1. GENERAL INFORMATION

Prosperity Investment Holdings Limited (the "Company") was incorporated in Bermuda with limited liability on 15 June 2001 as an exempted company under the name of GR Investment International Limited under the Companies Act (1981) of Bermuda. Pursuant to the Company's special resolution passed on 15 March 2005, the name of the Company was changed to Prosperity Investment Holdings Limited with effect from 15 March 2005. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the holding of equity or equity-related investments and the provision of management services to the investee companies.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and generally accepted accounting principles in Hong Kong. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss and certain available-for-sale financial assets as further explained in note 3(g).

The adoption of new and revised HKFRSs

In 2005, the Group adopted the new and revised standards and interpretations of HKFRSs below, which are relevant to its operations. The financial information for the year ended 31 December 2004 has been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

The adoption of new and revised HKFRSs *(Continued)*

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 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments:Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of new and revised HKAS 1, 7, 8, 10, 12, 14, 16, 18, 19, 21, 24, 27, 28, 31, 33, 36, 37 and 38 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1, 8, 28 and 31 has affected certain presentation and disclosures in the financial statements.

— HKAS 7, 10, 12, 14, 16, 18, 19, 27, 33, 36, 37 and 38 had no material effect on the Group's policies.

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

The adoption of HKAS 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 HKAS 39 resulted in an increase in reserves at 1 January 2005 for the Group and the Company by HK$2,875,205 and HK$205,733 respectively and the details of the adjustments to the balance sheets at 31 December 2005 and for the year then ended are as follows:

	Consolidated balance sheet	Balance sheet
	HK$	*HK$*
Increase in available-for-sale financial assets	77,135,530	10,027,635
Decrease in investment securities	84,770,859	11,747,442
Increase in financial assets at fair value through profit or loss	26,359,349	—
Decrease in other investments	35,273,668	1,740,000
Increase in other receivables	48,139,674	—
Decrease in accumulated losses	100,264	—
Increase/(decrease) in changes in fair value of available-for-sale financial assets	3,644,188	(1,719,807)

The adoption of HKAS 39 resulted in a decrease in loss before taxation by HK$920,902 and basic loss per share by 0.22 Hong Kong cent.

The adoption of HKFRS 3 resulted in a change in the accounting policy for negative goodwill included in capital reserve on consolidation. Until 31 December 2004, negative goodwill was included in the Group's capital reserve on consolidation. In accordance with the provisions of HKFRS 3 such reserve was derecognised on 1 January 2005, with a corresponding adjustment to the accumulated losses as at 1 January 2005. The adoption of HKFRS 3 resulted in a decrease in accumulated losses and a decrease in capital reserve on consolidation at 1 January 2005 by HK$468,163. There was no impact on the income statement and basic loss per share from the adoption of HKFRS 3.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

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 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied SSAP 24 "Accounting for investments in securities" to investments in securities and other investments for the year ended 31 December 2004. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.

— HKAS 16, 21 and HKFRS 3 — prospectively after 1 January 2005.

There is no early adoption of the following new and revised Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES

(a) Revenue recognition

Management fee income is recognised when service is rendered.

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

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

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

(d) Associates

An associate is a company over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Associates *(Continued)*

The Group's interests in associates are accounted for by the equity method of accounting. The Group's interests in associates include the Group's share of the net assets of the associates. The Group's share of post-acquisition profits or losses of associates is included in the consolidated income statement. 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 profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised in the consolidated income statement.

(e) Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. The Group's interests in jointly controlled entities are accounted for by the equity method. The Group's interests in jointly controlled entities include the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition profits or losses of jointly controlled entities is included in the consolidated income statement.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised in the consolidated income statement.

(f) Capital reserve or goodwill on consolidation

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 an acquired subsidiary, associate, or jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or jointly controlled entities is included in interests in associates or jointly controlled entities.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Capital reserve or goodwill on consolidation *(Continued)*

Negative goodwill arising on acquisition of subsidiaries, associates or jointly controlled entities represents the excess of the Group's share of the fair values of the net identifiable assets acquired as at the date of acquisition, over the cost of the acquisition.

For the year ended 31 December 2004:

Goodwill arising on acquisition is amortised over twenty years from initial recognition in order to reflect the best estimate of the period during which future economic benefits are expected to flow to the Group. The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. Negative goodwill arising on acquisition is credited to capital reserve on consolidation in the year of acquisition and is not recognised in the consolidated income statement until disposal or impairment of the acquired business.

On disposal of subsidiaries, jointly controlled entities or associates, the gain or loss on disposal is calculated by reference to the net assets or share of net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised, negative goodwill which has not been recognised in the consolidated income statement and any relevant consolidated reserves as appropriate.

From 1 January 2005 onwards:

Goodwill arising on acquisition is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill is recognised directly in the consolidated income statement at the date of acquisition.

