NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The consolidated accounts of Softbank Investment International (Strategic) Limited (the "Company") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and available-for-sale financial assets, which are carried at fair value.

The preparation of accounts in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts, are disclosed in note 3.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

The adoption of new / revised HKFRS

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

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

The adoption of new / revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33 and HKAS-Ints 12 and 15 did not result in substantial changes to the Group's accounting policies. In summary:

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

— HKASs 2, 7, 8, 10, 16, 23, 27, 28, 33 and HKAS-Ints 12 and 15 had no material effect on the Group's policies.

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

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

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

The Group adopted the proportionate consolidation under HKAS 31 to account for its interests in jointly controlled entities. In prior years, the Group's interests in jointly controlled entities were accounted for by the equity method. The adoption of the proportionate consolidation approach under HKAS 31 represents a change in accounting policy.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the profit and loss account. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account. Any subsequent increases are credited to profit and loss account up to the amount previously debited.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

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

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1 January 2005, the Group expenses the fair value of share options in the profit and loss account. As a transitional provision, the fair value of share options granted after 7 November 2002 which had not yet vested on 1 January 2005 was expensed retrospectively in the profit and loss account of the respective periods (note 1.16).

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

— Amortised on a straight line basis over its estimated useful life of not more than 20 years; and

— Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (note 1.7):

— The Group ceased amortisation of goodwill from 1 January 2005;

— Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

— From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

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

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

— HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

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

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

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

— HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

— HKFRS 3 – prospectively after 1 January 2005.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs which are effective for accounting period beginning on or after 1 January 2006. The Group has not early adopted any of the new Standards or Interpretations.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

The adoption of revised HKAS 17 resulted in:

	As at 31 December	
	2005	2004
	HK$'000	HK$'000
Decrease in property, plant and equipment	**(11,257)**	(11,376)
Increase in leasehold land and land use rights	**11,257**	11,376

The adoption of HKAS 31 resulted in:

	As at 31 December	
	2005	2004
	HK$'000	HK$'000
Decrease in interests in jointly controlled entities	**(44,718)**	(40,870)
Increase in other non-current assets	**6,784**	21,367
Increase in current assets	**97,477**	16,024
(Increase)/decrease in current liabilities	**(54,844)**	3,486
Increase in minority interests	**(4,596)**	—
Increase in reserves	**(103)**	(7)

	For the year ended 31 December	
	2005	2004
	HK$'000	HK$'000
Decrease in share of losses of jointly controlled entities	**3,008**	7,091
Increase in income	**27,991**	3,092
Increase in expenses	**(30,999)**	(10,183)

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

The adoption of HKFRS 2 resulted in:

	As at 31 December	
	2005	2004
	HK$'000	HK$'000
Increase in reserves	**7,912**	3,973
Increase in accumulated losses	**(7,912)**	(3,973)

	For the year ended 31 December	
	2005	2004
	HK$'000	HK$'000
Increase in administrative expenses	**4,038**	3,829
Increase in basic loss per share (HK cents)	**0.09**	—
Decrease in basic earnings per share (HK cents)	**—**	0.09
Decrease in diluted earnings per share (HK cents)	**—**	0.09

The adoption of HKAS 39 resulted in an increase in opening reserves at 1 January 2005 by HK$686,000 and the details of the adjustments to the balance sheet at 1 January 2005 are as follows:

	As at 1 January 2005 HK$'000
Increase in investment securities - available-for-sale	114,942
Decrease in non-trading securities	(115,425)
Decrease in long term liabilities – convertible notes (equity component)	1,169
Increase in reserves	(686)

The opening accumulated losses at 1 January 2004 has been increased by HK$144,000 from the adoption of HKFRS 2. There was no impact on opening accumulated losses at 1 January 2004 from the adoption of HKAS 17, HKAS 31 and HKFRS 3.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries and jointly controlled entities made up to 31 December.

(a) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account (note 1.7).

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Consolidation (continued)

(b) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 1.7).

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables which are provided as shareholder's loans or advances, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

(c) Jointly controlled entities

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

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Consolidation (continued)

(c) Jointly controlled entities (continued)

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

1.3 Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these accounts.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, available-for-sale investment securities, trading and non-trading securities, inventories, receivables, operating cash and other current assets. Segment liabilities comprise operating liabilities, and exclude items such as taxation payable and corporate borrowings. Inter-segment current accounts employed by the Group for capital allocation purposes are excluded from segment assets and liabilities; the associated interest on these balances are also excluded from segment revenue and results. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries. Capital expenditure is allocated based on where the assets are located.

In respect of geographical segment reporting, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

1.4 Foreign currency translation

(a) Functional and presentation currency

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

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

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

(c) Group companies

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

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

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

– Buildings	2.5% - 5.0%
– Leasehold improvements	20% - 33 $^1/_3$%
– Plant and machinery	10% - 15%
– Furniture, fittings and equipment	10 - 20%
– Computer equipment	20% - 30%
– Motor vehicles	20% - 25%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.8).

1.6 Investment properties

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

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value assessed by professional valuers on the basis of open market value.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Investment properties (continued)

Any changes in fair value are reported directly in the profit and loss account. Deferred income tax is provided on revaluation surpluses of investment properties in accordance with HKAS-Int 21 ("Income Taxes - Recovery of Revalued Non-Depreciable Assets") on HKAS 12 "Income Taxes".

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of premises under HKAS 16 "Property, Plant and Equipment". However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

1.7 Intangible assets

Goodwill

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

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

1.8 Impairment of assets

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

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Investments

From 1 January 2004 to 31 December 2004:

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

(a) Non-trading securities

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

Individual investments were reviewed regularly to determine whether they were impaired. When an investment was considered to be impaired the cumulative loss recorded in the revaluation reserve was taken to the profit and loss account.

Impairment losses were written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist and there was persuasive evidence that the new circumstances and events would persist for the foreseeable future.

(b) Trading investments

Trading investments were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the profit and loss account. Profits or losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the profit and loss account as they arised.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Investments (continued)

From 1 January 2005 onwards:

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

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

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

Financial assets so designated are recognised initially at fair value plus any directly attributable transaction costs, and are subsequently remeasured at fair value. Gains and losses from changes in fair value of such assets are recognised in the profit and loss account as they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in other receivables in the balance sheet which are carried at amortised cost using the effective interest method (note 1.11).

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Investments (continued)

(c) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Available-for-sale investments are initially measured at cost (which include transaction costs). After initial recognition, the available-for-sale investments are subsequently re-measured at fair value. The fair value is determined by reference to the methods below (listed in order of preference):

— the published quoted price when the financial instrument is quoted in an active market.

— the price used in recent transactions of similar financial instruments with adjustment when the market conditions have changed.

— valuation techniques, including cash flow models.

— if fair value cannot be measured reliably, equity and security investments are recognised at cost less impairment.

Gains and losses arising from changes in the fair value of available-for-sale investments are recognised as they arise in equity as revaluation reserves. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the profit and loss account as gains and losses arising from investment securities.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Interest earned while holding investment securities is reported as interest income. Dividends received or receivable are included separately in dividend income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Investments (continued)

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

1.10 Inventories

(i) Stocks of garment products

Stock of garment products comprise stocks and work in progress and are stated at the lower of cost and net reasonable value. Cost, calculated on the weighted average basis, comprises purchase cost of stocks in trade, materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(ii) Other inventories

Other inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on a first-in first-out basis, comprises purchase cost of stocks in trade, materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1.11 Trade and other receivables

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

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1.13 Share capital

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

1.14 Borrowings

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

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the equity reserve until either the note is converted or redeemed.

If the note is converted, the equity reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the equity reserve is released directly to retained earnings.

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

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Deferred income tax

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

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

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

1.16 Employee benefits

(a) Short term employee benefits and contributions to defined contribution retirement schemes

(i) Salaries, annual bonuses and annual leave entitlements, are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, accruals are made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

(ii) Contributions to the defined contribution retirement scheme ("ORSO Scheme") and the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred. The assets of these schemes are held in separately administered funds. Under these schemes, both the Group and its eligible employees are respectively required to contribute 5% each of the employees' basic monthly salary which is capped at HK$1,000 per month. Forfeited contributions in relation to those employees who leave the ORSO Scheme prior to the full vesting of their contributions are used to reduce the existing level of contributions.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.16 Employee benefits (continued)

(a) Short term employee benefits and contributions to defined contribution retirement schemes (continued)

The Group also participates in the employee pension schemes of the respective municipal government in various places in PRC where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly payroll costs to these Schemes and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The Group's contributions to these PRC contribution schemes are expensed as incurred.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of share options granted to employees is recognised as staff cost with a corresponding increase in the share option reserve. The fair value is measured at grant date using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is expensed over the vesting period, taking into account the probability that the options will vest.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to share option reserve over the remaining vesting period. If a grantee exercises share options, the respective amount in the share option reserve is transferred to share capital and share premium, together with the exercise price. If the share options lapse unexercised, the related share option reserve is transferred directly to retained earnings to reflect that the share options are no longer outstanding.

(c) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without a realistic possibility of withdrawal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 Provisions and contingent liabilities

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

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

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

1.18 Revenue recognition

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

All transactions related to dealing in securities, derivatives financial instruments and futures and options contracts, and handling fee and commission income arising from these transactions are based on trade dates. Accordingly, only those transactions whose trade dates fall within the accounting period have been taken into account.

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

Corporate finance and advisory fees, management fees and other service income are recognised when the service is rendered, the income can be reliably estimated and it is probable that the revenue will be received.

Rental income is recognised on a straight-line basis over the lease term net of any incentive payments.

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

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

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.19 Leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the profit and loss account on a straight-line basis over the period of the lease. The Group's interests in leasehold land and land use rights are also accounted as operating leases.

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

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

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, and unlisted convertible debts under available-for-sale investment securities.

The Group has no significant concentrations of credit risk in respect of its trade receivables. It has policies in place to ensure that the sale of products, and provision of services and the provision of securities and futures brokerages are made to customers with an appropriate credit history.

In respect of the Group's loan receivables and unlisted convertible debts, the Group may obtain collateral and guarantees where appropriate. The Group evaluates its receivables and advances for impairment on an ongoing basis. An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. During the year under review, an impairment loss of HK$7,506,000 was recognized in the profit and loss account in respect of its loan receivable (note 6).

