

NOTES TO FINANCIAL STATEMENTS

31 December 2005

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Hong Kong.

During the year, the Group was involved in the following principal activities:

- provision of information technology services
- restaurant operations
- property investment

The parent companies of the Group are Idata Finance Trading Limited and Beijing Enterprises Holdings Limited. In the opinion of the directors, the ultimate holding company of the Group is Beijing Holdings Limited, which is incorporated in Hong Kong.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings and available-for-sale investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company’s subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of the HKAS 39 Amendment, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

The impact of adopting the other HKFRSs is summarised as follows:

HKAS 32 and HKAS 39 – Financial Instruments

Receivables

In prior years, receivables of the Group are stated at cost less any provision for bad and doubtful debts. Upon the adoption of HKAS 39, receivables are carried at amortised cost using the effective interest method less any impairment. The amortised cost is the present value of estimated future cash flows discounted at the original effective interest rate which is computed at initial recognition. In accordance with the transitional provisions of HKAS 39, the decrease in the carrying value of trade and other receivables amounting to HK\$17,653,000 at 1 January 2005 has been adjusted to the retained earnings and minority interests as at 1 January 2005 and comparative amounts have not been restated. The adoption of this change in accounting policy reduces the consolidated net loss attributable to equity holders of the parent of the Group for the year ended 31 December 2005 by HK\$2,727,000 and increases the consolidated net profit attributable to the minority shareholders of the Group for the year ended 31 December 2005 by HK\$795,000; decreases the carrying values of trade and other receivables as at 31 December 2005 by HK\$14,131,000; and reduces the basic loss per share for the year by HK0.55 cents.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (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 an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) 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, any individual referred to in (d) or (e).

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. The asset revaluation reserve is transferred directly to retained profits when the reserve is realised completely on the disposal or retirement of the asset, or partially as the asset is used by the Group.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the lease terms or 4%
Leasehold improvements	Over the lease terms or 10 years, whichever is shorter
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	12.5% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Management information system and licences

Management information systems and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Applicable to the year ended 31 December 2004:

Long term investments were non-trading investments in unlisted equity securities and a golf club debenture intended to be held on a long term basis. They were stated at cost less any impairment losses.

Applicable to the year ended 31 December 2005:

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 December 2005 (continued):

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in the other category. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Impairment of financial assets (applicable to the year ended 31 December 2005)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (applicable to the year ended 31 December 2005)

(continued)

Assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads. Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) receipts from restaurant operations, upon the delivery of food and beverages to customers;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- (e) from the sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;
- (f) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” above; and
- (g) from the rendering of services, when the services are rendered.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (“market conditions”), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/loss per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2004 and to those granted on or after 1 January 2004.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Pension schemes

Certain companies within the Group have participated in the retirement benefits schemes required by the respective governments of the places in which they operate for their employees. Contributions are made based on a certain percentage of the covered payroll and are charged to the income statement as they become payable in accordance with the rules of the schemes. The Group's employer contributions vest fully with the employees when contributed into the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the overseas subsidiaries, jointly-controlled entities and certain associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

3. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill arising from the acquisitions of subsidiaries and a jointly-controlled entity at 31 December 2005 were HK\$140,964,000 (2004: HK\$134,221,000) and HK\$23,067,000 (2004: HK\$23,067,000), respectively. Further details are set out in notes 15 and 19, respectively.

4. SEGMENT INFORMATION

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

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

- (a) the information technology segment engages in: (i) systems integration; (ii) the construction of information networks; (iii) the provision of IT technical support and consultation services; (iv) the development and sale of software; and (v) the implementation of smart card systems;
- (b) the restaurants segment engages in the operations of restaurants;
- (c) the property investment segment invests in office space for its rental income potential; and
- (d) the corporate segment comprises corporate income and expense items.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

4. SEGMENT INFORMATION (continued)

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

Group

	Information technology <i>HK\$'000</i>	Restaurants <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2005					
Segment revenue:					
Sales to external customers	273,199	253,408	4,691	-	531,298
Intersegment sales	-	-	902	(902)	-
Other income and gains	9,956	742	21	-	10,719
Total	<u>283,155</u>	<u>254,150</u>	<u>5,614</u>	<u>(902)</u>	<u>542,017</u>
Segment results	<u>(7,431)</u>	<u>17,901</u>	<u>(11,897)</u>	<u>-</u>	<u>(1,427)</u>
Bank interest income					737
Unallocated corporate expenses, net					(13,608)
Finance costs					(10,229)
Share of profits and losses of:					
Associates	(411)	-	(248)	-	(659)
Jointly-controlled entities	(264)	-	-	-	(264)
Loss before tax					(25,450)
Tax					(3,088)
Loss for the year					<u>(28,538)</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2005

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Information technology <i>HK\$'000</i>	Restaurants <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2004					
Segment revenue:					
Sales to external customers	256,764	246,671	28,413	–	531,848
Intersegment sales	–	–	864	(864)	–
Other income and gains	3,078	915	2,211	–	6,204
Total	<u>259,842</u>	<u>247,586</u>	<u>31,488</u>	<u>(864)</u>	<u>538,052</u>
Segment results	<u>30,955</u>	<u>10,405</u>	<u>14,807</u>	<u>–</u>	<u>56,167</u>
Bank interest income					796
Unallocated corporate expenses, net					(13,944)
Finance costs					(9,373)
Share of profits and losses of:					
Associates	(1,693)	–	(118)	–	(1,811)
Jointly-controlled entities	(116)	–	–	–	(116)
Profit before tax					31,719
Tax					(2,800)
Profit for the year					<u>28,919</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2005

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Information technology <i>HK\$'000</i>	Restaurants <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2005					
Assets and liabilities					
Segment assets	596,071	93,695	48,926	27,303	765,995
Interests in associates	2,129	-	10,392	-	12,521
Interests in jointly-controlled entities	67,716	-	-	-	67,716
Bank overdrafts included in segment assets	-	-	-	8,068	8,068
Unallocated assets					733
Total assets					855,033
Segment liabilities	121,252	41,695	6,953	53,315	223,215
Bank overdrafts included in segment assets	-	-	-	8,068	8,068
Unallocated liabilities					107,190
Total liabilities					338,473
Other segment information:					
Depreciation	5,490	6,787	370	1,771*	14,418
Amortisation of other intangible assets	2,311	-	-	-	2,311
Impairment of available-for-sale investments recognised in the income statement	99	-	-	-	99
Impairment of property, plant and equipment recognised in the income statement	-	-	3,780	-	3,780
Changes in fair value of investment properties	-	-	4,900	-	4,900
Capital expenditure	5,071	1,903	-	285	7,259