(g) Investments

For the year ended 31 December 2004:

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

(i) Investment securities

Held-to-maturity debt securities are stated at amortised costs less any impairment loss recognised to reflect irrecoverable amounts.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Investments *(Continued)*

For the year ended 31 December 2004: *(Continued)*

(i) Investment securities (Continued)

Investment securities include the Group's equity interest in companies in which the Group has no significant influence on their financial and operating decisions and which are intended to be held on a continuing basis for an identified long-term purpose. Investment securities are stated at cost less impairment losses, if any.

The carrying amounts of individual investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment securities is reduced to its fair value. The amount of reduction is recognised as an expense in the consolidated income statement. The reduction is written back to consolidated income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Other investments

Securities not classified as held-to-maturity debt securities nor as investment securities are classified as other investments. Other investments are carried at fair value. At each balance sheet date the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the consolidated income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts are recognised in the consolidated income statement as they arise.

Other investments which are intended to be held on a long term basis are classified as non-current assets while those which are held for trading purposes are classified as current assets.

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, held-to-maturity investments, 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Investments *(Continued)*

From 1 January 2005 onwards: *(Continued)*

(i) 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.

(ii) 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 other receivables in the consolidated balance sheet *(note 21)*.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) 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, or without specific plan and schedule of disposal.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Investments *(Continued)*

From 1 January 2005 onwards: *(Continued)*

Purchases and sales of investments are recognised on settlement date — the date that an asset is delivered to or by the Group. 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 with reliably measured fair value and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets which are unquoted equity securities are stated at cost. 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 consolidated income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of quoted 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 consolidated income statement as gains or losses from investments securities.

The fair values of quoted investments are based on published closing prices at balance sheet dates. The fair value of embedded derivatives are based on the prices reported by the counter party who issued the embedded derivatives.

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 consolidated income statement — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

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

Property, plant and equipment are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Office equipment	20%
Computer equipment	20%
Motor vehicle	20%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the consolidated income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal or retirement of a property, plant and equipment recognised in the consolidated income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The useful lives of the assets are reviewed and adjusted, if necessary, at each balance sheet date.

(i) Golf club membership

Golf club membership is stated at cost less impairment losses, if any. The carrying amount of individual golf club membership is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such golf club membership is reduced to its fair value. The amount of the reduction is recognised as an expense in the consolidated income statement.

(j) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity, at acquisition. For the purpose of the consolidated cash flow statement, bank overdrafts, if any, which are repayable on demand and form an integral part of an enterprise's cash management are also included as a component of cash and cash equivalents.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the consolidated income statement on a straight line basis over the lease term.

(l) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated income statement.

(m) Foreign currency translation

(i) 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.

(ii) 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 consolidated income statement.

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 difference on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included as reserve in equity.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Foreign currency translation *(Continued)*

(iii) 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:

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

— income and expenses for each consolidated 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

— 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 consolidated 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.

(n) Employee benefits

Obligations for contributions to defined contribution retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as expenses in the consolidated income statement as incurred.

Pursuant to the People's Republic of China ("PRC") laws and regulations, contributions to the retirement benefit scheme for the staff of the Company's subsidiary operating in the PRC are to be made monthly to a government agency at a certain percentage of the basic salaries of the employees. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The contributions are charged to the consolidated income statement as they become payable.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Provisions and contingent liabilities

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

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

(p) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax is provided at the rate prevailing for the year based on the assessable profit for the year less allowable losses, if any, brought forward.

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. 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 differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Borrowing costs

All borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

(r) Events after the balance sheet date

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(s) 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.

(t) Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party:

   (i) controls, is controlled by, or is under common control with, the Group;

   (ii) has an interest in the Group that gives it significant influence over the Group; or

   (iii) has joint control over the Group;

(b) the party is a member of key management personnel of the Company or its parent company;

(c) the party is a close member of the family of any individual referred to in (a) and (b);

(d) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, the individual referred to in (b) or (c);

(e) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4. SEGMENTAL INFORMATION

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

An analysis of the Group's turnover and operating (loss)/profit by business segment and turnover and capital expenditure by geographical segment for the year is as follows:

	Turnover		Operating (loss)/profit	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
By business segment:				
Management fees from jointly controlled entities	**117,924**	515,984	**(8,712,195)**	(11,801,546)
Dividend income from investment securities and other investments/ financial assets	**2,360,289**	2,163,409	**2,360,289**	2,163,409
	2,478,213	2,679,393	**(6,351,906)**	(9,638,137)
Finance costs			**(48,965)**	(1,080,711)
Share of profits of associates			**—**	1,765,702
Share of profits of jointly controlled entities			**575,386**	2,924,093
Loss on disposal of a subsidiary			**(1,943,920)**	—
Gain on disposal of a jointly controlled entity			**—**	3,050,344
Loss before taxation			**(7,769,405)**	(2,978,709)
Total assets (unallocated)			**257,005,729**	253,991,023
Total liabilities (unallocated)			**24,188,899**	19,375,837
Other segment information:				
Capital expenditure			**—**	10,970
Depreciation			**—**	77,475
Provision for doubtful debts			**—**	1,199,313
Impairment losses			**223,671**	5,070,130
Interests in associates written off			**—**	1,407,961

4. SEGMENTAL INFORMATION *(Continued)*

Given the nature of the Group's operations is investment holding, segment assets and segment liabilities are unallocated.