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Given the diversification nature of the Group's underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient reserves of cash and readily realisable marketable securities and committed credit lines available.

2. FINANCIAL RISK MANAGEMENT (continued)

2.1 Financial risk factors (continued)

(c) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and borrowings. Interest bearing financial assets mainly comprise balances with banks which are all short term in nature, and debt securities which are repayable within 2 to 5 years.

Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. At 31 December 2005, HK$69,051,000 (2004: HK$79,561,000) and HK$3,846,000 (2004: HK$3,774,000) of borrowings were at variable rates and fixed rates respectively.

(d) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk as a portion of its sales is denominated in currencies other than the functional currency of Hong Kong dollars. The currency giving rise to this risk is Renminbi (“RMB”). On 21 July 2005, the People’s Bank of China announced reforms on the RMB exchange-rate formulating mechanism whereby the RMB to the US dollar pegging system was switched to one that referred to a basket of currencies. The exchange rate of the RMB to US dollar will be increased by 2%. The appreciation of the RMB is expected to have a positive impact on the Group’s turnover and net assets.

When seeking to optimise the returns on its funds available for investment, the Group may invest in non-Hong Kong dollars securities and foreign operations, which are exposed to foreign exchange risk. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

In addition, the Group has borrowings from its former group companies. The borrowings are denominated in Japanese Yen, and the carrying amount of the borrowings at 31 December 2005 were HK$69,051,000 (2004: HK$79,561,000). The Group does not hedge the related foreign exchange risk as these borrowings do not have a fixed repayment term. Owing to this foreign exchange fluctuation, the Group recorded a HK$10,510,000 exchange gain in the profit and loss account for the year ended 31 December 2005 (2004: exchange loss of HK$3,363,000).

NOTES TO THE ACCOUNTS

2. FINANCIAL RISK MANAGEMENT (continued)

2.1 Financial risk factors (continued)

(d) Market risk (continued)

(ii) Price risk

The Group is exposed to equity and debt securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale investments. The Group is not exposed to commodity price risk. The Group has a procedure to report the movements of securities price on a timely basis.

2.2 Fair value estimation

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its accounts. The accounting policies used in the preparation of the accounts are described in detail in Note 1 to the Accounts".

The estimates and assumptions that are deemed critical to the Group's results and financial position, in terms of materiality, or which involve a high degree of judgement and estimation, are discussed below.

(a) Impairment of goodwill

The Group tests annually whether goodwill was suffered any impairment in accordance with the accounting policy stated in note 1.8.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of goodwill impairment are set out in note 13 and note 18.

(b) Impairment of available-for-sale investment securities

For available-for-sale equity investment securities, a significant or prolonged decline in fair value below cost is considered to be an objective evidence of impairment. This determination requires significant judgement. In making this judgement, the Group takes into account, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the expected time span the Group will hold on to this investment as well as the financial information and performance of the investee. Details of impairment of available-for-sale investments are set out in note 20.

(c) Impairment of trade and other receivables

The Group reviews its trade and other receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated profit and loss account, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows.

NOTES TO THE ACCOUNTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Provision for liabilities

Determining provision is a possible obligation whose existence will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of the Group. The Group regularly and cautiously evaluates the potential clawback provision of fund performance fee in light of newly available information, and a provision is set up accordingly (note 29).

(e) Fair value of available-for-sale investment securities

For a number of available-for-sale investment securities, no quoted prices from an active market exist. The fair values for these available-for-sale investment securities are established by using valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of similar instruments and discounted cash flow analysis. The use of valuation techniques require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary.

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

The Group and its jointly controlled entities are principally engaged in investment holding, financial services, the provision of media, consulting, marketing and technology services, garment manufacturing, and property holding. Turnover and other revenue recognised during the year are as follows:

	2005	2004
		(Restated)
	HK$'000	HK$'000
Turnover		
Sales of goods	**30,100**	40,004
Manufacturing processing services	**23,398**	18,655
Country club services	**5,124**	5,736
Brokerage commission from dealing in securities, equity options, futures and options contracts	**13,643**	—
Corporate finance and advisory fee income	**1,898**	—
Commission from new issues and underwriting activities	**6,480**	—
Fund and other management fee income	**6,254**	16,290
Gross rental income from investment properties	**2,139**	2,466
Service income from provision of public relation services	**—**	5,075
Service income from provision of media, technology consulting and development services and related distribution income	**20,088**	13,746
Interest income derived from financial services	**1,084**	—
Dividend income from available-for-sale investment securities/non-trading securities	**2,197**	7,081
	112,405	109,053
Other revenue		
Interest income	**1,697**	1,768
Other income	**904**	1,876
	2,601	3,644
Total revenues	**115,006**	112,697

NOTES TO THE ACCOUNTS

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments

The Group is currently organised into five main business segments:

— Investment holding

— Financial services

— Media, consulting, marketing & technology services

— Garment manufacturing

— Property holding & others

Investment holding is one of the Group's segments, and accordingly the Group's investment securities and the corresponding income/expenses, were included in the segment assets and results, respectively.

Financial services segment comprise the fund management business and a 49% interest in the financial services group under SBI E2-Capital Limited ("SBI E2"). SBI E2 has become a jointly controlled entity of the Company on 1 January 2005 and its results have since been proportionately consolidated. Prior to 1 January 2005, SBI E2 was an associated company of the Company and its results had been equity accounted for in the consolidated accounts (note 36).

In July 2005, the Group reclassified iMediaHouse Asia Limited ("IMHA") as an associated company from a jointly controlled entity (note 18). The results of IMHA were included in the segment of media, consulting, marketing and technology services.

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Segment information about these businesses is presented below:

Profit And Loss Account

For the year ended 31 December 2005

	Investment holding HK$'000	Financial services HK$'000	Media, consulting, marketing & technology services HK$'000	Garment manufacturing HK$'000	Property holding & others HK$'000	Group total HK$'000
Turnover						
Segment turnover	4,482	29,064	20,156	53,679	7,086	114,467
Inter-segment	(4,192)	—	(67)	—	—	(4,259)
Total	290	29,064	20,089	53,679	7,086	110,208
Dividend income	2,197					2,197
						112,405
Segment results						
Segment total	(31,578)	2,643	1,475	1,206	3,230	(23,024)
Provision for clawback of fund performance fee income	—	(8,915)	—	—	—	(8,915)
Impairment losses of assets	(33,178)	(3,842)	—	—	—	(37,020)
Segment results	(64,756)	(10,114)	1,475	1,206	3,230	(68,959)
Dividend income	2,197					2,197
Unallocated income						12,142
Finance costs						(4,241)
Share of results of associated companies		87	(33,662)			(33,575)
Loss before taxation						(92,436)
Taxation						(802)
Loss for the year						(93,238)
Attributable to:						
Shareholders of the Company						(93,594)
Minority interests						356
						(93,238)

NOTES TO THE ACCOUNTS

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Balance Sheet
As at 31 December 2005

	Investment holding HK$'000	Financial services HK$'000	Media, consulting, marketing & technology services HK$'000	Garment manufacturing HK$'000	Property holding & others HK$'000	Group total HK$'000
ASSETS						
Segment assets	135,112	102,922	28,842	47,546	86,114	400,536
Interests in associated companies	—	2,208	7,957	—	—	10,165
Group total						410,701
LIABILITIES						
Segment liabilities	17,670	43,750	1,814	10,465	16,713	90,412
Unallocated liabilities	—	—	—	—	—	99,141
Group total						189,553

Other information
For the year ended 31 December 2005

	Investment holding HK$'000	Financial services HK$'000	Media, consulting, marketing & technology services HK$'000	Garment manufacturing HK$'000	Property holding & others HK$'000	Group total HK$'000
Capital expenditure	45	1,354	1,330	526	16	3,271
Depreciation	728	706	460	2,117	1,172	5,183
Amortisation of prepaid operating lease payment	—	—	—	80	255	335
Impairment of available-for-sale investment securities recognised in profit and loss account	25,672	—	—	—	—	25,672
Impairment of goodwill	—	3,842	27,842	—	—	31,684
Impairment of loan receivable	7,506	—	—	—	—	7,506
Gain on revaluation of investment properties recognised in profit and loss account	—	—	—	—	3,580	3,580

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Profit And Loss Account
For the year ended 31 December 2004

	Investment holding (Restated)	Financial services (Restated) (note)	Media, consulting, marketing & technology services (Restated)	Garment manufacturing	Property holding & others	Group total (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover						
Segment turnover	10,334	15,127	19,139	58,791	8,124	111,515
Inter-segment	(9,233)	—	(310)	—	—	(9,543)
Total	1,101	15,127	18,829	58,791	8,124	101,972
Dividend income	7,081					7,081
						109,053
Segment results						
Segment total	(36,006)	9,900	(5,102)	1,086	4,092	(26,030)
Gain on disposal of a subsidiary	10,193	—	—	—	—	10,193
Deemed gain on disposal of a subsidiary	12,604	—	—	—	—	12,604
Gain on disposal of non-trading securities	1,346	—	—	—	—	1,346
Write back of provision for impairment of non-trading securities	6,574	—	—	—	—	6,574
Amortisation of goodwill in respect of a subsidiary	—	(203)	—	—	—	(203)
Segment results	(5,289)	9,697	(5,102)	1,086	4,092	4,484
Dividend income	7,081					7,081
Unallocated income						1,768
Finance costs						(3,751)
Share of results of associated companies		4,225	(5,640)			(1,415)
Profit before taxation						8,167
Taxation						(1,088)
Profit for the year						7,079
Attributable to:						
Shareholders of the Company						6,293
Minority interests						786
						7,079

NOTES TO THE ACCOUNTS

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Note:

Financial services segment comprise the fund management business and a 49% interest in the financial services group under SBI E2. SBI E2 has become a jointly controlled entity of the Company on 1 January 2005 and its results have since been proportionate consolidated. In 2004, SBI E2 was an associated company of the Company and its results had been equity accounted for in the consolidated accounts.