* Included in "Unallocated corporate expenses" above.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Information technology <i>HK\$'000</i>	Restaurants <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2004					
Assets and liabilities					
Segment assets	687,253	84,143	58,629	23,242	853,267
Interests in associates	141	–	14,338	–	14,479
Interests in jointly-controlled entities	67,151	–	–	–	67,151
Bank overdrafts included in segment assets	–	–	–	13,576	13,576
Total assets					<u>948,473</u>
Segment liabilities	139,369	43,413	7,143	2,816	192,741
Bank overdrafts included in segment assets	–	–	–	13,576	13,576
Unallocated liabilities					191,078
Total liabilities					<u>397,395</u>
Other segment information:					
Depreciation	3,887	11,373	354	1,724*	17,338
Amortisation of other intangible assets	2,264	–	–	–	2,264
Impairment of available-for-sale investments recognised in the income statement	107	–	–	–	107
Changes in fair value of investment properties	–	–	(200)	–	(200)
Capital expenditure	3,473	3,285	–	415	<u>7,173</u>

* Included in "Unallocated corporate expenses" above.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

Group

	Hong Kong	Mainland China	Singapore	Indonesia	Malaysia	Thailand	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2005								
Segment revenue:								
Sales to external customers	2,402	340,852	66,550	59,086	43,664	18,744	-	531,298
Intersegment sales	4,642	-	40,381	-	-	-	(45,023)	-
Other income and gains	46	9,983	17	18	-	680	-	10,744
Total	7,090	350,835	106,948	59,104	43,664	19,424	(45,023)	542,042
Other segment information:								
Segment assets	32,949	666,636	34,735	16,411	10,645	4,619	-	765,995
Interests in associates	-	12,521	-	-	-	-	-	12,521
Interests in jointly-controlled entities	-	67,716	-	-	-	-	-	67,716
Bank overdrafts included in segment assets	8,068	-	-	-	-	-	-	8,068
Unallocated assets								733
Total assets								855,033
Capital expenditure	285	5,703	279	770	84	138	-	7,259
2004								
Segment revenue:								
Sales to external customers	26,585	320,271	66,917	61,511	41,069	15,495	-	531,848
Intersegment sales	10,367	-	38,731	-	-	-	(49,098)	-
Other income and gains	556	5,138	75	74	-	561	-	6,404
Total	37,508	325,409	105,723	61,585	41,069	16,056	(49,098)	538,252
Other segment information:								
Segment assets	27,372	759,835	32,905	18,433	10,369	4,353	-	853,267
Interests in associates	-	14,479	-	-	-	-	-	14,479
Interests in jointly-controlled entities	-	67,151	-	-	-	-	-	67,151
Bank overdrafts included in segment assets	13,576	-	-	-	-	-	-	13,576
Total assets								948,473
Capital expenditure	8	4,412	285	1,792	234	442	-	7,173

NOTES TO FINANCIAL STATEMENTS

31 December 2005

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; proceeds from the sale of properties held for sale; gross rental income; and receipts from restaurant operations during the year.

An analysis of revenue, other income and gains is as follow:

	Group	
	2005 HK\$'000	2004 HK\$'000
Revenue		
Construction contracts	157,419	156,029
Rendering of services	115,780	100,735
Receipts from restaurant operations	253,408	245,577
Sale of dried seafood	-	1,094
Gross rental income	2,341	5,578
Sale of properties held for sale	2,350	22,835
	<u>531,298</u>	<u>531,848</u>
Other income and gains		
PRC and overseas tax subsidies	6,703	3,058
Imputed interest on interest-free trade and other receivables	3,788	-
Gain on disposal of investment properties	-	238
Reversal of provision for PRC withholding tax	-	1,855
Others	253	1,253
	<u>10,744</u>	<u>6,404</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2005

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2005 HK\$'000	2004 HK\$'000
Cost of inventories sold		256,274	233,813
Cost of sales of properties held for sale		1,360	10,603
Cost of services provided		38,172	46,553
Depreciation	13	14,418	17,338
Operating lease rentals for land and buildings:			
Minimum lease payments		24,748	21,221
Contingent rents		1,745	2,192
		26,493	23,413
Release of goodwill upon disposal of partial interests in subsidiaries*	15	629	7,135
Amortisation of other intangible assets @	16	2,311	2,264
Research and development costs:			
Current year expenditure		6,007	8,195
Less: Government grants received +		-	(1,774)
		6,007	6,421
Foreign exchange differences, net		226	1,503
Impairment of available-for-sale investments*		99	107
Impairment of property, plant and equipment*	13	3,780	-
Impairment of trade and other receivables*		40,132	-
Provision against an amount due from an associate*		4,500	474
Auditors' remuneration:			
Current year's provision		3,434	2,697
Prior year's underprovision		135	70
		3,569	2,767
Employee benefits expense (including directors' remuneration – note 8):			
Wages and salaries		90,093	80,950
Pension scheme contributions		3,268	3,189
		93,361	84,139
Gross rental income from investment properties		(2,289)	(3,286)
Gross rental income from properties held for sale		(52)	(2,292)
Less: Direct operating expenses (including repairs and maintenance) arising on rental-earning properties		1,886	2,130
Net rental income		(455)	(3,448)
Bank interest income		(737)	(796)
Loss on disposal of items of property, plant and equipment		69	577

NOTES TO FINANCIAL STATEMENTS

31 December 2005

6. PROFIT/(LOSS) BEFORE TAX (continued)

- @ The amortisation of other intangible assets is included in "Cost of sales" on the face of the consolidated income statement.
- + Various government grants were received for the research and development of management information systems for the education sector in Beijing, Mainland China. The government grants received were deducted from the research and development costs to which they related. There are no unfulfilled conditions or contingencies relating to these grants.
- * These amounts are included in "Other operating expenses" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on bank loans and overdrafts	9,606	9,373
Interest on other loans wholly repayable within five years	623	–
	10,229	9,373