	Turnover	
	2005	2004
	HK$	*HK$*
By geographical segment:		
Hong Kong	**2,360,289**	2,163,409
The PRC	**117,924**	515,984
	2,478,213	2,679,393

	Capital expenditure	
	2005	2004
	HK$	*HK$*
The PRC	**—**	10,970

Given the nature of the Group's operations is investment holding and the way in which costs are allocated, it is not considered meaningful to provide geographical analysis of operating loss and segment assets.

5. TURNOVER AND OTHER REVENUE

	Group	
	2005	2004
	HK$	*HK$*
Turnover		
Management fees from jointly controlled entities	**117,924**	515,984
Dividend income from investment securities and other investments/financial assets, listed	**2,360,289**	2,163,409
	2,478,213	2,679,393
Other revenue		
Interest on bank deposits	**1,648,651**	1,412,622
Investment income from financial assets, unlisted	**1,585,893**	—
Gain on disposal of investment securities and other investments/financial assets	**—**	371,389
Other income	**1,723,265**	408,988
	4,957,809	2,192,999
Total revenue	**7,436,022**	4,872,392

6. LOSS FROM OPERATIONS

Loss from operations is stated after charging/(crediting) the following:

	Group	
	2005 HK$	2004 HK$
Auditors' remuneration	180,000	180,000
Depreciation	—	77,475
Impairment losses on interests in jointly controlled entities (included in other operating expenses)	223,671	3,600,000
Impairment losses on investment securities	—	1,470,130
Interests in associates written off	—	1,407,961
Operating lease payments on land and buildings	3,900	281,479
Provision for non-recovery of amount due from a jointly controlled entity	—	1,199,313
Retirement benefit costs	23,983	83,631
Exchange gains, net	(45,603)	(443,024)
Loss/(gain) on disposal of investment securities and other investments/financial assets	8,360,670	(371,389)
Unrealised gains on financial assets at fair value through profit or loss	(920,902)	—

7. FINANCE COSTS

	Group	
	2005 HK$	2004 HK$
Bank charges	15,111	14,023
Interest on other borrowing wholly repayable within five years	33,854	138,189
Interest on amount due to a related company	—	928,499
	48,965	1,080,711

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of fees payable to directors of the Company during the year are follows:

	2005	2004
	HK$	*HK$*
Fees:		
Executive directors	**123,710**	140,000
Non-executive directors	**160,000**	115,000
Other emoluments	**—**	—
Retirement benefits scheme contributions:		
Executive directors	**6,000**	1,500
Non-executive directors	**—**	—
	289,710	256,500

Emoluments breakdown of each of the directors for the year ended 31 December 2005:

	Directors' fees	Retirement benefits scheme contributions	Total
	HK$	*HK$*	*HK$*
Executive directors			
Lam Wo	**60,000**	**3,000**	**63,000**
Cheuk Yuk Lung	**60,000**	**3,000**	**63,000**
Wong Kwok Bui, George	**3,710**	**—**	**3,710**
	123,710	**6,000**	**129,710**
Non-executive directors			
Yan Mou Keung, Ronald	**60,000**	**—**	**60,000**
Chan Siu Wing, Raymond	**60,000**	**—**	**60,000**
Chan Fai Yue, Leo	**40,000**	**—**	**40,000**
	160,000	**—**	**160,000**
	283,710	**6,000**	**289,710**

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Emoluments breakdown of each of the directors for the year ended 31 December 2004:

	Directors' fees	Retirement benefits scheme contributions	Total
	HK$	*HK$*	*HK$*
Executive directors			
Lam Sai Ho, Anthony	30,000	—	30,000
Lam Wo	55,000	750	55,750
Cheuk Yuk Lung	55,000	750	55,750
	140,000	1,500	141,500
Non-executive directors			
Yan Mou Keung, Ronald	60,000	—	60,000
Chan Siu Wing, Raymond	15,000	—	15,000
Chan Fai Yue, Leo	40,000	—	40,000
	115,000	—	115,000
	255,000	1,500	256,500

There was no arrangement under which a director of the Company waived or agreed to waive any emoluments during the year.

During the year, no share option was granted to the directors.

(b) Five highest paid individuals

The five individuals with the highest emoluments in the Group for the year include:

	2005	2004
Number of directors	**4**	3
Number of employees	**1**	2

Details of the directors' emoluments are presented above.

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

The aggregate of the emoluments in respect of the remaining highest paid non-director individuals are as follows:

	2005	2004
	HK$	*HK$*
Fees, basic salaries and other benefits in kind	**49,530**	307,016
Retirement benefits scheme contributions	**—**	—
	49,530	307,016

The emoluments paid to each highest paid non-director individual during the year fall within the band of HK$Nil — HK$1,000,000.