The proforma results of the financial services segment for the year ended 31 December 2004, assuming that SBI E2 was proportionately consolidated since 1 January 2004, are as follows:

	Financial services
	HK$'000
Turnover	
Segment turnover	38,945
Inter-segment	—
Total	38,945
Segment results	13,922

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Balance Sheet
As at 31 December 2004

	Investment holding (Restated) HK$'000	Financial services (Restated) HK$'000	Media, consulting, marketing & technology services (Restated) HK$'000	Garment manufacturing HK$'000	Property holding & others HK$'000	Group total (Restated) HK$'000
ASSETS						
Segment assets	192,190	8,621	21,306	45,908	85,192	353,217
Interests in associated companies	—	35,426	37,775	—	—	73,201
Group total						426,418
LIABILITIES						
Segment liabilities	22,254	4,178	2,984	10,502	16,149	56,067
Unallocated liabilities	—	—	—	—	—	102,310
Group total						158,377

Other information
For the year ended 31 December 2004

	Investment holding (Restated) HK$'000	Financial services HK$'000	Media, consulting, marketing & technology services (Restated) HK$'000	Garment manufacturing (Restated) HK$'000	Property holding & others (Restated) HK$'000	Group total (Restated) HK$'000
Capital expenditure	528	—	2,135	212	29	2,904
Depreciation	824	13	449	2,582	1,200	5,068
Amortisation of prepaid operating lease payment	—	—	—	78	250	328
Net write back of provision for impairment of non-trading securities recognised in profit and loss account	6,574	—	—	—	—	6,574
Gain on revaluation of investment properties recognised in profit and loss account	—	—	—	—	4,130	4,130
Amortisation of goodwill in respect of						
- a subsidiary	—	203	—	—	—	203
- associated companies	—	—	1,544	—	—	1,544
- a jointly controlled entity	—	—	2,900	—	—	2,900

NOTES TO THE ACCOUNTS

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Geographical segments

The Group's business segments are mainly managed and operated in the following geographical areas:

— Hong Kong

— Mainland China

— Other countries

Geographical segmental information is presented below:

For the year ended 31 December 2005

	Hong Kong	**Mainland China**	**Other countries**	**Group total**
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**42,688**	**59,124**	**10,593**	**112,405**
Other revenue	**2,526**	**75**	**—**	**2,601**
External revenue	**45,214**	**59,199**	**10,593**	**115,006**
Segment assets	**284,048**	**109,136**	**17,517**	**410,701**
Capital expenditure incurred during the year	**2,688**	**583**	**—**	**3,271**

For the year ended 31 December 2004

	Hong Kong (Restated)	**Mainland China (Restated)**	**Other countries**	**Group total (Restated)**
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	35,681	64,750	8,622	109,053
Other revenue	2,648	996	—	3,644
External revenue	38,329	65,746	8,622	112,697
Segment assets	292,191	120,186	14,041	426,418
Capital expenditure incurred during the year	2,635	269	—	2,904

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is stated after crediting and charging the following:

	2005	2004 (Restated)
Crediting:	**HK$'000**	HK$'000
Write back of impairment of doubtful debts and loan receivables	**509**	121
Net exchange gain	**11,814**	—
Gain on disposal of available-for-sale investment securities	**277**	—
Gain on disposal of non-trading securities	**—**	1,346
Net realised and unrealised gain on trading investments	**814**	196
Gain on disposal of investment properties	**3**	420
Dividend income from available-for-sale investment securities/non-trading securities		
- listed investments	**2,197**	1,138
- unlisted investments	**—**	5,943
Gain on disposal of a subsidiary (note a)	**—**	10,193
Deemed gain on disposal of a subsidiary (note b)	**—**	12,604
Gain on deemed disposal of partial interest in a jointly controlled entity (note b)	**—**	1,260
Fund management performance fee income (note 29)	**—**	8,915
Charging:		
Loss on disposal of property, plant and equipment	**8**	35
Outgoings in respect of investment properties	**473**	632
Auditors' remuneration	**2,756**	1,553
Staff costs (including directors' emoluments)		
- Retirement benefit costs (note c)	**2,019**	1,589
- Share option expenses	**2,150**	2,412
- Salaries, wages and other benefits	**38,740**	29,784
	42,909	33,785
Operating lease rentals in respect of land and buildings	**4,091**	2,628
Loss on partial disposal of a jointly controlled entity's subsidiary (note 34(b))	**734**	—
Loss on partial disposal of a jointly controlled entity (note b)	**3,244**	—
Amortisation of prepaid operating lease payment	**335**	328
Depreciation of owned property, plant and equipment	**5,183**	5,068
Cost of goods sold	**54,858**	58,536
Impairment of doubtful debts and other receivables	**1,442**	482
Net exchange loss	**—**	3,379
Impairment/amortisation of goodwill in respect of		
- a subsidiary	**3,842**	203
- associated companies (note 18)	**27,842**	1,544
- a jointly controlled entity	**—**	2,900

NOTES TO THE ACCOUNTS

5. (LOSS)/PROFIT BEFORE TAXATION (continued)

Notes:

(a) In June 2004, the Group entered into an agreement with New Tech & Telecom Investment Limited ("NT&T") pursuant to which the Group disposed of its 60% equity interest in Software Gateway Limited ("SWG") at a consideration of approximately HK$12,094,000 which was satisfied by NT&T issuing to the Group 24,187 of its new shares, representing approximately an 18% shareholding in NT&T. The disposal resulted in a gain of approximately HK$10,193,000 recognised by the Group in the consolidated profit and loss account for the year ended 31 December 2004. SWG is primarily a holding company which holds 99% equity interest in Electrum Information Technology Co., Ltd., a developer of IT solutions based in Guangzhou.

(b) In March 2004, the Group entered into a share subscription agreement whereby the Group agreed to subscribe for a 50% interest in iMediaHouse Asia Limited ("IMHA") at a total consideration of US$6 million (equivalent to approximately HK$46,800,000). Following the completion of the subscription, the Group reported its investment in IMHA in its consolidated accounts as interests in a jointly controlled entity by proportionate consolidation. Also in June 2004, the Group entered into a share sale and purchase agreement whereby IMHA agreed to acquire the entire 100% issued share capital of Ebizal Marketing (Holdings) Limited, an indirect wholly-owned subsidiary of the Company, at a cash consideration of US$3 million (equivalent to approximately HK$23,400,000). The disposal to IMHA was completed on 30 June 2004 and a deemed gain on disposal of a subsidiary of approximately HK$12,604,000 (representing the portion of gain attributable to the interest of the other venturer) was recognised by the Group in the consolidated profit and loss account for the year ended 31 December 2004.

In December 2004, IMHA has issued certain shares to the other venturer at a total consideration of US$1 million (equivalent to approximately HK$7,800,000). The Group's interest in IMHA has been reduced by approximately 2.82%, resulting in a gain on deemed disposal of approximately HK$1,260,000 being recognised by the Group in the consolidated profit and loss account for the year ended 31 December 2004.

In July 2005, the Group disposed 1,666 shares in IMHA (representing approximately 7.86% equity interest in IMHA) to the other venturer. The Group's interest in IMHA has been reduced further to 39.32% from 47.18% and the Group recognised a loss of HK$3,244,000 in the profit and loss account for the year ended 31 December 2005. The Group reported its investment in IMHA in the consolidated accounts as interests in an associated company by using the equity method (note 18), following the partial disposal.

(c) The retirement benefit costs charged to the profit and loss represent gross contributions payable by the Group of HK$2,019,000 (2004:HK$1,589,000). As at 31 December 2005 and 2004, there were no forfeited voluntary contributions available to reduce the contributions payable by the Group in the future.

6. IMPAIRMENT LOSSES OF ASSETS

	2005 HK$'000	2004 HK$'000
In respect of:		
Loans receivable (note 2.1(a))	**7,506**	—
Goodwill (note 13)	**3,842**	—
Available-for-sale investment securities (note 20)	**25,672**	—
	37,020	—

7. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**293**	410
Interest on client accounts and other loans wholly repayable within five years	**619**	368
Interest on loans from a former intermediate holding company and a former fellow subsidiary wholly repayable within five years (note 28)	**1,824**	1,805
Interest on Guaranteed Convertible Notes due within 5 years (note 25)	**1,505**	1,168
	4,241	3,751

NOTES TO THE ACCOUNTS

8. TAXATION

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

The amount of taxation charged to the consolidated profit and loss account represents:

	2005	2004
	HK$'000	HK$'000
Company and subsidiaries:		
Hong Kong profits tax	**519**	900
PRC taxation	**315**	195
Overprovision in prior periods	**(32)**	(7)
	802	1,088

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rates

	2005	2004
		(Restated)
	HK$'000	HK$'000
(Loss)/profit before taxation	**(92,436)**	8,167
Tax (credit)/charge at the domestic income tax rate of 17.5% (2004:17.5%)	**(16,176)**	1,429
Tax effect of unused tax losses not recognised	**5,904**	2,706
Tax effect of utilisation of tax losses not previously recognised	**(209)**	(196)
Tax effect of non-taxable revenue	**(5,860)**	(12,670)
Tax effect of non-deductible expenses	**17,074**	9,758
Effect of different tax rates of subsidiaries operating in other jurisdictions	**101**	68
Overprovision in prior periods	**(32)**	(7)
Tax charge	**802**	1,088

9. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

Directors' emoluments are analysed as follows:

	2005	2004
	HK$'000	HK$'000
Fees	**400**	324
Salaries and other allowances	**10,569**	10,746
Bonus	**303**	885
Pensions	**48**	48
	11,320	12,003

Fees to Independent Non-executive Directors amounted to HK$400,000 (2004: HK$324,000) for the year.

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

Name of Director	Fees	Salary	Discretionary bonus	Other benefits	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yu Kam Kee, Lawrence	—	3,600	—	62	12	3,674
Wong Sin Just	—	3,600	—	55	12	3,667
Wong Kean Li	—	1,452	303	—	12	1,767
Wang Ruiping (resigned on 1 January 2006)	—	1,800	—	—	12	1,812
Yu Kam Yuen, Lincoln	100	—	—	—	—	100
Lo Wing Yan, William	100	—	—	—	—	100
Chan Kai Yu, Rudy	100	—	—	—	—	100
Raja Datuk Karib Shah bin Shahrudin	100	—	—	—	—	100

During the year ended 31 December 2005, no share option was granted to the Directors under the share option scheme adopted at the annual general meeting of the Company on 30 October 2001 and no share option has been exercised by any of the Directors.