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Fees	300	360
Salaries, allowances and benefits in kind	1,886	1,320
Performance related bonuses	379	220
Pension scheme contributions	12	12
	2,577	1,912

NOTES TO FINANCIAL STATEMENTS

31 December 2005

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2005 HK\$'000	2004 HK\$'000
Mr. Cao Guixing	100	200
Prof. Liu Wei	100	–
Dr. Jin Lizuo	100	–
Mr. Feng Ching Yeng, Frank	–	160
	300	360

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

(b) Executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2005					
Mr. Ng Kong Fat, Brian	–	1,320	220	12	1,552
Mr. Li Kangying	–	283	62	–	345
Mr. Cao Wei	–	283	62	–	345
Mr. Zhao Jifeng	–	–	35	–	35
	–	1,886	379	12	2,277
2004					
Mr. Ng Kong Fat, Brian	–	1,320	220	12	1,552

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

NOTES TO FINANCIAL STATEMENTS

31 December 2005

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2004: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2004: four) non-director, highest paid employees for the year are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Salaries, allowances and benefits in kind	3,153	2,235
Performance related bonuses	306	2,218
Pension scheme contributions	96	87
	3,555	4,540

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2005	2004
Nil to HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000	–	2
HK\$1,500,001 to HK\$2,000,000	1	1
	4	4

NOTES TO FINANCIAL STATEMENTS

31 December 2005

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In accordance with the relevant tax rules and regulations in the People's Republic of China ("PRC"), certain of the Company's PRC subsidiaries, associates and jointly-controlled entities enjoy income tax exemptions and reductions. Certain PRC subsidiaries, associates and jointly-controlled entities are subject to income tax rates ranging from 7.5% to 33%.

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	290	366
Underprovision in prior years	408	–
Current – Elsewhere		
Charge for the year	2,654	2,575
Under/(over)provision in prior years	455	(141)
Deferred (note 28)	(719)	–
Total tax charge for the year	3,088	2,800

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is shown in the following page.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

10. TAX (continued)

Group – 2005

	Hong Kong		Mainland China		Others		Total
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000
Profit/(loss) before tax	(20,021)		(15,098)		9,669		(25,450)
Tax at the statutory or applicable tax rate	(3,504)	17.5	(4,982)	33.0	2,901	30.0	(5,585)
Lower tax rate for specific provinces or local authority	-		(351)		(2,009)		(2,360)
Adjustments in respect of current tax of previous periods	408		455		-		863
Profits and losses attributable to jointly-controlled entities*	-		232		-		232
Profits and losses attributable to associates*	58		109		-		167
Income not subject to tax	(1,706)		(4,775)		(150)		(6,631)
Expenses not deductible for tax	3,434		8,309		1,405		13,148
Tax losses utilised from previous periods	-		(393)		(1,086)		(1,479)
Tax losses not recognised	2,008		2,689		36		4,733
Tax charge at the Group's effective rate	698		1,293		1,097		3,088

Group – 2004

	Hong Kong		Mainland China		Others		Total
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000
Profit/(loss) before tax	(3,827)		28,372		7,174		31,719
Tax at the statutory or applicable tax rate	(670)	17.5	9,363	33.0	2,152	30.0	10,845
Lower tax rate for specific provinces or local authority	-		(8,992)		(1,530)		(10,522)
Adjustments in respect of current tax of previous periods	-		(141)		-		(141)
Profits and losses attributable to jointly-controlled entities*	-		91		-		91
Profits and losses attributable to associates*	17		103		-		120
Income not subject to tax	(2,785)		(2,098)		(86)		(4,969)
Expenses not deductible for tax	2,660		1,312		307		4,279
Tax losses utilised from previous periods	(6)		(105)		(1,121)		(1,232)
Tax losses not recognised	1,150		2,414		765		4,329
Tax charge at the Group's effective rate	366		1,947		487		2,800

* The share of tax attributable to jointly-controlled entities and associates is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss from ordinary activities attributable to equity holders of the parent for the year ended 31 December 2005 dealt with in the financial statements of the Company was HK\$16,468,000 (2004: net profit of HK\$7,763,000) (note 31(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the net loss for the year attributable to ordinary equity holders of the parent of HK\$35,042,000 (2004: net profit of HK\$14,886,000) and the 493,981,150 (2004: 493,981,150) ordinary shares in issue during the year.

Diluted loss per share amount for the year ended 31 December 2005 has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share amount for the year ended 31 December 2004 was based on the net profit for that year attributable to ordinary equity holders of the parent of HK\$14,886,000. The weighted average number of ordinary shares used in the calculation was the 493,981,150 ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average of 847,126 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2005					
At 31 December 2004 and at 1 January 2005:					
Cost or valuation	63,040	54,541	47,812	8,193	173,586
Accumulated depreciation	(12,776)	(45,232)	(28,458)	(3,835)	(90,301)
Net carrying amount	50,264	9,309	19,354	4,358	83,285
At 1 January 2005, net of accumulated depreciation					
	50,264	9,309	19,354	4,358	83,285
Additions	-	3,053	3,489	717	7,259
Acquisition of subsidiaries (note 32)	-	-	72	-	72
Disposals	-	(26)	(31)	(114)	(171)
Impairment*	(3,780)	-	-	-	(3,780)
Depreciation provided during the year	(1,449)	(4,126)	(7,547)	(1,296)	(14,418)
Exchange realignment	697	(116)	(236)	36	381
At 31 December 2005, net of accumulated depreciation and impairment	45,732	8,094	15,101	3,701	72,628
At 31 December 2005:					
Cost or valuation	63,881	47,086	49,985	8,283	169,235
Accumulated depreciation and impairment	(18,149)	(38,992)	(34,884)	(4,582)	(96,607)
Net carrying amount	45,732	8,094	15,101	3,701	72,628
Analysis of cost or valuation:					
At cost	20,381	47,086	49,985	8,283	125,735
At 31 December 1994 valuation	43,500	-	-	-	43,500
	63,881	47,086	49,985	8,283	169,235