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

9. TAXATION

	Group	
	2005	2004
	HK$	*HK$*
Company and subsidiaries		
— Hong Kong profits tax	**—**	—
— Overseas income tax	**—**	—
Share of taxation attributable to associates	**—**	—
Share of taxation attributable to jointly controlled entities	**155,354**	805,385
	155,354	805,385

Hong Kong profits tax has not been provided as the individual companies comprising the Group do not have assessable profit arising in Hong Kong for the year.

9. TAXATION *(Continued)*

Taxation for other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions.

Reconciliation between taxation and tax at the applicable rate:

	Group	
	2005	2004
	HK$	*HK$*
Loss before taxation	**(7,769,405)**	(2,978,709)
Tax at the applicable tax rate	**(1,359,646)**	(715,792)
Tax effect of income that is not taxable in determining taxable profit	**(999,732)**	(1,891,127)
Tax effect of expenses that are not deductible in determining taxable profit	**2,471,196**	2,349,553
Tax effect of utilisation of tax losses not previously recognised	**(11,125)**	(360)
Tax effect of unused tax losses not recognised	**—**	1,063,111
Effect of tax rate of jointly controlled entity operating in other jurisdiction	**54,661**	—
Taxation charge	**155,354**	805,385

The applicable tax rate represents the weighted average of the rates of taxation prevailing in the relevant jurisdictions in which the Group operates.

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders for the year ended 31 December 2005 is dealt with in the financial statements of the Company to the extent of HK$10,430,192 (2004: HK$5,543,297).

11. LOSS PER SHARE

The calculation of loss per share is based on:

	Group	
	2005	2004
	HK$	*HK$*
Loss attributable to shareholders	**(7,924,759)**	(3,784,094)
Weighted average number of ordinary shares	**431,952,000**	431,952,000

12. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Office equipment	**Computer equipment**	**Motor vehicle**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Cost				
At 1 January 2004	95,137	22,775	253,084	370,996
Additions	—	10,970	—	10,970
At 31 December 2004 and 1 January 2005	95,137	33,745	253,084	381,966
Disposal of a subsidiary	(95,137)	(33,745)	(253,084)	(381,966)
At 31 December 2005	—	—	—	—
Accumulated depreciation				
At 1 January 2004	35,018	12,428	199,646	247,092
Charge for the year	17,125	6,912	53,438	77,475
At 31 December 2004 and 1 January 2005	52,143	19,340	253,084	324,567
Disposal of a subsidiary	(52,143)	(19,340)	(253,084)	(324,567)
At 31 December 2005	—	—	—	—
Net book value				
At 31 December 2005	—	—	—	—
At 31 December 2004	42,994	14,405	—	57,399

13. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$	*HK$*
Unlisted shares, at cost	**780**	780
Due from a subsidiary	**90,001,310**	89,997,020
	90,002,090	89,997,800

The amount due from a subsidiary is unsecured, interest free and not repayable within the next twelve months.

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

Name	Place of incorporation/ operation	Particulars of issued share capital/registered capital	Percentage of issued share capital/ registered capital held	Principal activities
Directly held by the Company:				
Accufocus Investments Limited	British Virgin Islands ("BVI")/Hong Kong	100 shares of US$1 each	100%	Investment holding
Indirectly held by the Company:				
Attentive Investments Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
B2C E-Commerce Group Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
Best Policy Management Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
Chief Success Management Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding

13. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/registered capital	Percentage of issued share capital/ registered capital held	Principal activities
Indirectly held by the Company: *(Continued)*				
Ever Honest Investments Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
Founder China Industrial Investments Company Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Investment holding and provision of management services
Founder Industrial Investments (Holdings) Company Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100%	Investment holding
GR Investment Holdings Limited	Hong Kong	899,900,000 ordinary shares of HK$0.1 each	100%	Investment holding
Glorious Bright Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Money lending
Genius Choice Investments Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
Home Growth Assets Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
GR Investment International Limited (formerly known as "Prosperity Investment Holdings Limited")	Hong Kong	2 ordinary shares of HK$1 each	100%	Dormant

13. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/registered capital	Percentage of issued share capital/ registered capital held	Principal activities
Indirectly held by the Company: *(Continued)*				
Rich Concept Investments Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
Rich Profits International Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
Market Court Resources Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding
Target Plus Holdings Limited	BVI/Hong Kong	1 share of US$1 each	100%	Investment holding

The above summary lists only the principal subsidiaries of the Group which, in the opinion of the Company's directors, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

14. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK$	*HK$*
Share of net assets	**—**	—
Due from associates	**17,562,305**	17,562,305
	17,562,305	17,562,305

The amounts due from associates are unsecured, interest free and not repayable within the next twelve months.