NOTES TO THE ACCOUNTS

9. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

(a) Directors' emoluments (continued)

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

Name of Director	Fees	Salary	Discretionary bonus	Other benefits	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yu Kam Kee, Lawrence	—	3,814	—	62	12	3,888
Wong Sin Just	—	3,695	—	55	12	3,762
Wong Kean Li	—	1,320	400	—	12	1,732
Wang Ruiping (resigned on 1 January 2006)	—	1,800	485	—	12	2,297
Yu Kam Yuen, Lincoln	100	—	—	—	—	100
Lo Wing Yan, William	100	—	—	—	—	100
Chan Kai Yu, Rudy	100	—	—	—	—	100
Raja Datuk Karib Shah bin Shahrudin	24	—	—	—	—	24

During the year ended 31 December 2004, 21,528,000 share options (excluding 21,528,000 share options which were subsequently cancelled during the year) were granted to the Directors. Each of the options entitles the holder to subscribe for one ordinary share of HK$0.10 in the Company at an exercise price of HK$0.10 at any time during the period from 24 May 2004 to 23 May 2014. During the year of 2004, no share option has been exercised by any of the Directors.

9. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

(b) Employees' emoluments

The five highest paid individuals included four Directors (2004: four), details of whose emoluments are included in the amounts disclosed in (a) above. The emoluments of the remaining one (2004: one) highest paid individual are as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and other allowances	**720**	720
Bonus	**70**	63
Pensions	**12**	12
	802	795

The employees' emoluments fell within the following bands:

Emoluments band	**Number of employees**	
	2005	2004
HK$ Nil - HK$1,000,000	**1**	1

NOTES TO THE ACCOUNTS

10. DIVIDEND

The Directors have resolved not to pay any dividend in respect of the year ended 31 December 2005 (2004: Nil).

11. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders dealt with in the accounts of the Company is HK$44,408,000 (2004: profit of HK$3,763,000 as restated).

12. (LOSS)/EARNINGS PER SHARE

Basic loss per share was calculated based on the loss attributable to shareholders of HK$93,594,000 (2004: net profit of HK$6,293,000) and the weighted average number of 4,303,598,120 (2004: 4,073,707,057) ordinary shares in issue during the year.

The diluted loss per share for the year was not shown as the effect of the assumed conversion of the Group's outstanding convertible notes and the exercise of the share options granted by the Company would be regarded as anti-dilutive. Diluted earnings per share for the year ended 31 December 2004 was calculated based on the above basic earnings which require no adjustment for the effects of dilutive potential ordinary shares, and the above weighted average number of ordinary shares in issue plus the weighted average number of 112,976,103 ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares.

13. GOODWILL

	Group 2005 HK$'000	Group 2004 (Restated) HK$'000
Cost		
At 1 January	**40,301**	45,096
Elimination of accumulated amortisation under HKFRS 3	**(17,218)**	—
Addition	**—**	23,398
Deemed disposal	**—**	(1,257)
Disposal	**—**	(26,936)
Adjustment of purchase consideration	**(1,945)**	—
Deconsolidation of IMHA (notes 18 & 34(a))	**(17,296)**	—
At 31 December	**3,842**	40,301
Amortisation and impairment loss		
At 1 January	**17,218**	41,051
Elimination of accumulated amortisation under HKFRS 3	**(17,218)**	—
Disposal	**—**	(26,936)
Amortisation (note 5)	**—**	3,103
Impairment (note 5)	**3,842**	—
At 31 December	**3,842**	17,218
Net book value		
At 31 December	**—**	23,083
At 1 January	**23,083**	4,045

During the year, the Group reviewed the carrying value of its goodwill in respect of a subsidiary and identified that its recoverable amount is less than the carrying value. Accordingly, an impairment loss of HK$3,842,000 was recognised in the profit and loss account for the year ended 31 December 2005.

NOTES TO THE ACCOUNTS

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
Cost:							
At 1 January 2004	65,179	2,064	34,850	16,304	1,103	6,292	125,792
Proportionate consolidation of jointly controlled entities	—	—	—	18	—	—	18
Additions	—	172	139	251	1,923	419	2,904
Acquisition of subsidiaries of a jointly controlled entity	—	3	—	167	—	—	170
Disposal of subsidiaries	—	(6)	—	(807)	—	(445)	(1,258)
Disposals	—	—	—	(102)	(33)	(220)	(355)
Disposal of partial interest in a jointly controlled entity	—	—	—	(13)	(92)	—	(105)
At 31 December 2004 (restated)	65,179	2,233	34,989	15,818	2,901	6,046	127,166
Accumulated depreciation							
At 1 January 2004	17,396	1,070	30,062	13,191	901	3,379	65,999
Proportionate consolidation of jointly controlled entities	—	—	—	3	—	—	3
Charge for the year	1,901	531	1,034	872	261	469	5,068
Acquisition of subsidiaries of a jointly controlled entity	—	3	—	112	—	—	115
Disposal of subsidiaries	—	(6)	—	(425)	—	(186)	(617)
Disposals	—	—	—	(98)	(11)	(151)	(260)
Disposal of partial interest in a jointly controlled entity	—	—	—	(8)	(6)	—	(14)
At 31 December 2004 (restated)	19,297	1,598	31,096	13,647	1,145	3,511	70,294
Net book value							
At 31 December 2004 (restated)	45,882	635	3,893	2,171	1,756	2,535	56,872

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
Cost:							
At 1 January 2005 (restated)	65,179	2,233	34,989	15,818	2,901	6,046	127,166
Proportionate consolidation of a jointly controlled entity	—	780	—	1,740	1,389	—	3,909
Additions	—	521	281	123	2,101	245	3,271
Disposals	—	—	(1,099)	(70)	(77)	(281)	(1,527)
Reclassified a jointly controlled entity as an associated company	—	(28)	—	(266)	(2,348)	—	(2,642)
Exchange adjustments	1,232	—	621	248	(4)	81	2,178
At 31 December 2005	66,411	3,506	34,792	17,593	3,962	6,091	132,355
Accumulated depreciation							
At 1 January 2005 (restated)	19,297	1,598	31,096	13,647	1,145	3,511	70,294
Proportionate consolidation of a jointly controlled entity	—	461	—	1,283	973	—	2,717
Charge for the year	1,934	843	601	818	626	361	5,183
Disposals	—	—	(1,089)	(66)	(76)	(253)	(1,484)
Reclassified a jointly controlled entity as an associated company	—	(7)	—	(176)	(279)	—	(462)
Exchange adjustments	351	—	493	215	—	66	1,125
At 31 December 2005	21,582	2,895	31,101	15,721	2,389	3,685	77,373
Net book value							
At 31 December 2005	44,829	611	3,691	1,872	1,573	2,406	54,982

At 31 December 2005, certain buildings with a total net book value of HK$5,108,000 (2004: HK$5,122,000) of the Group were pledged to secure banking facilities granted to the Group (note 28).

NOTES TO THE ACCOUNTS

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK'000
Cost:					
At 1 January 2004	1,491	1,589	665	220	3,965
Additions	—	38	142	347	527
Disposals	—	(95)	(8)	(220)	(323)
At 31 December 2004	1,491	1,532	799	347	4,169
Accumulated depreciation					
At 1 January 2004	497	1,218	621	137	2,473
Charge for the year	497	188	47	86	818
Disposals	—	(91)	(8)	(151)	(250)
At 31 December 2004	994	1,315	660	72	3,041
Net book value					
At 31 December 2004	497	217	139	275	1,128
Cost:					
At 1 January 2005	**1,491**	**1,532**	**799**	**347**	**4,169**
Additions	**—**	**8**	**37**	**—**	**45**
Disposals	**—**	**(60)**	**(68)**	**—**	**(128)**
At 31 December 2005	**1,491**	**1,480**	**768**	**347**	**4,086**
Accumulated depreciation					
At 1 January 2005	**994**	**1,315**	**660**	**72**	**3,041**
Charge for the year	**497**	**73**	**65**	**87**	**722**
Disposals	**—**	**(58)**	**(68)**	**—**	**(126)**
At 31 December 2005	**1,491**	**1,330**	**657**	**159**	**3,637**
Net book value					
At 31 December 2005	**—**	**150**	**111**	**188**	**449**

15. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**37,880**	40,830
Disposals	**(1,140)**	(7,080)
Fair value gains	**3,580**	4,130
At 31 December	**40,320**	37,880

The investment properties were revalued at 31 December 2005 by Colliers International (Hong Kong) Limited, independent professional qualified valuer. Valuations were based on current prices in an active market.

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

	Group	
	2005	2004
	HK$'000	HK$'000
Held in Hong Kong on:		
Leases between 10 to 50 years	**40,320**	37,880

16. LEASEHOLD LAND AND LAND USE RIGHTS

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

	Group	
	2005	2004
	HK$'000	HK$'000
Held in Hong Kong on:		
Leases between 10 to 50 years	**114**	117
Held outside Hong Kong on:		
Leases between 10 to 50 years	**11,143**	11,259
	11,257	11,376

NOTES TO THE ACCOUNTS

16. LEASEHOLD LAND AND LAND USE RIGHTS (continued)

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**11,376**	11,704
Amortisation of prepaid operating lease payment	**(335)**	(328)
Exchange adjustment	**216**	—
At 31 December	**11,257**	11,376

At 31 December 2005, certain leasehold land and land use rights with a total net book value of HK$255,000 (2004: HK$256,000) of the Group were pledged to secure banking facilities granted to the Group (note 28).

17. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**82,398**	82,398
Amounts due from subsidiaries	**546,730**	540,663
Amounts due to subsidiaries	**(36,592)**	(40,817)
	592,536	582,244
Less: Impairment		
- Unlisted shares, at cost	**(75,522)**	(75,522)
- Amounts due from subsidiaries	**(320,292)**	(320,292)
	196,722	186,430

Amounts due from subsidiaries are unsecured, interest free and repayable on demand other than amount of HK$40,736,000 (2004: HK$52,069,000) bear interest ranging from 3.75% to 8% (2004: 4% to 8%) per annum.

