NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2005

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 14 May 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The address of the Company's registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal place of business is Room 3308, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 October 2002.

The Company and the Group is principally engaged in investing in listed and unlisted companies established and/or doing business in the Asia Pacific Region, mainly the People's Republic of China, excluding Hong Kong and Macau (the "PRC"), Hong Kong and other Asian countries. During the year, the Company was also engaged in the trading of futures contracts traded on the Hong Kong Futures Exchange.

The financial statements on pages 25 to 57 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The financial statements for the year ended 31 December 2005 were approved by the board of directors on 21 April 2006.

2. ADOPTION OF NEW OR REVISED HKFRS

From 1 January 2005, the Group has adopted the new or revised standards and interpretations of HKFRS, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKSA 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC) Int-15	Operating Leases – Incentives

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2004 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 December 2004.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.1 Adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of financial statements and other disclosures.

2.2 Adoption of HKAS 39

Prior to the adoption of HKAS 39, trading securities and non-trading securities are measured at fair value. Changes in fair value of trading securities are recognised in income statement as they arise. For non-trading securities, changes in fair value are dealt with in investment revaluation reserve until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in investment revaluation reserve is included in the income statement for that period.

On the adoption of HKAS 39, the Group classified its investments into the following categories: financial assets at fair value through profit or loss and available-for-sale financial assets. The Group measured its financial assets at either fair value or at cost less any provision for impairment according to the classification.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, the reclassifications are made on 1 January 2005 and the comparative figures have not been restated.

2.3 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 January 2005, the Group did not recognise the financial effect of share options until they were exercised.

The principal impact of HKFRS 2 is in relation to the expensing of the fair value of share options granted to directors and employees of the Company and its subsidiary, determined at the date of grant of the share options, over the vesting period with a corresponding credit to equity, unless the transaction is cash settled share-based payment.

According to the transitional provisions of HKFRS 2, the Group applies HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not vested on 1 January 2005.

No share options were granted by the Group under the share option scheme since its adoption. Accordingly, the adoption of HKFRS 2 had no effect on the financial statements presented. The new accounting policy for equity-settled share-based payments are summarised in note 3.13 to the financial statements.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.4 Other standards adopted

The adoption of other new or revised standards or interpretations did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.5 New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will not result in substantial changes to the Group's accounting policies.

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

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2006
3 Effective for annual periods beginning on or after 1 December 2005
4 Effective for annual periods beginning on or after 1 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared on the historical cost basis as modified for revaluation of certain financial assets and liabilities as set out in notes 3.7 and 3.8 below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiary is carried at cost less any impairment loss. The results of the subsidiary is accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Income and expense recognition

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

(i) interest income is recognised on a time-proportion basis using the effective interest method; and

(ii) dividend income is recognised when the right to receive payment is established.

Operating expenses are recognised in the income statement upon utilisation of the services.

3.5 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

3.6 Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company and its subsidiary.

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial assets

Prior to 1 January 2005, the Group classified its investments in securities, other than subsidiaries, as investment securities and trading securities.

(i) Investment securities

Investment securities are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis. These are determined by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases, or the projected cash flows of the securities, or comparison of price/revenue ratios, price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair value of an investment security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement in the period in which the impairment arises.

(ii) Trading securities

Trading securities are investments in securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

From 1 January 2005 onwards, the Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and loans and receivables. Management determines the classification of its financial assets at initial recognition, depending on the purpose for which the financial assets were acquired and where allowed and appropriate, reclassified this designation at every reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial assets (Continued)

All financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

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

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the Group to be carried at fair value through profit or loss on initial recognition.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be re-classified.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial assets (Continued)

(iii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

Receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

3.8 Financial liabilities

The Group's financial liabilities include other payables and accruals, financial liabilities at fair value through profit or loss and amount due to a broker.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as expenses in finance costs in the income statement.

Payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities at fair value through profit or loss include financial liabilities that are either classified as held for trading or are designated by the Group to be carried at fair value through profit or loss on initial recognition.

Subsequent to initial recognition, the financial liabilities included in this category are measured at fair value with changes in fair value recognised in income statement. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be re-classified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Accounting for income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash at banks and short-term bank deposits which form an integral part of the Group's cash management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

3.12 Retirement benefit costs and short term employee benefits

(i) Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Short term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

3.13 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and have not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Share-based employee compensation (Continued)

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as share premium.

3.14 Segment reporting

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

In determining the Group's geographical segments, revenue and assets are attributable to the segments based on the location of assets.

3.15 Related parties

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

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

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is a jointly-controlled entity;

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Group or its parent;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Related parties (Continued)

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group did not use any critical accounting estimates in the preparation of the financial statements.