* Due to the downturn of the property market in Singapore, an impairment loss of HK\$3,780,000 relating to a property being used by the Group as restaurant in Singapore was occurred. It is included in "Other operating expenses" on the face of the consolidated income statement and is reported in the "property investment" business segment. The recoverable amount of the property was its fair value less costs to sell determined with reference to the open market value at the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2004					
At 1 January 2004:					
Cost or valuation	61,909	53,759	42,983	6,229	164,880
Accumulated depreciation	(11,382)	(40,467)	(19,211)	(2,562)	(73,622)
Net carrying amount	<u>50,527</u>	<u>13,292</u>	<u>23,772</u>	<u>3,667</u>	<u>91,258</u>
At 1 January 2004, net of accumulated depreciation					
	50,527	13,292	23,772	3,667	91,258
Additions	1,131	1,496	3,675	871	7,173
Acquisition of subsidiaries (note 32)	–	202	1,209	1,438	2,849
Disposals	–	(510)	(12)	(135)	(657)
Depreciation provided during the year	(1,394)	(5,171)	(9,290)	(1,483)	(17,338)
At 31 December 2004, net of accumulated depreciation	<u>50,264</u>	<u>9,309</u>	<u>19,354</u>	<u>4,358</u>	<u>83,285</u>
At 31 December 2004:					
Cost or valuation	63,040	54,541	47,812	8,193	173,586
Accumulated depreciation	(12,776)	(45,232)	(28,458)	(3,835)	(90,301)
Net carrying amount	<u>50,264</u>	<u>9,309</u>	<u>19,354</u>	<u>4,358</u>	<u>83,285</u>
Analysis of cost or valuation:					
At cost	19,540	54,541	47,812	8,193	130,086
At 31 December 1994 valuation	43,500	–	–	–	43,500
	<u>63,040</u>	<u>54,541</u>	<u>47,812</u>	<u>8,193</u>	<u>173,586</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2005

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2005					
At 1 January 2005, net of accumulated depreciation	33,924	403	226	316	34,869
Additions	-	-	52	233	285
Disposals	-	-	(13)	-	(13)
Depreciation provided during the year	(1,026)	(243)	(75)	(306)	(1,650)
At 31 December 2005, net of accumulated depreciation	32,898	160	190	243	33,491
At 31 December 2005:					
Cost	43,500	1,102	420	1,421	46,443
Accumulated depreciation	(10,602)	(942)	(230)	(1,178)	(12,952)
Net carrying amount	32,898	160	190	243	33,491
31 December 2004					
At 1 January 2004:					
Cost	43,500	1,102	426	1,188	46,216
Accumulated depreciation	(8,550)	(394)	(133)	(634)	(9,711)
Net carrying amount	34,950	708	293	554	36,505
At 1 January 2004, net of accumulated depreciation	34,950	708	293	554	36,505
Additions	-	-	8	-	8
Disposals	-	-	(1)	-	(1)
Depreciation provided during the year	(1,026)	(305)	(74)	(238)	(1,643)
At 31 December 2004, net of accumulated depreciation	33,924	403	226	316	34,869
At 31 December 2004 and 1 January 2005:					
Cost	43,500	1,102	411	1,188	46,201
Accumulated depreciation	(9,576)	(699)	(185)	(872)	(11,332)
Net carrying amount	33,924	403	226	316	34,869

NOTES TO FINANCIAL STATEMENTS

31 December 2005

13. PROPERTY, PLANT AND EQUIPMENT (continued)

An analysis of the leasehold land and buildings, which are held under medium term leases, at the balance sheet date is as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Situated in Hong Kong:				
At 1994 valuation	43,500	43,500	43,500	43,500
Situated in Singapore:				
At cost	19,228	18,409	–	–
Situated in Mainland China:				
At cost	1,153	1,131	–	–
	63,881	63,040	43,500	43,500

A revaluation of the leasehold land and buildings situated in Hong Kong was carried out by CB Richard Ellis Limited, an independent professionally qualified valuer, on an open market, existing use basis as at 31 December 1994. Since 1995, no further revaluations of those Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16, from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time. These land and buildings are stated at a carrying amount of HK\$32,898,000 (2004: HK\$33,924,000) at the balance sheet date. Had the land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK\$2,959,000 (2004: HK\$3,063,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2005

14. INVESTMENT PROPERTIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Carrying amount at 1 January	39,300	45,540
Disposals	–	(6,440)
Net profit/(loss) from a fair value adjustment	(4,900)	200
Carrying amount at 31 December	34,400	39,300

The Group's investment properties were revalued on 31 December 2005 by CB Richard Ellis Limited, an independent professionally qualified valuer, on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a) to the financial statements.

Details of the investment properties, which are held under medium term leases, are as follows:

Location	Use	Attributable interest of the Group
Part of the second floor and the entire third floor, A No. 1 Jian Guo Men Wai Avenue, Chao Yang District, Beijing, PRC	Office building	85.5%

15. GOODWILL

	Group	
	2005 HK\$'000	2004 HK\$'000
Cost and carrying amount:		
At 1 January	134,221	135,296
Acquisitions of subsidiaries (note 32)	7,372	6,060
Release upon disposal of partial interests in subsidiaries	(629)	(7,135)
At 31 December	140,964	134,221

NOTES TO FINANCIAL STATEMENTS

31 December 2005

15. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units in terms of principal subsidiaries for impairment testing.

	Notes	Group	
		2005 HK\$'000	2004 HK\$'000
北京北控電信通信息技術有限公司	(a)	85,236	85,236
Beijing Enterprises Jetric Holdings Limited	(a)	18,734	18,734
Astoria Innovations Limited, Wisdom Elite Holdings Limited and Xteam Software International Limited	(a)	28,077	28,706
廣州市東山區富臨飯店	(a)	1,545	1,545
北京博大電信通網絡技術有限公司	(a)	1,527	–
Asren Holdings Limited	(b)	5,845	–
		140,964	134,221

Notes:

- (a) The recoverable amount of each of these cash-generating units is determined based on a value in use calculation. The calculation used cash flow projections based on financial budgets covering a five-year period as approved by the senior management. The discount rate applied to the cash flow projections is 10%. Budgeted gross margins are based on both the historical gross margin of the information technology and restaurant business and the expected market growth rate. The values assigned to the key assumptions are consistent with external information sources.
- (b) The recoverable amount of the cash-generating unit is determined based on a value in use calculation. The calculation used cash flow projections based on financial budgets covering a five-year period as approved by the senior management. The discount rate applied to the cash flow projection is 10%. The Group determined the values based on the management's past experience in the information technology market and their expectations for market development.