As at 31 December 2005, amounts due to subsidiaries are unsecured, interest free and repayable on demand. As at 31 December 2004, amounts due to subsidiaries are unsecured, interest free and repayable on demand other than amount of HK$808,000 bear interest at 3% per annum.

Details of principal subsidiaries are set out in note 35.

NOTES TO THE ACCOUNTS

18. INTERESTS IN ASSOCIATED COMPANIES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**—**	—	**22,425**	22,425
Impairment losses	**—**	—	**(13,673)**	—
Share of net assets	**14,065**	64,749	**—**	—
Goodwill (note a)	**—**	17,328	**—**	—
Amounts due from associated companies (note b)	**—**	5,142	**—**	—
Amounts due to associated companies (note b)	**(3,900)**	(14,018)	**—**	(14,018)
	10,165	73,201	**8,752**	8,407

NOTES TO THE ACCOUNTS

18. INTERESTS IN ASSOCIATED COMPANIES (continued)

Note a: The movement in goodwill is as follows:

	Group	
	2005	2004
		(Restated)
	HK$'000	HK$'000
Cost		
At 1 January	**19,533**	9,912
Elimination of accumulated amortisation under HKFRS 3	**(2,205)**	—
Addition	**—**	9,621
Disposal	**(2,882)**	—
Adjustment of purchase consideration	**(3,900)**	—
Deconsolidation of IMHA (notes 13 & 34(a))	**17,296**	—
At 31 December	**27,842**	19,533
Amortisation and impairment loss		
At 1 January	**2,205**	661
Elimination of accumulated amortisation under HKFRS 3	**(2,205)**	—
Amortisation (note 5)	**—**	1,544
Impairment (note 5)	**27,842**	—
At 31 December	**27,842**	2,205
Net book value		
At 31 December	**—**	17,328
At 1 January	**17,328**	9,251

Note b: At 31 December 2005, the balance of HK$3,900,000 represents the Group's subscription payable in respect of its equity investment in IMHA.

At 31 December 2004, the amounts due from associated companies were unsecured, interest free and had no fixed repayment terms. The balance of HK$14,018,000 represents an amount due to SBI E2. Except for an amount of HK$7,009,000, which bears interest at prime rate plus 1.5% per annum and was repayable on demand, the remaining balance was interest free and had no fixed repayment terms.

18. INTERESTS IN ASSOCIATED COMPANIES (continued)

Prior to 1 January 2005, SBI E2 was an associated company of the Company and its results had been equity accounted for in the consolidated accounts. On 1 January 2005, SBI E2 has become a jointly controlled entity of the Company and its results have since been proportionately consolidated, which resulted in a decrease in share of net assets and net amounts due to associated company by HK$49,379,000 and HK$13,953,000 respectively.

On 15 July 2005, the Group disposed 1,666 shares in IMHA (representing approximately 7.86% of equity interest in IMHA) to the other venturer. Following the disposal, the Group's equity interest in IMHA has reduced to 39.32% from 47.18%. The Group therefore reclassified IMHA as an associated company of the Company on 15 July 2005 and its results have since been equity accounted for in the consolidated accounts. Prior to 15 July 2005, IMHA was a jointly controlled entity of the Company and its results had been proportionately consolidated (note 36).

During the year under review, the Group accounted for the losses of the associated companies of HK$33,575,000 which comprise a goodwill impairment of HK$27,842,000 (2004: Nil) and share of the net loss of HK$5,733,000 (2004: HK$1,415,000). During the year under review, the Group reviewed and examined the operations of the associated companies and identified that the estimated discounted net future cash flows from the associated companies are less than the carrying amount. Based on the reassessment, the Group is of the view that the goodwill arising on the acquisition of the associated companies is not recoverable and accordingly an impairment loss of HK$27,842,000 was recognised in the profit and loss account for the year ended 31 December 2005.

NOTES TO THE ACCOUNTS

18. INTERESTS IN ASSOCIATED COMPANIES (continued)

Details of the principal associated companies at 31 December 2005 are as follows. To give details of all other associated companies of the Group would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation and operation	Percentage of equity held by Company	Percentage of equity held by Group	Principal activities
Supresoft Imagis Inc*	British Virgin Islands	27.6%	—	Sale and development of software and hardware products and the provision of data processing service
iMediaHouse Asia Limited*	Hong Kong	—	39.32%	Provision of advertising services
SBI E2-Capital (HK) Limited	Hong Kong	—	24%	Provision of corporate finance services

* Associated companies not audited by PricewaterhouseCoopers, Hong Kong

18. INTERESTS IN ASSOCIATED COMPANIES (continued)

The summarised financial information based on the unaudited management accounts of the associated companies as at 31 December was as follows:

	Aggregated		Group's attributable interest	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets	**63,530**	233,975	**21,022**	103,388
Liabilities	**(21,877)**	(94,399)	**(6,957)**	(38,639)
	41,653	139,576	**14,065**	64,749
Revenue	**16,955**	75,907	**5,324**	31,538
(Loss)/profit before taxation	**(18,218)**	(2,329)	**(5,733)**	495
Taxation	**—**	(751)	**—**	(366)
	(18,218)	(3,080)	**(5,733)**	129
Amortisation of goodwill			**—**	(1,544)
Impairment of goodwill			**(27,842)**	—
Share of results of associated companies			**(33,575)**	(1,415)

NOTES TO THE ACCOUNTS

19. NON-TRADING SECURITIES

	Group 2004 HK$'000	Company 2004 HK$'000
Equity securities, at fair value		
Listed in Hong Kong	45,358	31,255
Listed outside Hong Kong	14,041	—
	59,399	31,255
Unlisted	47,026	31,496
	106,425	62,751
Debt securities, at fair value		
Unlisted convertible debt securities	9,000	—
	115,425	62,751
Market value of listed securities		
Listed in Hong Kong	45,358	31,255
Listed outside Hong Kong	14,041	—
	59,399	31,255

In accordance with the Group's accounting policies on investments in securities, the directors have reviewed the Group's individual investments at 31 December 2004 in order to determine if their fair values have been impaired. Following the review, the directors concluded that a net write back of provision for impairment loss of HK$6,574,000, comprising a write back of HK$14,582,000 impairment loss recognised in prior years and a provision for impairment loss of HK$8,008,000 in 2004 on different investments, should be made in the profit and loss account for the year ended 31 December 2004.

20. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

	Group 2005 HK$'000	Company 2005 HK$'000
Debt securities – at fair value		
- Unlisted	**23,880**	**—**
Equity securities – at fair value		
- Listed in Hong Kong	**29,378**	**21,998**
- Listed outside Hong Kong	**17,516**	**—**
- Unlisted	**44,943**	**20,592**
Total	**115,717**	**42,590**
Current portion	**(25,540)**	**—**
Non-current portion	**90,177**	**42,590**
Market value of listed securities		
- Listed in Hong Kong	**29,378**	**21,998**
- Listed outside Hong Kong	**17,516**	**—**
	46,894	**21,998**

In accordance with the Group's accounting policies on investments in securities, the directors have reviewed the Group's individual investments at 31 December 2005 in order to determine if their fair values have been impaired. Following the review, the directors concluded that an impairment loss of HK$25,672,000 should be made in the profit and loss account for the year ended 31 December 2005.

21. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Cost:		
Raw materials	**1,730**	1,688
Work in progress	**4,423**	3,761
Finished goods	**1,205**	231
Stocks in trade	**667**	240
	8,025	5,920

NOTES TO THE ACCOUNTS

22. TRADE RECEIVABLES

	Group 2005 HK$'000	2004 (Restated) HK$'000
Trade receivables arising from the ordinary course of business of dealing in securities, options and futures contracts (note a)	**39,781**	—
Trade receivables from securities margin clients (note b)	**453**	—
Trade receivables arising from garment manufacturing (note c)	**12,136**	11,183
Trade receivables arising from media, consulting, marketing and technology services (note d)	**2,134**	1,467
Other trade debtors	**735**	359
	55,239	13,009

Notes:

(a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities are two days after trade date, whereas the settlement terms for those arising from the ordinary course of business of dealing in options and futures contracts are one day after trade date.

(b) Trade receivables from securities margin clients are secured by clients' pledged securities, and are payable on demand and bear interest at commercial rates.

(c) The credit terms of trade receivables arising from garment manufacturing range from 30 days to 180 days.

(d) The credit terms of trade receivables arising from media, consulting, marketing and technology services range from 30 days to 60 days.

(e) The aging analysis of the trade receivables balance is as follows:

	Group 2005 HK$'000	2004 (Restated) HK$'000
Within one month	**47,484**	6,602
Over one month but not exceeding three months	**4,792**	4,644
Over three months but not exceeding six months	**2,560**	1,696
Over six months	**403**	67
	55,239	13,009

(f) The carrying amounts of trade receivables approximated their fair values.

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

23. CASH AND BANK BALANCES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short-term bank deposits (note)	**35,618**	—	**20,250**	—
Cash at bank and in hand	**47,515**	66,670	**8,948**	40,962
Cash and cash equivalents in the balance sheet	**83,133**	66,670	**29,198**	40,962

Note:

Short-term bank deposits earn interests at floating rates based on bank deposit rate.

24. TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED

(a) Trade payables

	Group	
	2005	2004 (Restated)
	HK$'000	HK$'000
Trade payables arising from the ordinary course of business of dealing in securities, options and futures contracts	**41,512**	—
Trade payables arising from garment manufacturing and operation of a country club	**5,715**	4,867
Trade payables arising from media, consulting, marketing and technology services	**410**	1,163
Other trade creditors	**50**	50
	47,687	6,080

NOTES TO THE ACCOUNTS

24. TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED (continued)

(a) Trade payables (continued)

The aging analysis of the trade payables balance is as follows:

	Group	
	2005	2004
		(Restated)
	HK$'000	HK$'000
Within one month	**45,436**	3,717
Over one month but not exceeding three months	**1,705**	1,635
Over three months but not exceeding six months	**182**	213
Over six months	**364**	515
	47,687	6,080

(b) Other payables and deposits received

As at 31 December 2004, the Group had committed subscription of US$1 million (equivalent to approximately HK$7,800,000) and US$1.5 million (equivalent to approximately HK$11,700,000) in respect of the Group's equity investment in a former associated company and IMHA respectively. During the year, the Group has determined not to subscribe for the aforesaid interests in the former associated company and reduce the subscription amount in IMHA to US$1 million, of which US$500,000 was paid by issuing 33,050,847 ordinary shares of the Company at HK$0.118 each in March 2005 (note 26(b)) pursuant to the terms and conditions of the agreements. As a result, an amount of HK$1,840,000 (representing the portion of the Group's equity interest in IMHA) was reversed during the year.

