(b) For the purpose of the banking facilities of the SBI E2-Capital Group, the Company provided a guarantee to a bank limited to HK$143 million.

39 OPERATING LEASE COMMITMENTS

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 31 December 2005, the Company and its subsidiaries had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2005 Land and buildings	2004 Land and buildings
	HK$'000	HK$'000
Not later than one year	155	203
Later than one year and not later than five years	—	101
	155	304

The Company did not have any other commitments at 31 December 2005 (2004: Nil).

40 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2005, the Company and its subsidiaries had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Not later than one year	348	1,183
Later than one year and not later than five years	58	1,648
	406	2,831

41 RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

(i) Sales of services

	2005	2004
	HK$'000	HK$'000
Management fees received (net) *(Note (a))*	73	121
Financial advisory fees paid *(Note (b))*	—	150
Service fees paid *(Note (c))*	84	—
Management fees received *(Note (d))*	2	—
Financial advisory fees paid *(Note (e))*	30	—
Advisory fees paid *(Note (f))*	1,652	—

Notes:

(a) The Group and SBI E2-Capital Group in which the Group has a 49% interest as at 31 December 2005 performed certain administrative services for each other. Management fees were calculated on pre-agreed terms.

(b) The Group paid financial advisory fees to SBI E2-Capital Group for financial advisory services provided at agreed rates in accordance with the agreements entered into between the Group and SBI E2-Capital Group.

(c) The Group paid service fees to Softbank Investment International (Strategic) Ltd for IT support and maintenance services on pre-agreed terms.

(d) The Group performed certain administrative services for SBI E2-Capital (HK) Ltd in which the Group has a 24% interest as at 31 December 2005. Management fees were calculated on pre-agreed terms.

(e) The Group paid financial advisory fees to SBI Crosby Ltd, a 50% jointly controlled entity of SBI E2-Capital Group, for financial advisory services provided at agreed rates in accordance with the agreements entered into between the Group and SBI Crosby Ltd.

(f) The Group paid advisory fees to SBI E2-Capital Asia Securities Pte Ltd in which the Group has a 69.4% effective interest as at 31 December 2005. Advisory fees were calculated on pre-agreed terms.

41 RELATED PARTY TRANSACTIONS (Continued)

(ii) Key management compensation

	2005	2004
	HK$'000	HK$'000
Salaries and other short-term employee benefits	6,146	3,473

(iii) Year end balances receivables from related parties

	2005	2004
	HK$'000	HK$'000
Associated companies (net) *(Note (a))*	2,757	2,611
Related company with common director *(Note (b))*	7,019	—
Related party *(Note (c))*	36,598	—

Notes:

(a) The balances are unsecured, interest-free and have no fixed terms of repayment.

(b) The balances are unsecured and repayable on demand. Except for a loan of HK$3.6 million which bears interest at Hong Kong Dollar Prime Rate plus 1.5% per annum, the remaining balances are interest free.

(c) On 29 July 2005, Oceanpass Holdings Limited, a subsidiary of the Company which is incorporated with limited liability in the British Virgin Islands, entered into an Agreement with Apex Strategy Limited, a company wholly owned by Mr. Yu Kam Kee Lawrence in respect of the subscription of a 25% equity interest by Apex Strategy Limited in Oceanpass for the consideration of US$250 together with the provision of a non interest bearing unsecured shareholder's loan from Apex Strategy Limited in the sum of HK$36.6 million and the assumption of the liabilities by Mr. Yu and/or Apex Strategy Limited in respect of the banking facilities granted to Oceanpass group in the amount of HK$36.6 million.

As of 31 December 2005, the Group had investments in Softbank Investment International (Strategic) Ltd which were included in other financial assets at fair value through profit or loss of HK$9,522,000 and available-for-sale financial assets of HK$19,000,000.