14. INTERESTS IN ASSOCIATES *(Continued)*

Details of the principal associates, all of which are unlisted, as at 31 December 2005 are as follows:

Name	Place of incorporation	Particulars of issued share capital	Proportion of associates' capital owned	Principal activities
Luck Point Investments Limited	BVI	200 shares of USD1 each	35%	Investment holding
Happy Online Group Limited	BVI	14,000 shares of USD1 each	33.75%	Investment holding
Bright Honest Limited	BVI	50,000 shares of USD1 each	25%	Investment holding

The above summary lists only the principal associates of the Group which, in the opinion of the Company's directors, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The summarised financial information of the Group's share of assets, liabilities, income and results of the associates based on the unaudited management accounts of the associates are as follows:

	2005	2004
	HK$	*HK$*
Assets	**16,701,517**	16,708,740
Liabilities	**(17,090,378)**	(17,095,378)
Income	**—**	3,776,549
(Loss)/profit	**(2,223)**	1,763,141

15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

(a) The balances represent:

	Group	
	2005	2004
	HK$	*HK$*
Share of net assets other than goodwill	**5,097,099**	31,256,219
Less: Impairment	**(2,323,671)**	(3,600,000)
	2,773,428	27,656,219
Due from jointly controlled entities	**—**	1,199,313
Less: Allowance for doubtful debt	**—**	(1,199,313)
	—	—
	2,773,428	27,656,219

The amounts due from jointly controlled entities are unsecured, interest free and not repayable within the next twelve months. Dividends declared by the jointly controlled entities amounted to HK$Nil for the year ended 31 December 2005 (2004: HK$2,006,026).

(b) Details of the jointly controlled entity, which is unlisted as at 31 December 2005 are as follows:

Name	Place of incorporation	Particulars of issued share capital	Proportion of investee's capital owned	Principal activities
Shanghai Yong An Dairy Company Limited	The PRC	Registered capital of USD2,500,000	25%	Production and distribution of dairy products

15. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

(b) *(Continued)*

Particulars of impairment in interests in jointly controlled entities as at 31 December 2005 are as follows:

Name	Share of net assets and advances thereto	Impairment loss	Directors' valuation	Reason for impairment
	HK$ million	*HK$ million*	*HK$ million*	
Shanghai Yong An Dairy Company Limited	5	2	3	Decrease in share of net assets

Pursuant to an agreement dated 29 December 2004, the Group has committed to dispose its 25% equity interests in Shanghai Yong An Dairy Company Limited to a third party for a consideration of RMB2.8 million (approximately HK$2.7 million). The completion of the disposal is subject to the approval of the relevant government bodies. As at the date of this report, the approval of the relevant government bodies has not yet been obtained.

The tenure of the above company can be extended by agreement with the joint venture partners after obtaining the necessary approval from the relevant government bodies.

(c) Pursuant to the terms of the joint venture agreement for the above jointly controlled entity, the Group is entitled to receive its attributable share of the net assets upon liquidation of the jointly controlled entity.

15. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

(c) *(Continued)*

The following amounts represent the Group's share of the assets and liabilities, and sales and results of the joint ventures:

	2005	2004
	HK$	*HK$*
Assets:		
Non-current assets	**4,108,427**	28,908,488
Current assets	**4,563,760**	47,244,271
	8,672,187	76,152,759
Liabilities:		
Long-term liabilities	**119,909**	3,455,286
Current liabilities	**3,106,868**	44,925,577
	3,226,777	48,380,863
Net assets	**5,445,410**	27,771,896
Income	**6,601,785**	52,787,498
Expenses	**(6,181,753)**	(58,696,608)
Profit/(loss) after income tax	**420,032**	(5,909,110)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2005	2004
	HK$	*HK$*
Held for trading:		
Equity securities, at fair value		
— listed in Hong Kong	**3,375,000**	—
— listed outside Hong Kong *(Note a)*	**5,616,051**	—
	8,991,051	—
Embedded derivatives, at fair value	**17,368,298**	—
	26,359,349	—

Notes:

(a) The equity securities listed outside Hong Kong are denominated in US dollars.

Following the adoption of HKAS 39 in 2005, certain financial assets were redesignated as financial assets at fair value through profit or loss on 1 January 2005. There was no such redesignation prior to 1 January 2005 as retrospective application of HKAS 39 is not permitted.

Changes in fair values of financial assets at fair value through profit or loss are recognised as unrealised gains of financial assets in the consolidated income statement.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Non-current assets				
Overseas unlisted equity securities, at cost	**25,626,167**	—	**—**	—
Less: Impairment	**(9,179,532)**	—	**—**	—
	16,446,635	—	**—**	—
Hong Kong listed equity securities, at fair value	**56,990,660**	—	**10,027,635**	—
	73,437,295	—	**10,027,635**	—
Current assets				
Overseas unlisted equity securities, at cost	**3,698,235**	—	**—**	—

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

Following the adoption of HKAS 39 in 2005, certain financial assets were redesignated as available-for-sale financial assets on 1 January 2005. There was no such redesignation prior to 1 January 2005 as retrospective application of HKAS 39 is not permitted.