In the process of applying the Group's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

Impairment of available-for-sale financial assets

For available-for-sale financial assets, a significant or prolonged decline in fair value below carrying value is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial information regarding the issuer/investee.

5. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, recognised during the year is as follows:

	2005	2004
	HK$'000	HK$'000
Bank interest income	**421**	29
Dividend income	**47**	51
Revenue	**468**	80

The gross proceeds from the trading of securities for the year amounted to HK$35,467,000 (2004: HK$39,599,000). Upon adoption of HKAS 1: Presentation of Financial Statements, the amount was excluded from the revenue for the year. The comparative figures of 2004 have been reclassified to conform with current year's presentation. The results arising from the fair valuation of financial assets at fair value through profit or loss/trading securities are now shown separately in the consolidated income statement under "Fair value losses on financial assets at fair value through profit or loss/ Realised losses on disposals of trading securities/Unrealised holding losses on trading securities".

6. SEGMENT INFORMATION

The Group is principally engaged in investment in listed and unlisted companies. Accordingly, no further analysis by business segment is provided. In determining the Group's geographical segments, revenue and assets are attributed to the segments based on the location of assets.

The following table present revenue and assets of the Group's geographical segments:

	Hong Kong		**The PRC**		**Consolidated**	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue	**468**	80	**–**	–	**468**	80
Segment assets	**30,436**	35,334	**9,920**	27,747	**40,356**	63,081

7. LOSS BEFORE INCOME TAX

	2005 **HK$'000**	2004 HK$'000
Loss before income tax is arrived at after charging:		
Auditors' remuneration	**168**	128
Operating lease charges in respect of land and buildings	**125**	94
Staff costs (excluding directors' remuneration) – note 11	**293**	667

8. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided in the financial statements as the Group did not generate any assessable profits arising in Hong Kong during the year (2004: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rate is as follows:

	2005 **HK$'000**	2004 HK$'000
Loss before income tax	**(23,247)**	(16,443)
Tax at applicable rate of 17.5% (2004: 17.5%)	**(4,068)**	(2,878)
Tax effect of non-taxable income	**(82)**	(14)
Tax effect of non-deductible expenses	**3,121**	1,418
Tax effect on tax losses not recognised	**1,029**	1,474
Income tax expense	**–**	–

At 31 December 2005, the Group had deferred tax assets of approximately HK$5,910,000 (2004: HK$4,881,000) arising from tax losses. The deferred tax assets are not recognised as it is uncertain whether future taxable profit will be available for utilising tax losses. Under the current tax legislation, the tax losses can be carried forward indefinitely.

9. LOSS FOR THE YEAR

Of the loss for the year of HK$23,247,000 (2004: HK$16,443,000), a loss of HK$23,240,000 (2004: HK$16,439,000) has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK$23,247,000 (2004: HK$16,443,000) and on 105,420,000 (2004: 105,420,000) ordinary shares of the Company in issue during the year.

No diluted loss per share has been presented because there were no potential ordinary shares in issue during both years.

11. EMPLOYEE BENEFIT EXPENSE (excluding directors' emoluments)

	2005	2004
	HK$'000	HK$'000
Wages, salaries and other allowances	**279**	654
Retirement benefits scheme contributions	**14**	13
	293	667

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees	**Salaries, allowances and benefits in kind**	**Employer's retirement benefits scheme contributions**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2005				
Executive directors				
Francis J. Chang Chu Fai	–	180	9	189
See Lee Seng, Reason	–	60	3	63
Lim Siang Kai	–	184	2	186
Sub-total	–	424	14	438
Independent non-executive directors				
Chung Koon Yan	60	–	–	60
Yue Man Yiu, Matthew	60	–	–	60
Zheng Weihe	30	–	–	30
Sub-total	150	–	–	150
Total	**150**	**424**	**14**	**588**

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(i) Directors' emoluments (Continued)

	Fees	Salaries, allowances and benefits in kind	Employer's retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2004				
Executive directors				
Francis J. Chang Chu Fai	–	630	12	642
See Lee Seng, Reason	–	210	11	221
Lim Siang Kai	–	630	11	641
Sub-total	–	1,470	34	1,504
Independent non-executive directors				
Chung Koon Yan	15	–	–	15
Yue Man Yiu, Matthew	30	–	–	30
Zheng Weihe	60	–	–	60
Sub-total	105	–	–	105
Total	105	1,470	34	1,609

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

During the year, no emoluments were paid by the Group to the Company's directors or any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2004: Nil).