Key assumptions were used in the value in use calculations of each of the cash-generating units for 31 December 2005 and 31 December 2004. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

16. OTHER INTANGIBLE ASSETS

Group

	Management information systems HK\$'000	Licences HK\$'000	Total HK\$'000
31 December 2005			
Cost at 1 January 2005, net of accumulated amortisation	12,893	1,478	14,371
Additions	–	472	472
Amortisation provided during the year	(1,887)	(424)	(2,311)
Exchange realignment	212	29	241
At 31 December 2005	<u>11,218</u>	<u>1,555</u>	<u>12,773</u>
At 31 December 2005:			
Cost	19,231	2,404	21,635
Accumulated amortisation	(8,013)	(849)	(8,862)
Net carrying amount	<u>11,218</u>	<u>1,555</u>	<u>12,773</u>
31 December 2004			
At 1 January 2004:			
Cost	18,868	1,886	20,754
Accumulated amortisation	(4,088)	(31)	(4,119)
Net carrying amount	<u>14,780</u>	<u>1,855</u>	<u>16,635</u>
Cost at 1 January 2004, net of accumulated amortisation	14,780	1,855	16,635
Amortisation provided during the year	(1,887)	(377)	(2,264)
At 31 December 2004	<u>12,893</u>	<u>1,478</u>	<u>14,371</u>
At 31 December 2004 and at 1 January 2005:			
Cost	18,868	1,886	20,754
Accumulated amortisation	(5,975)	(408)	(6,383)
Net carrying amount	<u>12,893</u>	<u>1,478</u>	<u>14,371</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2005

17. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	218,924	218,924
Due from subsidiaries	213,491	231,359
	432,415	450,283
Less: Provision for impairment	(3,836)	(3,836)
Provision against amounts due from subsidiaries	(67,000)	(67,000)
	361,579	379,447

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Ah Yat Abalone Food Industry Pte. Ltd. (note (a))	Singapore	S\$2	51	51	Manufacture and sale of canned food and sauces
Ah Yat Abalone Forum Restaurant Holdings Pte. Ltd. (note (a))	Singapore	S\$250,000	51	51	Restaurant operations and investment holding
Ah Yat Seafood Market Pte. Ltd. (note (a))	Singapore	S\$200,000	23 [@]	23 [@]	Restaurant operations
Asren Holdings Limited (note (b))	British Virgin Islands/ Hong Kong	US\$200	28.1 [@]	–	Establishing a PRC subsidiary

NOTES TO FINANCIAL STATEMENTS

31 December 2005

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Astoria Innovations Limited	British Virgin Islands/PRC	US\$1,000	37.4 [@]	38.3 [@]	Investment holding
B E Information Technology Group Limited	British Virgin Islands/PRC	US\$1,000	72	72	Investment holding
BD Ah Yat Abalone Group Limited (note (c))	Hong Kong	HK\$6,800,000	51	51	Investment holding and restaurant operations
Beijing Development Properties (Hong Kong) Limited (note (c))	Hong Kong	HK\$100,000	100	100	Property investment
Beijing Singapore Investments Pte. Ltd. (note (a) and (c))	Singapore	S\$800,000	90	90	Property and investment holding
Business Net Limited (note (c))	British Virgin Islands/PRC	US\$100	100	100	Investment holding
Go Good Holdings Limited (note (d))	British Virgin Islands/ Hong Kong	US\$100	55.1	–	Investment holding
Wisdom Elite Holdings Limited	British Virgin Islands/ Hong Kong	US\$100	55.1	56.3	Investment holding
Xteam Software (Hong Kong) Limited	Hong Kong	HK\$100	55.1	56.3	Office management
Xteam Software International Limited (listed on the Stock Exchange)	Cayman Islands/ Hong Kong	HK\$38,426,064	55.1	56.3	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2005

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Shanghai Pantosoft Company Limited (note (e))	PRC	HK\$10,000,000	55.1	56.3	Development and sale of computer software and the provision of system integration and related services
北京北控三興信息技術有限公司 (note (e))	PRC	RMB3,000,000	37.4[@]	38.3 [@]	Development and sale of computer software and the provision of system integration and related services
北京北控偉仕軟件工程技術有限公司 (note (e))	PRC	RMB2,000,000	55.1	56.3	Development and sale of computer software and the provision of system integration and related services
北京北控電信通信息技術有限公司 (note (e))	PRC	RMB100,000,000	72	72	Construction of information networks and the provision of IT technical support and consultation services
北京市電信通系統集成有限公司 (note (f))	PRC	RMB1,000,000	36.7[@]	36.7 [@]	Provision of networking services
北京阿一鮑魚酒家有限公司 (note (e))	PRC	US\$1,400,000	48.5[@]	48.5 [@]	Restaurant operations

NOTES TO FINANCIAL STATEMENTS

31 December 2005

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
北京捷通瑞奇信息技術有限公司 (note (g))	PRC	RMB5,000,000	63	63	Construction of information networks and the provision of IT technical support services
北京發展物業投資管理有限公司 (note (e))	PRC	US\$4,000,000	85.5	85.5	Property investment
北京電信通智能科技有限公司 (note (e))	PRC	RMB1,100,000	57.6	57.6	Provision of system integration services
北京博大電信通網絡技術有限公司 (note (g) and (h))	PRC	RMB8,000,000	36.7[@]	–	Lease of underground optical fiber pores
北控捷通(北京)科技發展有限公司 (note (e))	PRC	US\$2,450,000	72	72	Provision of total education solutions
北控軟件有限公司 (note (e))	PRC	RMB50,000,000	68.4	68.4	Provision of management information system services
湖南教育信息服務有限公司 (note (g))	PRC	RMB10,000,000	41[@]	41 [@]	Construction of information networks and the provision of IT technical support services
埃力生阿一鮑魚酒家 (上海)有限公司 (note (e))	PRC	US\$200,000	51	51	Restaurant operations
溫州阿一鮑魚酒家有限公司 (note (g))	PRC	RMB1,000,000	24.7[@]	24.7 [@]	Restaurant operations

NOTES TO FINANCIAL STATEMENTS

31 December 2005

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
廣州市東山區富臨飯店 (note (i))	PRC	RMB220,000	24.7 [@]	24.7 [@]	Restaurant operations
衝浪平台(中國)軟件技術 有限公司 (note (e))	PRC	US\$3,000,000	55.1	56.3	Sale of computer software and the provision of related services

[@] These entities are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over the entities.