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

As at 31 December 2005, the carrying amounts of interests in the following available-for-sale financial assets exceeded 5% of total assets of the Group and the Company:

Name	Place of incorporation	Proportion of investee's capital owned	Cost and advances thereto	Directors' valuation/ market value	Dividend income received during the year	Dividend cover	Net assets attributable to the investment	Unrealised gain taken in the accounts	Principal Activities/ place of operation
			HK$ million	*HK$ million*	*HK$ million*		*HK$ million*	*HK$ million*	
Dragon Fortune Limited	BVI	18%	52	52	—	—	46	—	Investment holding/ Hong Kong
Golden Resources Development International Limited	Bermuda	5.3%	21	22	1.6	7.4%	47	1.2	Investment holding/ Hong Kong
Tracker Fund of Hong Kong	Hong Kong	—	14	17	0.6	3.3%	—	3	Unit trust/ Hong Kong
Cosmopolitan International Holdings Limited	Cayman Islands	10%	12	10	—	—	8	2	Investment holding/ Hong Kong

18. INVESTMENT SECURITIES

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Overseas unlisted equity securities, at cost	—	12,855,246	—	—
Less: Impairment	—	(9,179,532)	—	—
	—	3,675,714	—	—
Loans to an investee company *(Note)*	—	48,139,674	—	—
Listed equity securities, at cost				
Listed in Hong Kong	—	32,955,471	—	11,747,442
Total investment securities	—	84,770,859	—	11,747,442
Market value of listed equity securities	—	33,508,555	—	13,693,175

Note: The Group proposed to dispose the loans to an investee company and reclassified the loans as current assets under other receivables *(Note 21)*.

In accordance with HKAS 39, investment securities were redesignated on 1 January 2005 as various categories, details are set out below:

— Overseas unlisted equity securities were redesignated as available-for-sale financial assets and stated at cost *(Note 17)*.

— Loans to an investee company were redesignated as loans and receivables and included under other receivables *(Note 21)* in the balance sheet.

— Listed equity securities were redesignated as available-for-sale financial assets and stated at fair value *(Note 17)*.

19. OTHER INVESTMENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Non-current assets				
Market linked deposits	—	7,800,000	—	—
Current assets				
Listed equity securities,				
at market value				
Listed in Hong Kong	—	25,999,780	—	1,740,000
Listed outside Hong Kong	—	1,473,888	—	—
	—	27,473,668	—	1,740,000

In accordance with HKAS 39, all other investments were redesignated as financial assets at fair value through profit or loss *(note 16)* or available-for-sale financial assets *(note 17)* and are stated at fair value.

20. OTHER ASSET

	Group	
	2005	2004
	HK$	*HK$*
Golf club membership, at cost	**150,000**	150,000

21. OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Prepayments and deposits	**13,889,268**	4,153,593	**217,891**	217,891
Loan to an investee company *(Note (a) and Note 18)*	**48,139,674**	—	**—**	—
Other loans *(Notes (a) and (b))*	**—**	13,811,645	**—**	—
Others	**5,500,000**	2,040,000	**—**	—
	67,528,942	20,005,238	**217,891**	217,891

Notes:

(a) The ageing analysis of the receivables other than the prepayments and deposits and others was as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Within 3 months	**—**	500,000	**—**	—
3 to 6 months	**—**	—	**—**	—
6 to 12 months	**—**	—	**—**	—
Over 1 year	**48,139,674**	13,311,645	**—**	—
	48,139,674	13,811,645	**—**	—

(b) Included in other loans as at 31 December 2004 was an amount of HK$13,311,645 advanced to a related company. The loan was unsecured, interest bearing at prime rate, and was repaid on 9 September 2005.

22. CASH AND BANK BALANCES

The cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$1,387,000 as at 31 December 2005 (2004: approximately HK$41,512,000). RMB is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

23. OTHER PAYABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Accruals	**452,409**	525,784	**331,997**	227,000

24. DUE FROM/TO SINOX FUND MANAGEMENT LIMITED

The amount due from Sinox Fund Management Limited ("SINOX") represents investment management fees prepaid at the year end. The amount due to SINOX represents investment management fees payable at the year end. The amount due is unsecured, interest free and repayable on demand.

SINOX is the Investment Manager of the Group and provides administrative and investment management services to the Group in relation to the investment of the Group's assets.

25. OTHER BORROWING

Other borrowing is secured, interest bearing at 2.01% per annum and was repaid during the year.

26. DUE TO A SUBSIDIARY

The amount due to a subsidiary is unsecured, interest free and repayable on demand.

27. SHARE CAPITAL

	Number of shares		Share capital	
	2005	2004	**2005**	2004
			HK$	*HK$*
Shares of HK$0.10 each				
Authorised:	**3,000,000,000**	3,000,000,000	**300,000,000**	300,000,000
Issued and fully paid:	**431,952,000**	431,952,000	**43,195,200**	43,195,200

The Company adopted an Employee Share Option Scheme under which the Board may grant to eligible employees, including the executive directors, the officers and the full or part-time employees of the Company or its subsidiaries, options to subscribe for shares in the Company.