The carrying amounts of trade payables, other payables and deposits received approximated their fair values.

NOTES TO THE ACCOUNTS

25. 5% GUARANTEED CONVERTIBLE NOTES

On 28 August 2002, SIIS Treasury Limited, a wholly-owned subsidiary of the Company, issued HK$156,400,000 5% guaranteed convertible notes due in August 2005 (the "2005 Notes"). The 2005 Notes bear a fixed interest of 5% per annum.The 2005 Notes carry a right to convert at any time from 28 August 2002 to 29 August 2005 (both dates inclusive) into ordinary shares of the Company at an initial conversion price of HK$0.31 per share which has been adjusted to HK$0.11 per share on the second anniversary date of 28 August 2004. During the year, there was no conversion of the 2005 Notes (2004: a principal amount of HK$8,300,000 of the 2005 Notes were converted into 69,166,666 new ordinary shares of the Company).

In August 2005, the Group entered into a supplemental agreement with the noteholder of 2005 Notes whereby the maturity date of the outstanding 2005 Notes has been extended from 29 August 2005 to 28 August 2008. Save as the extension of the maturity date, all other terms and conditions remain unchanged. As at 31 December 2005, the outstanding principal amounts of the 2005 Notes which have been extended to August 2008 were HK$5,000,000 (2004: HK$5,000,000).

On 2 February 2004 and 13 February 2004, SIIS Treasury Limited issued HK$33,200,000 and HK$14,800,000 5% guaranteed convertible notes (collectively the "2006 Notes") which are due on 2 February 2006 and 13 February 2006 respectively. The 2006 Notes bear a fixed interest of 5% per annum and carry a right to convert at any time from the date of issue to their respective maturity dates at a conversion price of HK$0.10 per share. During the year, a HK$2,300,000 principal amount of the 2006 Notes were converted into 23,000,000 new ordinary shares of the Company (2004: a principal amount of HK$30,700,000 of the 2006 Notes were converted into 307,000,000 new ordinary shares of the Company).

As at 31 December 2005, the outstanding principal amounts of the 2006 Notes were HK$15,000,000 (2004: HK$17,300,000). On 2 February 2006, the Group entered into a new subscription agreement with a noteholder under which the Group agreed to the issuance of HK$14,000,000 6% guaranteed new convertible notes due on 2 February 2009 to the noteholder to replace the 2006 notes in the principal amount of HK$14,000,000. The remaining 2006 Notes in the principal amount of HK$1,000,000 was fully redeemed on 13 February 2006.

Pursuant to the terms of the above mentioned guaranteed convertible notes, the due and punctual discharge of all obligations of SIIS Treasury Limited under the guaranteed convertible notes will be unconditionally and irrevocably guaranteed by the Company.

NOTES TO THE ACCOUNTS

25. 5% GUARANTEED CONVERTIBLE NOTES (continued)

The fair values of the liability component and the equity conversion component were determined at issuance of the convertible notes.

The fair value of the liability component, included in current and non-current liabilities, was calculated using a market interest rate for a similar non-convertible note. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible note-equity component reserves (note 27).

The fair value of the liability component of the 2006 and 2008 convertible notes at 31 December 2005 amounted to HK$15,325,000 and HK$4,567,000 respectively. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate 8% and 9.75% respectively. Interest expenses on the convertible notes due 2006 and due 2008 are calculated using the effective interest method by applying the effective interest rates of 8% and 9.75% to the liability component.

Prior to the adoption of HKAS 39 on 1 January 2005, convertible notes were carried in the accounts at their outstanding principal amounts.

26. SHARE CAPITAL

Authorised:

	Ordinary shares of HK$0.10 each	
	No. of shares	HK$'000
At 31 December 2004	6,000,000,000	600,000
Increase during the year (note a)	4,000,000,000	400,000
At 31 December 2005	10,000,000,000	1,000,000

Issued and fully paid:

	2005		2004	
	No. of shares	**HK$'000**	No. of shares	HK$'000
At 1 January	**4,253,834,038**	**425,383**	3,632,890,871	363,289
Issue of shares (note b)	**33,050,847**	**3,305**	240,578,501	24,057
Exercise of options (note d)	**1,500,000**	**150**	4,198,000	420
Issue of shares upon conversion of convertible notes (note c)	**23,000,000**	**2,300**	376,166,666	37,617
At 31 December	**4,311,384,885**	**431,138**	4,253,834,038	425,383

Notes:

(a) By an ordinary resolution passed on 11 May 2005, the authorized share capital of the Company increased from HK$600,000,000 to HK$1,000,000,000 by the creation of 4,000,000,000 additional ordinary shares of HK$0.10 each.

(b) During the year ended 31 December 2005, the Company issued 33,050,847 ordinary shares at HK$0.118 each as partial consideration for the Group's equity investment in IMHA. As at 31 December 2005, there were no ordinary shares of the Company held by IMHA (31 December 2004: 17,867,918 ordinary shares of the Company were held by IMHA), and the Group had a subscription payable of US$500,000 (equivalent to approximately HK$3,900,000) (2004: US$1.5 million, equivalent to approximately HK$11,700,000) (note 24(b)) in respect of the Group's equity investment in IMHA. Subject to the terms and conditions of the subscription agreement, the amount will be settled by the Group by issuing ordinary shares of the Company.

NOTES TO THE ACCOUNTS

26. SHARE CAPITAL (continued)

During the year ended 31 December 2004, the Company issued:

(i) 99,152,542 ordinary shares and 17,867,918 ordinary shares at HK$0.118 per share and HK$0.10 per share respectively as partial consideration for the Group's equity investment in IMHA;

(ii) 88,407,669 ordinary shares at HK$0.10 per share as partial consideration for the Group's equity investment in a former associated company; and

(iii) 35,150,372 ordinary shares at HK$0.10 per share as consideration for the acquisition of a non-trading securities investment.

(c) During the year ended 31 December 2005, the convertible notes due 2006 with principal amounts of HK$2,300,000 were converted into 23,000,000 ordinary shares at a conversion price of HK$0.10 per share.

During the year ended 31 December 2004, the convertible notes due 2005 with principal amounts of HK$8,300,000 were converted into 69,166,666 ordinary shares at an adjusted conversion price of HK$0.12 per share. In addition, the convertible notes due 2006 with principal amounts of HK$30,700,000 were converted into 307,000,000 ordinary shares at a conversion price of HK$0.10 per share.

(d) The Company operates a share option scheme under which options on the Company's shares are granted. During the year, an aggregate of 24,000,000 share options (2004: 686,156,000 share options, of which 318,078,000 share options were subsequently cancelled during the same year) were granted under the scheme and 1,500,000 share options (2004: 4,198,000 share options) were exercised to subscribe for 1,500,000 ordinary shares (2004: 4,198,000 ordinary shares) of the Company. The total cash proceeds received by the Company was HK$150,000 (2004: HK$419,800). These shares rank pari passu with the existing shares.

As at 31 December 2005, the number of the share options outstanding was as follows:

Exercise price per share HK$	Date of grant	Exercisable period	Number of outstanding options 2005	2004
0.28	21-02-2002	21-02-2002 to 20-02-2012	**83,604,000**	83,604,000
0.10	03-11-2003	03-11-2003 to 02-11-2013	**219,386,000**	221,262,000
0.12	26-01-2004	26-01-2004 to 25-01-2014	**5,000,000**	5,000,000
0.10	24-05-2004	24-05-2004 to 23-05-2014	**330,328,000**	334,328,000
0.10	29-03-2005	29-03-2005 to 28-03-2015	**24,000,000**	—
			662,318,000	644,194,000

Further details of the share options granted by the Company are disclosed under the paragraph "Options granted under the share option scheme" in the Report of Directors.

NOTES TO THE ACCOUNTS

27. RESERVES

Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Exchange translation reserve HK$'000	Share option reserve HK$'000	Convertible note-equity component HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2004								
– as previously reported	645,618	1,899	(4,346)	(6,534)	—	—	(815,886)	(179,249)
Expensing of share options	—	—	—	—	144	—	(144)	—
Balance at 1 January 2004 (restated)	645,618	1,899	(4,346)	(6,534)	144	—	(816,030)	(179,249)
Issue of ordinary shares	1,384	—	—	—	—	—	—	1,384
Share issue expenses	(11)	—	—	—	—	—	—	(11)
Deficit on revaluation of non-trading securities	—	—	(21,242)	—	—	—	—	(21,242)
Investment revaluation reserve transferred to consolidated profit and loss account upon write back of impairment	—	—	(3,393)	—	—	—	—	(3,393)
Investment revaluation reserve transferred to consolidated profit and loss account upon disposal	—	—	5,898	—	—	—	—	5,898
Profit for the year	—	—	—	—	—	—	6,293	6,293
Expensing of share options	—	—	—	—	3,829	—	—	3,829
Effect of initial adoption of HKAS 31	—	—	—	7	—	—	—	7
Balance at 31 December 2004 (restated)	646,991	1,899	(23,083)	(6,527)	3,973	—	(809,737)	(186,484)