Notes:

- (a) Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.
- (b) Acquired by the Company during the year. Further details of the acquisition are included in note 32(a) to the financial statements.
- (c) Directly held by the Company.
- (d) Set up during the year.
- (e) Registered as wholly-foreign-owned enterprises under the PRC law.
- (f) Registered a Sino-foreign joint venture under the PRC law.
- (g) Registered as limited liability companies under the PRC law.
- (h) Acquired by the Company during the year. Further details of the acquisition are included in note 32(b) to the financial statements.
- (i) Registered as a co-operative joint-stock enterprise under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

18. INTERESTS IN ASSOCIATES

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net assets	2,129	140
Due from an associate	15,366	14,813
	17,495	14,953
<i>Less: Provision against an amount due from an associate</i>	(4,974)	(474)
	12,521	14,479

The balance with the associate is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of this balance approximates to its fair value.

Particulars of the principal associates, all of which are indirectly held by the Company, are as follows:

Name	Particulars of issued shares held	Place of registration/ incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2005	2004	
Overseas Union Investments Limited	Ordinary shares of HK\$1 each	Hong Kong	50	50	Investment holding
北京千龍網都科技有限公司	RMB2,500,000	PRC	25	25	Sale of IT products
北京得來速科技服務有限公司	RMB200,000	PRC	20	20	Design of telephone ordering systems
北京北控電信通智能科技 有限公司 (note)	RMB2,500,000	PRC	25	–	Provision for system integration services

Note: Set up during the year.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

18. INTERESTS IN ASSOCIATES (continued)

The Group has discontinued the recognition of its share of losses of 北京千龍網都科技有限公司 because the share of losses of this associate exceeded the Group's interest in the associate. The Group's unrecognised share of losses of this associate for the current year and cumulatively was HK\$550,000 (2004: Nil).

The following table illustrates the summarised information of the Group's associates extracted from their financial statements:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Total assets	51,909	26,627
Total liabilities	23,685	37,278
Revenues	11,104	629
Net loss for the year	<u>(4,403)</u>	<u>(4,414)</u>

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Share of net assets	42,514	43,586
Goodwill on acquisition	23,067	23,067
Due from a jointly-controlled entity	<u>2,135</u>	<u>498</u>
	<u>67,716</u>	<u>67,151</u>

The balance with the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of this balance approximates to its fair value.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal jointly-controlled entities, all of which are indirectly held by the Company, are as follows:

Name	Place of registration and operations	Percentage of			Principal activities
		Ownership interest	Voting power	Profit sharing	
北京教育信息網服務中心有限公司	PRC	36	50	36	Provision of information network services
北京市政交通一卡通有限公司(「一卡通」)	PRC	43	44.4	43	Operations of contactless multipurpose electronic payment cards

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

The following table illustrates the summarised information of the Group's jointly-controlled entities:

	2005 HK\$'000	2004 HK\$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	39,982	41,295
Non-current assets	88,029	67,747
Current liabilities	(21,411)	(9,881)
Non-current liabilities	(64,086)	(55,575)
Net assets	42,514	43,586

NOTES TO FINANCIAL STATEMENTS

31 December 2005

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Share of the jointly-controlled entities' results:

	2005 HK\$'000	2004 <i>HK\$'000</i>
Turnover	19,829	15,953
Other revenue	373	647
Total revenue	20,202	16,600
Total expenses	(20,234)	(16,625)
Tax	(232)	(91)
Loss after tax	(264)	(116)

The amount of goodwill in the consolidated balance sheet arising from the acquisition of a jointly-controlled entity, 一卡通, is as follows:

	Group	
	2005 HK\$'000	2004 <i>HK\$'000</i>
Cost and carrying amount at 1 January and 31 December	23,067	23,067

Impairment testing of goodwill

The recoverable amount of the jointly-controlled entity, 一卡通, has been determined based on a value in use calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by senior management. A five-year period is used in the forecast because the business requires the establishment of a sophisticated IT infrastructure and it is expected that the business can generate revenue in the long term. The discount rate applied to cash flow projections is 10%, which reflects specific risks relating to the industry of which 一卡通 is operated. Other assumptions used in the forecast include the penetration rate of the multipurpose electronic payment cards and the rollout plan for the use of the payment cards in the public transportation system. The values assigned to the key assumptions are consistent with external information sources.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Unlisted equity investments, at cost	1,415	1,415
Provision for impairment	(206)	(107)
Exchange realignment	23	–
	<u>1,232</u>	<u>1,308</u>
Golf club debenture, at fair value	651	651
Exchange realignment	13	–
	<u>664</u>	<u>651</u>
	<u>1,896</u>	<u>1,959</u>

The Group's unlisted equity investments are measured at cost. Their fair values cannot be measured reliably because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

21. INVENTORIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Materials	<u>66,827</u>	<u>76,395</u>

22. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	Group	
	2005 HK\$'000	2004 HK\$'000
Amounts due from customers for contract works	7,585	5,575
Amounts due to customers for contract works	<u>(14,074)</u>	<u>(8,359)</u>
	<u>(6,489)</u>	<u>(2,784)</u>
Contract costs incurred plus recognised profits less recognised losses to date	8,631	15,385
Less: Progress billings	<u>(15,120)</u>	<u>(18,169)</u>
	<u>(6,489)</u>	<u>(2,784)</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2005

23. TRADE AND BILLS RECEIVABLES

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Due from third parties:		
Trade receivables	194,547	259,370
Bills receivables	601	924
	195,148	260,294
Due from a jointly-controlled entity	3,251	3,952
Due from related companies	16,845	25,079
	215,244	289,325
Portion classified as current assets	(182,042)	(220,015)
Long term portion	33,202	69,310

The balances with the jointly-controlled entity and related companies are unsecured, interest-free and have no fixed terms of repayment.