The exercise price is set at not less than the highest of:

(i) the closing prices of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;

(ii) the average of the closing prices of the shares as stated in the daily quotations sheet of the Stock Exchange for the 5 business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

During the year, no option was granted.

28. RESERVES

	Share premium	Capital reserve on consolidation	Contributed surplus	Exchange fluctuation reserve	Changes in fair value of available-for-sale financial assets	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Group							
1 January 2005	169,564,710	468,163	86,752,510	(1,755,174)	—	(63,610,223)	191,419,986
Effect for the adoption of HKFRS 3 *(Note 2)*	—	(468,163)	—	—	—	468,163	—
Effect for the adoption of HKAS 39 *(Note 2)*	—	—	—	—	2,280,083	595,122	2,875,205
1 January 2005, as restated	169,564,710	—	86,752,510	(1,755,174)	2,280,083	(62,546,938)	194,295,191
Realisation of exchange fluctuation reserve on disposal of a subsidiary	—	—	—	1,887,093	—	—	1,887,093
Increase in fair value of available-for-sale financial assets	—	—	—	—	1,364,105	—	1,364,105
Loss for the year	—	—	—	—	—	(7,924,759)	(7,924,759)
31 December 2005	169,564,710	—	86,752,510	131,919	3,644,188	(70,471,697)	189,621,630
Retained by:							
Company and subsidiaries	169,564,710	—	86,752,510	131,919	3,644,188	(70,422,613)	189,670,714
Associates	—	—	—	—	—	(182,826)	(182,826)
Jointly controlled entity	—	—	—	—	—	133,742	133,742
	169,564,710	—	86,752,510	131,919	3,644,188	(70,471,697)	189,621,630
Company							
1 January 2005	3,237,490	—	86,752,510	—	—	(15,684,681)	74,305,319
Effect for the adoption of HKAS 39	—	—	—	—	(664,267)	870,000	205,733
1 January 2005, as restated	3,237,490	—	86,752,510	—	(664,267)	(14,814,681)	74,511,052
Decrease in fair value of available-for-sale financial assets	—	—	—	—	(1,055,540)	—	(1,055,540)
Loss for the year	—	—	—	—	—	(10,430,192)	(10,430,192)
31 December 2005	3,237,490	—	86,752,510	—	(1,719,807)	(25,244,873)	63,025,320

28. RESERVES *(Continued)*

	Share premium	Capital reserve on consolidation	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Group						
1 January 2004	169,564,710	468,163	86,752,510	(3,221,417)	(59,826,129)	193,737,837
Realisation of exchange fluctuation reserve on disposal of a jointly controlled entity	—	—	—	1,466,243	—	1,466,243
Loss for the year	—	—	—	—	(3,784,094)	(3,784,094)
31 December 2004	169,564,710	468,163	86,752,510	(1,755,174)	(63,610,223)	191,419,986
Retained by:						
Company and subsidiaries	169,564,710	468,163	86,752,510	(1,755,174)	(41,617,639)	213,412,570
Associates	—	—	—	—	(182,826)	(182,826)
Jointly controlled entities	—	—	—	—	(21,809,758)	(21,809,758)
	169,564,710	468,163	86,752,510	(1,755,174)	(63,610,223)	191,419,986
Company						
1 January 2004	3,237,490	—	86,752,510	—	(10,141,384)	79,848,616
Loss for the year	—	—	—	—	(5,543,297)	(5,543,297)
31 December 2004	3,237,490	—	86,752,510	—	(15,684,681)	74,305,319

The contributed surplus of the Group and the Company represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation scheme completed on 12 December 2001 over the nominal value of the Company's shares issued in exchange.

Under the Companies Act (1981) of Bermuda (as amended), the contributed surplus is distributable to the shareholders, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

29. DISPOSAL OF A SUBSIDIARY

	Group	
	2005	2004
	HK$	*HK$*
Net assets disposed of:		
Interests in jointly controlled entities	**25,079,151**	—
Property, plant and equipment	**57,399**	—
Cash and bank balances	**41,426,454**	—
Other receivables	**110,950**	—
Other payables	**(1,493,756)**	—
	65,180,198	—
Realisation of exchange fluctuation reserve	**1,887,093**	—
	67,067,291	—
Sales proceeds	**(65,123,371)**	—
Loss on disposal	**1,943,920**	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	Group	
	2005	2004
	HK$	*HK$*
Sales proceeds	**65,123,371**	—
Cash and bank balances of the disposed subsidiary	**(41,426,454)**	—
Net inflow of cash and cash equivalents in respect of disposal of the subsidiary	**23,696,917**	—

The results of the subsidiary disposed of during the year has no significant impact on the Group's consolidated turnover or loss after tax for the year.

30. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on:

	Group	
	2005	2004
	HK$	*HK$*
Net assets	**232,816,830**	234,615,186
Number of ordinary shares	**431,952,000**	431,952,000

31. DEFERRED TAXATION

No provision for deferred taxation has been made in the financial statements as the tax effect of temporary differences is immaterial to the Group.

32. EMPLOYEE BENEFITS

The contributions to the retirement benefit scheme for the staff of the Company and a subsidiary operating in the PRC (disposed of during the year) are charged to the consolidated income statement as they become payable. The only obligation of the Group with respect to the scheme is to make the specified contributions.

33. OPERATING LEASE COMMITMENTS

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2005	2004
	HK$	*HK$*
Within one year	**—**	156,533

34. RELATED PARTY TRANSACTIONS

Apart from the transactions with related parties disclosed elsewhere in the financial statements, the following transactions were entered into by the Group with the related parties negotiated on terms mutually agreed with these related parties:

(a) Group

	2005	2004
	HK$	*HK$*
Management fees received from jointly controlled entities	**117,924**	515,984

(b) Details of guarantees issued by the Company in favour of banks to a direct subsidiary of an associate are set out in note 36.

35. BANKING FACILITIES

The Group had no banking facilities as at 31 December 2005 (2004: HK$10 million). The banking facilities as at 31 December 2004 were secured by a floating charge over the Company's fixed deposits of HK$10 million.

36. CONTINGENT LIABILITIES

There were contingent liabilities in respect of letters of guarantee issued by the Company, as guarantor, in favour of a bank in respect of banking facilities granted by the bank to the indirect subsidiaries of an investee company and the direct subsidiary of an associate. The banking facilities granted to the investee company's indirect subsidiaries are also secured by the mortgage of the investment properties of the investee company's indirect subsidiaries. The banking facilities granted to the associate's direct subsidiary is also secured by the mortgage of the investment properties of the associate's direct subsidiaries.

	Group	
	2005	2004
	HK$	*HK$*
Indirect subsidiaries of an investee company:		
— Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Company Limited	**13,573,000**	13,573,000
— Fortune Leader Overseas Chinese (Daiyawan) Investment Company Limited	**9,855,000**	9,855,000
Direct subsidiary of an associate:		
— Great Fidelity Limited	**7,250,000**	4,750,000
	30,678,000	28,178,000

37. FINANCIAL RISK MANAGEMENT

(A) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and 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

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollar, US dollar and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Since the exchange rate of RMB is subject to exchange control and HK dollar is pegged to US dollar, the directors consider that the Group's foreign exchange risk is not significant.

(ii) Price risk

The Group is exposed to price risk of equity securities, derivatives and embedded derivatives which 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.

(b) Credit risk

The Group has no significant concentrations of credit risk. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution. The Group regards the maximum credit risk exposure limited to loans to an investee company, investment securities, other investments, available-for-sale financial assets, financial assets at fair value through profit or loss, other receivables, due from SINOX and cash with brokers.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its investment commitments.

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(A) Financial risk factors *(Continued)*

(d) Cash flow and interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from other borrowing. The borrowing had interest at 2.01% per annum for the year ended 31 December 2005 (2004: 2.01%). During the year ended 31 December 2005, the borrowing was fully repaid.

(B) Fair value estimation

The fair value of financial instruments traded in active markets 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.

Fair value of financial assets and 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.

38. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are mainly impairment of financial assets. Note 3(g) contains information on the assumptions on impairment of unlisted securities.

39. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Cash at bank and in hand	**6,478,981**	1,158,731	**179,072**	148,263
Cash with brokers	**1,279,521**	767,841	**—**	—
Short term bank deposits	**57,737,673**	65,703,039	**36,756,694**	18,271,718
	65,496,175	67,629,611	**36,935,766**	18,419,981

The average interest rate on short term bank deposits was approximately 2.16% (2004: approximately 0.16%); these deposits have an average maturity of 4 days.

40. EVENT AFTER THE BALANCE SHEET DATE

On 28 November 2005, the Group entered into a sale and purchase agreement with City Court Properties Limited. Pursuant to the sale and purchase agreement, the Group has committed to dispose to City Court Properties Limited its entire equity interest in Dragon Fortune Limited, representing approximately 18% of the issue share capital of Dragon Fortune Limited, and a loan of approximately HK$48 million due from Dragon Fortune Limited for a consideration of HK$72 million. The principal activity of Dragon Fortune Limited is investment holding. The subsidiaries of Dragon Fortune Limited are principally engaged in the operation of golf club resort, and the development of golf course and real estate in the PRC. The resolution to approve the sale and purchase agreement was passed by shareholders of the Company at the Special General Meeting held on 10 January 2006. Upon completion of the sale, a gain of approximately HK$20.16 million was recognised in the consolidated income statement in the financial year ending 31 December 2006.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 22 to 73 were approved and authorised for issue by the board of directors on 23 March 2006.