NOTES TO THE ACCOUNTS

27. RESERVES (continued)

Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Exchange translation reserve HK$'000	Share option reserve HK$'000	Convertible note-equity component HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2005 – as previously reported as equity	646,991	1,899	(23,083)	(6,534)	—	—	(805,764)	(186,491)
Expensing of share options	—	—	—	—	3,973	—	(3,973)	—
Effect of initial adoption of HKAS 39	—	—	(483)	—	—	1,169	—	686
Effect of initial adoption of HKAS 31	—	—	—	7	—	—	—	7
Balance at 1 January 2005 (restated)	646,991	1,899	(23,566)	(6,527)	3,973	1,169	(809,737)	(185,798)
Share issue expenses	(31)	—	—	—	—	—	—	(31)
Fair value gains(net) – available-for-sale investment securities	—	—	4,946	—	—	—	—	4,946
Investment revaluation reserve transferred to consolidated profit and loss account upon impairment	—	—	25,672	—	—	—	—	25,672
Investment revaluation reserve transferred to consolidated profit and loss account upon disposal	—	—	106	—	—	—	—	106
Released upon maturity of convertible notes	—	—	—	—	—	(391)	—	(391)
Extension of convertible notes	—	—	—	—	—	581	—	581
Loss for the year	—	—	—	—	—	—	(93,594)	(93,594)
Expensing of share options	—	—	—	—	4,038	—	—	4,038
Lapse of share options	—	—	—	—	(99)	—	99	—
Currency translation difference	—	—	—	653	—	—	—	653
Balance at 31 December 2005	646,960	1,899	7,158	(5,874)	7,912	1,359	(903,232)	(243,818)

27. RESERVES (continued)

Company

	Share premium	Capital redemption reserve	Investment revaluation reserve	Share option reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004						
– as previously reported	645,618	1,899	(29,912)	—	(840,923)	(223,318)
Expensing of share options	—	—	—	144	(144)	—
Balance at 1 January 2004 (restated)	645,618	1,899	(29,912)	144	(841,067)	(223,318)
Issue of ordinary shares	1,384	—	—	—	—	1,384
Share issue expenses	(11)	—	—	—	—	(11)
Surplus on revaluation of non-trading securities	—	—	6,807	—	—	6,807
Investment revaluation reserve transferred to profit and loss account upon disposal	—	—	11,607	—	—	11,607
Investment revaluation reserve transferred to profit and loss account upon write back of provision for impairment	—	—	(3,393)	—	—	(3,393)
Profit for the year	—	—	—	—	3,763	3,763
Expensing of share options	—	—	—	3,829	—	3,829
Balance at 31 December 2004 (restated)	646,991	1,899	(14,891)	3,973	(837,304)	(199,332)

NOTES TO THE ACCOUNTS

27. RESERVES (continued)

Company

	Share premium	Capital redemption reserve	Investment revaluation reserve	Share option reserve	Convertible note-equity component	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2005 – as previously reported as equity	646,991	1,899	(14,891)	—	—	(833,331)	(199,332)
Expensing of share options	—	—	—	3,973	—	(3,973)	—
Effect of initial adoption of HKAS 39	—	—	—	—	1,169	—	1,169
Balance at 1 January 2005 (restated)	646,991	1,899	(14,891)	3,973	1,169	(837,304)	(198,163)
Share issue expenses	(31)	—	—	—	—	—	(31)
Fair value gains(net) – available-for-sale investment securities	—	—	(9,529)	—	—	—	(9,529)
Investment revaluation reserve transferred to profit and loss account upon impairment	—	—	12,286	—	—	—	12,286
Investment revaluation reserve transferred to profit and loss account upon disposal	—	—	101	—	—	—	101
Released upon maturity of convertible notes	—	—	—	—	(391)	—	(391)
Extension of convertible notes	—	—	—	—	581	—	581
Loss for the year	—	—	—	—	—	(44,408)	(44,408)
Expensing of share options	—	—	—	4,038	—	—	4,038
Lapse of share options	—	—	—	(99)	—	99	—
Balance at 31 December 2005	646,960	1,899	(12,033)	7,912	1,359	(881,613)	(235,516)

27. RESERVES (continued)

Nature and purpose of reserves

(a) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve are governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(b) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investment securities (2004: non-trading securities) held at the balance sheet date and is dealt with in accordance with the accounting policies in note 1.9.

(c) Exchange translation reserve

The exchange translation reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1.4.

(d) Share option reserve

Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments as set out in note 1.16(b).

(e) Convertible note-equity component

It represents the value of the unexercised equity component of convertible notes issued by the Group recognised in accordance with the accounting policy adopted for convertible notes in note 1.14.

NOTES TO THE ACCOUNTS

28. BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-Current				
- Loan from a former intermediate holding company (note a)	**9,921**	11,431	**9,921**	11,431
- Loan from a former fellow subsidiary (note b)	**59,130**	68,130	**59,130**	68,130
	69,051	79,561	**69,051**	79,561
Current				
- Secured bank loans (note c)	**3,846**	3,774	**—**	—
	72,897	83,335	**69,051**	79,561

The maturity of the borrowings is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**3,846**	3,774	**—**	—
Between two and five years	**69,051**	79,561	**69,051**	79,561
	72,897	83,335	**69,051**	79,561

Notes:

(a) The balance represents a loan due to a former intermediate holding company of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at 2.375% per annum and subordinated to the convertible notes (note 25).

(b) The balance represents a loan due to a former fellow subsidiary. The loan, denominated in Japanese Yen, is unsecured, interest bearing at 2.375% per annum and subordinated to the convertible notes (note 25).

(c) Bank loans are secured by the leasehold land and land use rights and buildings of the Group of HK$5,363,000 (2004: HK$5,378,000). The effective interest rate as at 31 December 2005 for secured bank loans as at 31 December 2005 for secured bank loans was 7.15% pa.

(d) The carrying amounts of borrowings approximated their fair value.

29. PROVISION FOR LIABILITIES

The amount represents a provision for clawback of fund performance fee income which was received by the Group in 2004. The Group received the income of approximately HK$8,915,000, which was calculated based on the net realised gain on disposal of investments by the fund, which is subject to a clawback provision. Under the clawback provision, the Group is required to restore the fund for any deficit amount that would have been occurred upon the termination of the fund in August 2007. The income was fully recognised by the Group for the year ended 31 December 2004 as the Group considered that the income was earned in recognition of the services performed and measured reliably with reference to the above net gain, and it is unlikely that the clawback provision will take place based on the then relevant circumstances.

For the preparation of 2005 accounts, the Group reassessed the estimates in light of the newly available information including the fund value and financial position of the fund as at 31 December 2005. Reflecting the results of a number of its key investments, coupled with the fund not proceeding with certain potential investments after considering their risks and returns in 2005, the Group is now of the view that it is unlikely for the fund to recoup its previous accumulated losses. In consequence, the Group make a full provision of HK$8,915,000 for the year ended 31 December 2005.

30. DEFERRED TAXATION

At 31 December 2005, the Group had estimated unused tax losses of HK$141,550,000 (31 December 2004: HK$108,484,000) available for set off against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Such losses have no expiry date.

31. CONTINGENT LIABILITIES

In 2004, E2-Capital (Holdings) Limited ("E2-Capital") has provided a guarantee to a bank for a maximum amount of HK$143,000,000 in relation to banking facilities granted by the bank to certain subsidiaries of SBI E2, a jointly controlled entity. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of HK$49,049,000, representing the Group's 34.3% shareholding in these companies as at the date of the banking facilities. As at 31 December 2005 and 31 December 2004, there was no utilisation of such banking facilities.

In August 2005, E2-Capital has provided a corporate guarantee to a bank for a maximum amount of S$25,000,000 (equivalent to approximately HK$117,500,000) plus any overdue interest and expense incurred by the bank in enforcing the corporate guarantee under a guarantee to be provided by the bank in favor of the Monetary Authority of Singapore ("MAS") for SBI E2-Capital Asia Securities Pte Ltd ("SBSA Securities") to comply with regulatory requirement of the MAS. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of S$7,350,000 (equivalent to approximately HK$34,545,000), representing the Group's 29.4% shareholding in SBSA Securities, plus 29.4% of any interest and expenses actually incurred on or paid by E2-Capital in respect of the corporate guarantee.

NOTES TO THE ACCOUNTS

32. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted but not provided for - in respect of subscription of unlisted equity securities	**—**	1,365	**—**	—
	—	1,365	**—**	—

(b) Operating leases commitments

(i) As a lessee

At 31 December 2005, the Company and its subsidiaries had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as a leasee as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**3,267**	3,619	**2,794**	3,146
Later than one year and not later than five years	**3,424**	711	**3,187**	—
	6,691	4,330	**5,981**	3,146

32. COMMITMENTS (continued)

(b) Operating leases commitments (continued)

(ii) As a lessor

At 31 December 2005, the Company and its subsidiaries had contracted with tenants for the following future minimum lease receipts, which fall due:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**1,929**	2,079	**—**	—
Later than one year and not later than five years	**1,180**	2,751	**—**	—
	3,109	4,830	**—**	—

33. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group undertook the following significant related party transactions in the normal course of business:

(a) Rental payments to a related party

	2005	2004
	HK$'000	HK$'000
Rental payments to Fung Choi Properties Limited ("Fung Choi") (note)	**1,668**	1,668

Note:

On 29 August 2002, the Company entered into a tenancy agreement with Fung Choi, whereby the Company agreed to lease from Fung Choi the premise as its headquarter office for a term of three years commencing from 1 January 2003 to 31 December 2005 at a monthly rental of HK$156,255. During the year, the rental charged to consolidated profit and loss account amounted to HK$1,668,000 (2004: HK$1,668,000). Fung Choi is a company with 60.4% interest owned indirectly by Mr Yu Kam Kee, Lawrence, an Executive Director of the Company, while the remaining 39.6% shareholdings are benefically owned equally by his two brothers, one of them is also a Non-executive Director of the Company, Mr Yu Kam Yuen, Lincoln.

In December 2005, the Company entered into a new tenancy agreement with Fung Choi to renew the existing tenancy agreement (except for the 2nd Floor of SBI Centre) for a term of three years commencing from 1 January 2006 to 31 December 2008 at a monthly rental of HK$132,804.