The various Group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. Certain customers are allowed to settle the construction contract sum by three annual instalments. An aged analysis of trade receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade and bills receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at balance sheet date, based on the payment due date and net of impairment, is as follows:

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current and within 3 months	177,682	228,518
4 to 6 months	4,022	616
7 to 12 months	12,668	40,344
Over 1 year	20,872	19,847
	215,244	289,325

NOTES TO FINANCIAL STATEMENTS

31 December 2005

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Prepayments	5,171	6,504	420	24
Deposits and other receivables	54,214	58,904	174	296
Due from subsidiaries	-	-	74,805	64,765
Due from fellow subsidiaries	2,488	2,455	732	732
Due from an associate	4	-	-	-
Due from related companies	9,400	23,437	-	-
Due from minority shareholders	24	3,165	-	-
	71,301	94,465	76,131	65,817
Portion classified as current assets	(63,755)	(75,640)	(76,131)	(65,817)
Long term portion	7,546	18,825	-	-

The balances with subsidiaries, fellow subsidiaries, associate and minority shareholders are unsecured, interest-free and have no fixed terms of repayment, except for two of the amounts due from subsidiaries of HK\$5,769,000 which bear interest at 4.5% per annum and are repayable in 2006 and HK\$34,643,000 which bear interest at 4.75% per annum. Certain balances with related companies are repayable by instalment up to the year 2008.

25. TRADE AND BILLS PAYABLES

	Group	
	2005 HK\$'000	2004 HK\$'000
Due to third parties:		
Trade payables	40,594	55,975
Bills payable	18,137	40,753
	58,731	96,728
Due to a jointly-controlled entity	1,016	-
Due to associates	2,892	-
	62,639	96,728

The balances with the jointly-controlled entity and associates are unsecured, interest-free and have no fixed terms of repayment.

The trade payables are non-interest-bearing and normally settled on 30 to 90 days.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

25. TRADE AND BILLS PAYABLES (continued)

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within 3 months	47,754	88,924
4 to 6 months	2,332	192
7 to 12 months	3,038	1,646
Over 1 year	9,515	5,966
	62,639	96,728

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Other payables	40,331	42,492	1,240	1,170
Accruals	41,299	30,834	1,439	1,642
Due to an intermediate holding company	50,623	–	50,623	–
Due to a subsidiary	–	–	2,001	–
Due to a jointly-controlled entity	49	10	–	–
Due to an associate	12	–	–	–
Due to related companies	2,990	2,433	–	–
Due to minority shareholders	11,198	11,885	–	–
	146,502	87,654	55,303	2,812

The balances with the intermediate holding company, subsidiary, jointly-controlled entity, associate, related companies and minority shareholders are unsecured, interest-free and have no fixed terms of repayment, except for an amount due to an intermediate holding company of HK\$50,000,000 which bears interest at 4% per annum and is repayable in 2006.

Other payables are non-interest-bearing and have an average term of 3 to 6 months.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

27. BANK LOANS (continued)

Certain of the Group's banking facilities are secured by:

- (i) the Group's leasehold land and buildings which had an aggregate net book value at the balance sheet date of HK\$45,732,000 (2004: HK\$49,147,000);
- (ii) the Group's bank deposits at the balance sheet date of HK\$499,000 (2004: HK\$10,596,000); and
- (iii) the Group's properties held for sale which had an aggregate carrying value of HK\$1,250,000 at 31 December 2004.

The carrying amounts of the Group's and the Company's borrowings approximate to their fair values.

28. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

	Decelerated tax depreciation <i>HK\$'000</i>	Impairment of trade receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January and 31 December 2004	–	–	–
Deferred tax credited to the income statement during the year (note 10)	119	600	719
Exchange realignment	2	12	14
At 31 December 2005	121	612	733

The Group has tax losses arising in Hong Kong and Singapore of HK\$135,298,000 (2004: HK\$120,184,000) that are available indefinitely, and in Mainland China of HK\$31,467,000 (2004: HK\$17,153,000) that are available for a maximum of five years, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

At 31 December 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint-controlled entities.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

29. SHARE CAPITAL

	Company	
	2005 HK\$'000	2004 HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$1 each	1,000,000	1,000,000
Issued and fully paid: 493,981,150 ordinary shares of HK\$1 each	493,981	493,981

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") to give executives and key employees of the Group an interest in preserving and maximising shareholders' value in the longer term, to enable the Company and the relevant subsidiaries to attract and retain individuals with experience and ability and to reward individuals for future performance. Eligible participants of the Scheme include the executive directors and employees of the Company or any of its subsidiaries. The Scheme became effective on 18 June 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date on which the offer of the share options is accepted or on the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

30. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Notes	Number of share options		
		At 1 January 2005	Forfeited during the year	At 31 December 2005
Directors				
Mr. Li Kangying#	(b)	2,700,000	–	2,700,000
Mr. E Meng	(a)	1,600,000	–	1,600,000
	(b)	1,200,000	–	1,200,000
		2,800,000	–	2,800,000
Mr. Cao Wei#	(b)	2,500,000	–	2,500,000
Mr. Ng Kong Fat, Brian	(a)	2,300,000	–	2,300,000
	(b)	1,200,000	–	1,200,000
		3,500,000	–	3,500,000
Mr. Zhao Jifeng*		2,800,000	(2,800,000)	–
Other employees	(a)	4,240,000	(180,000)	4,060,000
	(b)	12,500,000	–	12,500,000
		16,740,000	(180,000)	16,560,000
		31,040,000	(2,980,000)	28,060,000

Mr. Li Kangying and Mr. Cao Wei were appointed as directors on 15 March 2005.

* Mr. Zhao Jifeng resigned as a director on 15 March 2005.