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(ii) Five highest paid individuals

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

	2005	2004
	HK$'000	HK$'000
Wages, salaries and other allowances	**245**	654
Retirement benefits scheme contributions	**12**	13
	257	667

The emoluments fell within the following band:

	Number of individuals	
	2005	2004
Emolument band		
HK$nil – HK$1,000,000	**2**	2

13. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE FROM A SUBSIDIARY

Company

	2005 **HK$'000**	2004 HK$'000
Unlisted shares, at cost	**1**	1
Amount due from a subsidiary	**17**	10

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

Particulars of the subsidiary at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation and operation/ kind of legal entity	Particulars of issued and fully paid share capital	Percentage of issued capital held by the Company Directly	Principal activities
Golden 21 (BVI) Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Dormant

14. INVESTMENT SECURITIES

Group and Company

Investment securities at 31 December 2004 are set out below. Upon the adoption of HKAS 39 on 1 January 2005, investment securities were reclassified to available-for-sale financial assets.

	2004 HK$'000
Unlisted equity securities outside Hong Kong, at cost	34,027
Impairment loss	(8,050)
Investment securities, at fair value	25,977

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS/AMOUNT DUE FROM AN INVESTEE

Group and Company

	2005
	HK$'000
Unlisted equity securities outside Hong Kong, at cost	**34,027**
Impairment loss	**(25,877)**
	8,150

Particulars of the major investment in unlisted equity securities as at 31 December 2005, disclosed pursuant to Section 129 of the Hong Kong Companies Ordinance, are as follows:

Name	**Place of registration**	**Principal activities**	**Particulars of issued capital held**	**Acquisition cost** HK$'000	**Fair value estimated by the directors** HK$'000	**Percentage of interest held**
Nantong Einolda Smart Card Manufacturing Co., Ltd. ("Nantong Einolda")	PRC	(i)	Registered capital of RMB15,919,686	15,500	3,914	24.00
北京綜藝達軟件技術有限公司 ("北京綜藝達")	PRC	(ii)	Registered capital of RMB1,870,230	18,527	4,236	13.09

Notes:

(i) Nantong Einolda is principally engaged in the production of sim-cards for use in credit cards and data storage cards. The investment in Nantong Einolda is not equity accounted for under HKAS 28 "Investments in Associates". This is because the directors are of the opinion that the Group has no participation in the financial and operating policy-making process of Nantong Einolda.

(ii) 北京綜藝達is principally engaged in the research, development and manufacture of network commercial management software.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS/AMOUNT DUE FROM AN INVESTEE (Continued)

As at 31 December 2005, the amount due from an investee company of approximately HK$1,770,000 is unsecured, interest-free and is due from 北京綜藝達. In 2004, the directors of the Company decided to acquire further interest in 北京綜藝達 and the related consideration would be satisfied by the amount due from 北京綜藝達. This intended acquisition and settlement of consideration had been agreed by the holding company of 北京綜藝達. Accordingly, the balance due from 北京綜藝達 was classified as a non-current asset as at 31 December 2004 and 2005.

As of the date of approval of these financial statements, the statutory registration of the aforementioned additional acquisition was in progress.

The above unlisted available-for-sale financial assets are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair values cannot be reliably measured.

The operating performance of Nantong Einolda was below expectation in 2005. After taking into consideration of the discounted cash flow analysis of Nantong Einolda, the directors of the Company considered it appropriate to make an impairment loss amounted to HK$6,316,000 during the year to write down the carrying amount of the investment to HK$3,914,000.

The operating performance of 北京綜藝達 was below expectation in 2005. After taking into consideration of the discounted cash flow analysis of 北京綜藝達, the directors of the Company considered it appropriate to make an impairment loss amounted to HK$11,511,000 during the year to write down the carrying amount of the investment to HK$4,236,000.

16. TRADING SECURITIES

Trading securities at 31 December 2004 are set out below. Upon the adoption of HKAS 39 on 1 January 2005, trading securities were reclassified to financial assets at fair value through profit or loss.

Group and Company

	2004 HK$'000
Listed equity securities in Hong Kong, at market value	11,817

17. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	2005 **HK$'000**
Listed equity securities in Hong Kong, at market value	**6,372**
Fair value loss on futures contracts	**(23)**

The above financial assets and liabilities are classified as held for trading.

At 31 December 2005, the fair value loss on futures contracts represented the open positions of Hang Seng Index futures contracts held by the Group.

Financial assets/liabilities at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

17. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Particulars of the listed equity securities as at 31 December 2005, disclosed pursuant to Section 129 of the Hong Kong Companies Ordinance, are as follows:

Name	Place of establishment/ registration	Particulars of equity interests held	Market value as at 31 December 2005 HK$'000	Percentage of interest held
Jiangsu Nandasoft Company Limited	PRC	H shares with nominal value of RMB2,535,600	4,691	10.84

The market value of the listed equity securities at the date of approval of these financial statements was approximately HK$4,944,000.