NOTES TO THE ACCOUNTS

33. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) (i) Convertible notes held by and interest payments to related parties (note 25)

	2005	2004
	HK$'000	HK$'000
Outstanding principal amounts of the convertible notes held by the subsidiaries of E2-Capital (note)		
- Convertible notes due 2005	**—**	5,000
- Convertible notes due 2006	**14,000**	14,000
- Convertible notes due 2008	**5,000**	—

	2005	2004
	HK$'000	HK$'000
Interest payments to the subsidiaries of E2-Capital	**950**	917

(ii) Investment in related parties

As at 31 December 2005, the Group had investment in E2-Capital which was included in available-for-sale investment securities at a carrying amount of HK$19,565,000 (2004: included in non-trading securities of HK$14,333,000).

(iii) Provision of counter-indemnity to related parties

The Company has provided two counter indemnities to E2-Capital, and the details of which are set out in note 31.

Note:

E2-Capital is a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. An Executive Director of the Company, Dato' Wong Sin Just, is also an executive director and a substantial shareholder of E2-Capital.

33. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Amounts due from/(to) and interest payment to related parties

	2005 HK$'000	2004 HK$'000
Amount due from:		
- Associated companies (note 18(b))	—	5,142
- Jointly controlled entities (note i)	—	3,594
Amount due to:		
- Associated companies (note 18(b))	(3,900)	(14,018)
- a jointly controlled entity (note ii)	(14,258)	—
Interest payment to an associated company (note 18(b))	—	347
Interest payment to a jointly controlled entity (note ii)	404	—

Notes:

(i) The amounts due from jointly controlled entities are unsecured, interest free and have no fixed repayment terms.

(ii) The balances represent amounts due to SBI E2. Except for an amount of HK$5,307,000, which bears interest at prime rate plus 1.5% per annum and is repayable on demand, the remaining balance is interest free and has no fixed repayment terms.

(d) Key management compensation

	2005 HK$'000	2004 HK$'000
Salaries and other short term employee benefits (note 9)	11,320	12,003

NOTES TO THE ACCOUNTS

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Partial disposal of a jointly controlled entity (note 5(b))

	2005
	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,180
Trade and other receivables	1,439
Amounts due from the Company	1,838
Cash and cash equivalents	2,542
Trade and other payables	(1,646)
Net identifiable assets	6,353
Attributable goodwill	17,296
Reclassified as interest in an associated company	(20,405)
Loss on disposal	3,244
Analysis of cash outflow in respect of the partial disposal of a jointly controlled entity:	
Cash and cash equivalents disposed of	(2,542)

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of a jointly controlled entity's subsidiary, net of cash received

	2005
	HK$'000
Net assets disposed of:	
Other non-current assets	25
Trade and other receivables	1,546
Cash and cash equivalents	2,958
Trade and other payables	(133)
Tax payable	(67)
Net identifiable assets	4,329
Reclassified as interest in an associated company	(2,121)
Loss on disposal	(734)
Cash consideration	1,474
Analysis of net cash outflow in respect of the disposal of a jointly controlled entity's subsidiary:	
Cash consideration received	1,474
Cash and cash equivalents disposed of	(2,958)
	(1,484)

NOTES TO THE ACCOUNTS

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Proceeds from disposal of subsidiaries, net of cash disposed of:

	2004
	HK$'000
Net assets disposed of:	
Property, plant and equipment	641
Inventory	375
Trade and other receivables	3,934
Cash and cash equivalents	266
Amounts due to the Company	(1,766)
Amounts due to a related company	(368)
Trade and other payables	(3,166)
Minority interests	177
Net identifiable assets	93
Unrealised gain	12,604
Gain on disposal	22,797
Consideration	35,494
Satisfied by:	
Cash consideration	23,400
Non-trading securities	12,094
	35,494
Analysis of cash inflow in respect of the disposal of subsidiaries:	
Cash consideration received	23,400
Cash and cash equivalents disposed of	(266)
	23,134

(d) Payment for purchase of a subsidiary, net of cash acquired

The amount of HK$7,370,000 represents the payment of the balance of purchase consideration for the acquisition of 100% equity interest in SIIS Investment Management Limited from Softbank Investment Corporation ("SBI"), a former substantial shareholder, and Softbank Contents Partners Corporation, a subsidiary of SBI in 2003.

35. PRINCIPAL SUBSIDIARIES

The following list contains particulars of subsidiaries of the Group which in the opinion of the directors, materially affect the results and assets of the Group. To give details of other subsidiaries would, in the opinion of directors, result in particulars of excessive length.

Name of company	Place of incorporation/ registration and operations (note c)	Issued/ registered share capital/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Cheung Wah Properties Limited	Hong Kong	HK$2	100%	—	Property investment
Dragon Lion Limited	Hong Kong	HK$2	100%	—	Investment holding
Eastern Capital Inc.	British Virgin Islands	US$39,999	—	50.0038%	Investment holding
ebizal (Holdings) Limited	British Virgin Islands	US$1	100%	—	Investment holding
Ebizal Net-Trans Limited	Hong Kong	HK$2	—	100%	Provision of consulting services
Fine Score Investments Limited	Hong Kong	HK$2	100%	—	Property investment
Foshan Chande Knitting Enterprise Company, Limited#	PRC	Paid up capital US$7,100,000 (note a)	—	51%	Fabric dyeing, knitting and garment manufacturing
Gesway Investment Limited	Hong Kong	HK$2	100%	—	Investment holding
Layet Company, Limited	Hong Kong	Ordinary HK$1,000 Deferred HK$10,000 (note b)	100%	—	Property investment

NOTES TO THE ACCOUNTS

35. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations (note c)	Issued/ registered share capital/ paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Maniway Properties Limited	Hong Kong	HK$2	100%	—	Property holding
Nicken Limited	Hong Kong	HK$2	100%	—	Property investment
Peach Garden Country Club (Foshan Nanhai) Co., Limited#	PRC	Paid up capital US$4,368,000 (note a)	—	57.89%	Country club operation
Rearden Limited	Hong Kong	HK$10,000	100%	—	Property investment
SIIS Capital Holdings Limited	British Virgin Islands	US$1	100%	—	Investment holding
SIIS Investment Holdings Limited	British Virgin Islands	US$1	—	100%	Investment holding
SIIS Investment Management Limited	Hong Kong	HK$3,875,002	—	100%	Provision of management and advisory services in private equity
SIIS Strategic Holdings Limited	British Virgin Islands	US$100	100%	—	Investment holding
SIIS (Nominees) Limited	Hong Kong	HK$2	100%	—	Provision of nominee services
SIIS Treasury Limited	British Virgin Islands/ Hong Kong	US$1	100%	—	Provision of finance for group companies

NOTES TO THE ACCOUNTS

35. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations (note c)	Issued/ registered share capital/ paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
SIIS-UCM Holdings Limited	British Virgin Islands	US$1	—	100%	Investment holding
Sun-Tech International Group Limited#	Hong Kong	HK$1,200,000	—	20.4%	Provision of computer system integration services
Tak Wah Ho Company Limited	Hong Kong	Ordinary HK$1,000 Deferred HK$1,200,100 (note b)	100%	—	Property investment

\# Subsidiaries not audited by PricewaterhouseCoopers, Hong Kong

Notes:

(a) Both companies are sino-foreign cooperative joint ventures established in the PRC.

(b) The deferred shares carry no rights to dividends, to receive notice of or attend or vote at any general meeting of the respective subsidiary. The right to participation in distribution on winding up is also restricted.

(c) Unless otherwise stated, the principal place of operation of each subsidiary is the same as its place of incorporation.

NOTES TO THE ACCOUNTS

36. INTERESTS IN JOINTLY CONTROLLED ENTITIES

Details of the principal jointly controlled entities as at 31 December 2005 are as follows:

			Proportion of ownership interest			
Name	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	held by the Company	held by subsidiary	Principal activity
Softech Investment Management Company Limited*	Hong Kong	HK$5,020	50%	—	50%	Joint management of The Applied Research Fund established by Hong Kong SAR Government
Softbank SZVC Venture Capital Management Company Limited*	PRC	paid up capital US$2,000,000	50%	—	50%	Fund management
SBI E2-Capital Limited	Cayman Islands	HK$300	49%	—	49%	Holding company of financial services group

* Jointly controlled entities not audited by PricewaterhouseCoopers, Hong Kong

On 1 January 2005, a contractual agreement was signed between the shareholders of SBI E2, a former associated company of the Group, and SBI E2 became a 49% owned jointly controlled entity afterwards. SBI E2 is incorporated in Cayman Islands and is engaged in the provision of corporate finance services, securities and futures broking and margin financing. The Group adopted the proportionate consolidation method under HKAS 31 to account for its interest in SBI E2 effective on 1 January 2005. In 2004, SBI E2 was accounted for as an associated company under the equity accounting method (note 18).

On 15 July 2005, the Group disposed 1,666 shares in IMHA to the other venturer. Following the disposal, the Group reclassified IMHA as an associated company. Prior to 15 July 2005, IMHA was a jointly controlled entity of the Company (note 18).

36. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Summarised aggregate financial information based on the unaudited management accounts of the jointly controlled entities:

The Group's share of:

	2005	2004
	HK$'000	HK$'000
Non-current assets	**6,784**	21,367
Current assets	**97,477**	16,024
Current liabilities	**54,844**	2,034
Income	**27,991**	3,092
Expenses	**30,999**	10,183

37. SUBSEQUENT EVENTS

(a) In January 2006, a 14.87% owned investee company entered into an agreement with an independent third party whereby the investee company agreed to dispose its 100% equity interest in M Dream China (Holdings) Limited ("M Dream"). M Dream is a leading mobile phone game developer and service provider in China. The Group is expecting a substantial dividend from the investee company upon the finalisation of the disposal of M Dream in accordance with the sale terms and the agreement among the shareholders of the investee.

(b) In March 2006, the Group entered into an agreement with the independent third parties to purchase 10% of the equity interest in Noble World International Limited ("NWI") at a consideration of HK$15,000,000, to be satisfied by the issuing of 150,000,000 ordinary shares of the Company at HK$0.10 per share. NWI has been appointed as an exclusive consultant to China Gloria Investment & Management Co., Ltd., one of the very few organizations that is authorized to provide lottery sales agency and marketing services in the PRC, currently having signed long term strategic cooperation contracts with five provinces/cities; namely the cities of Shanghai, Haikou, Chongqing and Wuhan as well as the province of Heilongjiang.

38. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 30 March 2006.