Notes:

- (a) These options were granted on 19 June 2001 at an exercise price of HK\$1.13 per share. The options can be exercised in two or three equal portions. The first portion is exercisable at any time commencing on 1 January 2002, and each further portion becomes exercisable at any time commencing on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 26 June 2006.
- (b) These options were granted on 18 January 2002 at an exercise price of HK\$1.00 per share. The options can be exercised in three equal portions. The first portion is exercisable at any time commencing on 18 January 2002, and each further portion becomes exercisable at any time commencing on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 17 January 2007.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

30. SHARE OPTION SCHEME (continued)

No share options were exercised during the year. At the balance sheet date and the date of approval of these financial statements, the Company had 28,060,000 share options outstanding under the Scheme, which represented approximately 5.7% of the Company's shares in issue. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 28,060,000 additional ordinary shares of the Company and additional share capital of HK\$28,060,000 and share premium of HK\$1,035,000 (before issue expenses).

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 26 of the financial statements.

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Group's subsidiaries in the PRC has been transferred to PRC reserve funds which are restricted as to use.

(b) Company

	Asset revaluation reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2004	33,643	(111,015)	(77,372)
Profit for the year	–	7,763	7,763
Transfer to accumulated losses	(922)	922	–
At 31 December 2004	32,721	(102,330)	(69,609)
Loss for the year	–	(16,468)	(16,468)
Transfer to accumulated losses	(922)	922	–
At 31 December 2005	31,799	(117,876)	(86,077)

NOTES TO FINANCIAL STATEMENTS

31 December 2005

32. BUSINESS COMBINATIONS

(a) Acquisition of Asren Holdings Limited (“Asren”)

On 7 December 2005, Go Good Holdings Limited, a non-wholly-owned subsidiary of the Group, acquired a 51% equity interest in Asren from independent third parties. The purchase consideration for the acquisition was in the form of 84,134,616 new shares of Xteam Software International Limited at its market price of HK\$0.058 per share on 7 December 2005 and promissory note amounting to HK\$9,615,000 issued by the Group to Asren.

(b) Acquisition of 北京博大電信通網絡技術有限公司 (“北京博大”)

On 1 January 2005, the Group acquired from independent third parties a 51% equity interest in 北京博大 for a cash consideration of approximately HK\$3,849,000.

The fair values of the identifiable assets and liabilities of Asren and 北京博大 acquired as at the dates of acquisition and the corresponding carrying amounts immediately before the acquisitions were as follows:

	Notes	Fair value recognised on acquisitions and carrying amount	
		2005 HK\$'000	2004 HK\$'000
Property, plant and equipment	13	72	2,849
Cash and bank balances		6,850	4,969
Trade receivables		9	3,078
Inventories		25	2,496
Other receivables, prepayments and deposits		10,007	7,386
Trade payables		-	(2,201)
Other payables and accruals		(2,813)	(11,280)
Minority interests		(7,633)	(7,749)
		6,517	(452)
Goodwill on acquisition	15	7,372	6,060
		13,889	5,608

NOTES TO FINANCIAL STATEMENTS

31 December 2005

32. BUSINESS COMBINATIONS (continued)

	2005 HK\$'000	2004 HK\$'000
Satisfied by:		
Cash	3,849	1,546
Promissory note	9,615	–
Costs associated with the acquisition	425	4,062
	13,889	5,608

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisitions of subsidiaries is as follow:

Cash paid	(4,274)	(5,608)
Cash and bank balances acquired	6,850	4,969
Net cash inflow/(outflow)	2,576	(639)

Since the acquisition, Asren and 北京博大 contributed HK\$3,319,000 to the Group's turnover and HK\$355,000 of net profit to the Group's consolidated loss for the year ended 31 December 2005.

Had the combination taken place at the beginning of the year, there would have been no significant impact on the revenue from continuing operations of the Group and the loss of the Group for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2005 HK\$'000	2004 HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	222,456	265,284

At 31 December 2005, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$100,681,000 (2004: HK\$189,190,000).

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	1,968	1,964
In the second to fifth years, inclusive	756	1,600
	2,724	3,564

NOTES TO FINANCIAL STATEMENTS

31 December 2005

34. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties, restaurant premises and staff quarters under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 10 years. Under certain lease agreements for the restaurant premises, contingent rentals in excess of the minimum lease payments are payable if the turnover of such restaurants reaches the pre-determined level.

At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Within one year	22,635	19,449	297	324
In the second to fifth years, inclusive	28,320	33,196	–	297
After five years	2,627	5,645	–	–
	53,582	58,290	297	621

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group's share of the jointly-controlled entities' own capital commitments is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Contracted, but not provided for	22,797	25,702

36. PLEDGE OF ASSETS

Details of the Group's borrowings secured by the assets of the Group are set out in note 27 to the financial statements.

Bank deposits of HK\$3,113,000 (2004: HK\$13,595,000) were pledged as guarantees for tenders and contracts.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

37. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
	Notes	2005 HK\$'000	2004 HK\$'000
Interest expense on loan from an intermediate holding company	(i)	623	–
Subcontracting fees paid to an associate	(ii)	4,686	–
Jointly-controlled entities:			
Sale of products	(iii)	5,157	9,689
Purchases of products	(iii)	1,457	–
Entities in which directors of the Group have beneficial interests:			
Sales of products		–	1,094
Service income		–	1,132
Provision against an amount due from a minority shareholder		3,365	–

Notes:

- (i) The interest expense on loan from an intermediate holding company was charged at 4% per annum on the outstanding loan principal.
- (ii) The subcontracting fees paid to an associate were determined with reference to fees charged by third parties.
- (iii) The sale to and purchases from related parties were priced at the estimated market prices.

- (b) Compensation of key management personnel of the Group:

	2005 HK\$'000	2004 HK\$'000
Short term employee benefits	7,391	6,720
Post-employment benefits	179	103
Total compensation paid to key management personnel	7,570	6,823

Further details of directors' emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits and interest-bearing loans. These financial instruments are used for the Group's working capital. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's exposure to the risk of change in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

Foreign currency risk

The sale and purchases made by each subsidiary of the Group are conducted in the local currencies and hence, the Group's transactional currency exposure is minimal.

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group places its cash deposits with major international banks in Hong Kong and South East Asia, and state-owned banks in Mainland China. This investment policy limits the Group's exposure to concentrations of credit risk.

Since the Group trades only with recognised and creditworthy third parties, there is usually no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and loans from an intermediate holding company.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

39. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, opening balance adjustments have been made to conform with the current year's presentation and accounting treatment.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 April 2006.