18. CASH AND CASH EQUIVALENTS

Group and Company

Cash and cash equivalents include the following components:

	2005 HK$'000	2004 HK$'000
Cash at banks	**12,970**	1,017
Short-term bank deposits	**10,814**	22,460
	23,784	23,477

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made at fixed rates for varying periods of between one day and three months depending on the immediate cash requirement of the Group and the effective interest rate is 3.5% per annum (2004: 0.625% per annum). They have a maturity of less than one month.

19. SHARE CAPITAL

	2005	2004
	HK$'000	HK$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
105,420,000 ordinary shares of HK$0.10 each	**10,542**	10,542

20. SHARE-BASED EMPLOYEE COMPENSATION

The Company conditionally adopted a share option scheme (the "SO Scheme") on 7 October 2002 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any persons being employees, officers, agents, consultants or representatives of the Group. The SO Scheme became unconditional on 28 October 2002 upon the listing of the Company's shares on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the Listing Rules.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

20. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within a 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options shall remain open for acceptance for a period of 28 days from the date of the offer of the grant. The grant of share options is effective upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

Further details of the SO Scheme are disclosed in the prospectus of the Company dated 15 October 2002.

At 31 December 2004, 2005 and up to the date of approval of these financial statements, no share options have been granted under the SO Scheme.

21. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

Company

	Share premium account HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2004	85,277	(17,572)	67,705
Loss for the year	–	(16,439)	(16,439)
At 31 December 2004 and 1 January 2005	85,277	(34,011)	51,266
Loss for the year	–	(23,240)	(23,240)
At 31 December 2005	**85,277**	**(57,251)**	**28,026**

In accordance with the Companies Law (2002 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

22. OPERATING LEASE COMMITMENTS

Group and Company

At 31 December 2005, the total future minimum lease payments under non-cancellable operating lease in respect of office premises were payable as follows:

	2005 **HK$'000**	2004 HK$'000
Within one year	–	51

23. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities as at 31 December 2005 and 2004.

24. RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group had the following significant related party transactions:

	Notes	**2005** **HK$'000**	2004 HK$'000
Investment management fee paid/payable to Golden Honour Assets Management Limited	(i)	**1,431**	1,868
Rental expenses paid to Ceres Capital Limited	(ii)	**125**	94

Notes:

(i) Pursuant to the investment management agreement dated 7 October 2002 (the "Investment Management Agreement") entered into between the Company and Golden Honour Assets Management Limited (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services (excluding general administrative services) for a three-year period commencing on 28 October 2002, the date of the commencement of the trading of the Company's shares on the Stock Exchange. The Investment Management Agreement will continue for successive period of three years, unless terminated at any time by either the Company or the Investment Manager serving not less than six month's notice in writing to the other party, and will expire on the last day of the three-year period or any of the relevant successive periods.

Under the Investment Management Agreement, the Investment Manager is entitled to a monthly management fee equivalent to 2.5% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month (or such other dealing day as considered appropriate by the board of directors for the purpose of calculating the net asset value of the Company), calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to an annual incentive fee equivalent to 15% of the surplus in the net asset value of the Company over a financial year or period.

Mr. Francis J. Chang Chu Fai ("Mr. Chang") and Mr. Lim Siang Kai, executive directors of the Company, each have a 15% equity interest in the Investment Manager. Mr. See Lee Seng, Reason, an executive director of the Company, has a 35% equity interest in the Investment Manager and is one of the directors of the Investment Manager.

(ii) Pursuant to the sub-tenancy agreement dated 10 June 2003 entered into between the Company and Ceres Capital Limited ("Ceres"), the Company agreed to sublet its office premises from Ceres, which is owned as to approximately 33% by Mr. Chang, for a period commencing from 1 July 2003 to 30 June 2005 (both dates inclusive) at HK$8,500 per month, with a rent free period of one month in May 2004.

Pursuant to a board of directors' resolution passed on 28 June 2005, the Company will continue to sublet its office premises from Ceres from 1 July 2005 at HK$12,318 per month. As at the date of these financial statements, no new sub-tenancy agreement was signed between the Company and Ceres.

The related party transactions set out above also constitute connected transactions under the Listing Rules.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The significant financial risks to which the Group is exposed to are described below.

(i) Foreign currency risk

The Group holds available-for-sale financial assets denominated in Renminbi ("RMB"). The Group is therefore exposed to currency risk, as the value of the securities and RMB will fluctuate due to change in exchange rate.

(ii) Interest rate risk

The Group has no significant interest rate risk as there are no significant long term external borrowings which bear floating interest rates.

(iii) Credit risk

The Group's bank balances are all deposited with banks in Hong Kong.

The carrying amounts of financial assets at fair value through profit or loss, deposits and other receivables and amount due from a broker represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

(iv) Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.