1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of the subsidiaries are set out in note 37.

2. Application of Hong Kong Financial Reporting Standards and Changes in Accounting Policies

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1 January 2005 eliminated the carrying amount of the related accumulated amortisation of HK$11,413,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1 January 2005 and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

Share-based payments

In the current year, the Group has applied HKFRS 2 Share-based Payment, which requires an expense to be recognised when the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Group, determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group elected not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. As there were no such unvested options outstanding on 1 January 2005, no prior year adjustments required.

2. Application of Hong Kong Financial Reporting Standards and Changes in Accounting Policies (continued)

Share-based payments (continued)

For the year ended 31 December 2005, impact of share-based payment is a charge to income statement of HK$2,373,000 for share options granted during the year, with a corresponding amount adjusted to share options reserve (see note 3 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of the financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt and equity securities

By 31 December 2004, the Group classified and measured its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as “trading securities”, “non-trading securities” or “held-to-maturity investments” as appropriate. Both “trading securities” and “non-trading securities” are measured at fair value. Unrealised gains or losses of “trading securities” are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group reclassified its “non-trading securities” to “available-for-sale investments” and reclassified its “trading securities” to “investments held for trading” in accordance with the transitional provisions of HKAS 39 (see note 3 for financial impact).

2. Application of Hong Kong Financial Reporting Standards and Changes in Accounting Policies (continued)

Financial instruments (continued)

Convertible bond

The principal impact of HKAS 32 on the Group is in relation to convertible bond issued by the Company that contain both liability and equity components. Previously, convertible loan notes were classified as liabilities on the consolidated balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. There is no significant impact on the Group's financial position and operating results for current or prior accounting period.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Prior to the application of HKAS 39, the receivables were stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such receivables are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, an impairment loss of HK$3,866,000 was made to the Group's receivables during the year which was determined based on future cash flows of the receivables discounted at the original effective interest rate (see note 3 for financial impact). As the receivables on 1 January 2005 was approximately equal to their amortised cost, there is no significant impact on the Group's financial position and operating results on 1 January 2005.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and a revaluation surplus subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. The carrying values of the investment properties are lower than their cost. As a result, there is no significant effect on the accumulated losses of the Group on 1 January 2005.

3. Summary of the Effects of the Changes in Accounting Policies

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2005 **HK$'000**	2004 HK$'000
Non-amortisation of goodwill	**2,914**	–
Expenses in relation to share options granted to employees	**(2,373)**	–
Impairment on receivables	**(3,866)**	–
Increase in loss for the year	**(3,325)**	–

Analysis of increase in loss for the year by line items presented according to their function:

	2005 **HK$'000**	2004 HK$'000
Increase in impairment loss recognised in respect of receivables	**(3,866)**	–
Decrease in administrative expenses	**541**	–
Increase in loss for the year	**(3,325)**	–

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004 HK$'000	**Opening adjustments** HK$'000	**1.1.2005** HK$'000 (restated)
Balance sheet items			
Investments in securities	7,639	(7,639)	–
Investments held for trading	–	7,639	7,639
	7,639	–	7,639

There is no financial effects of the application of the new HKFRSs to the Group's equity on 1 January 2004.

3. Summary of the Effects of the Changes in Accounting Policies (continued)

The Group has not early applied the new standards, interpretations and amendments that have been issued but are not yet effective as at 31 December 2005. The Group has commenced considering the potential impact of these standards, interpretations and amendments. The directors anticipate the application of these standards, interpretations and amendments will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	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 and HKFRS 4 (Amendments)	Financial guarantee contracts[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.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of subsidiaries for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiaries or associates at the date of acquisition.

For previously capitalised goodwill arising on acquisitions prior to 1 January 2005, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of subsidiaries for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries or associates at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment loss.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the balance sheet. Capitalised goodwill arising on acquisition of associates is included in the cost of the investment of the relevant associates, and is tested for impairment by comparing the carrying amount of the investment with the recoverable amount, wherever there is any indication that the investment may be impaired.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of subsidiaries or associates, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

4. Significant Accounting Policies (continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	15% - $33\frac{1}{3}$%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Interest in associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

In the consolidated balance sheet, investments in associates are stated at the Group's share of the net assets of its associate plus unamortised goodwill arising on acquisition, less any identified impairment losses.

Inventories

Inventories, which represent consumables, are stated at cost. Cost is calculated using the first-in, first-out method.

4. Significant Accounting Policies (continued)

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. Significant Accounting Policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Processing and storage fees are recognised when services are rendered. Enrolment fees are recognised upon the signing of the enrolment contract.

Rental income is recognised on a straight-line basis over the term of relevant lease.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4. Significant Accounting Policies (continued)

Deferred income

Deferred income represents storage fee received in advance from customers and is recognised to income over the term of relevant contract on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

The Group's financial assets mainly comprise the loans and receivables, available-for-sale investments and investments held for trading. The accounting policies adopted in respect of each category of financial assets are set out below.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

FINANCIAL ASSETS (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables) and bank deposits and balances are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

For 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, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss 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 losses will not reverse in subsequent periods.

Investments held for trading

At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and demand deposits which are subject to an insignificant risk of changes in value.

FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

FINANCIAL LIABILITIES AND EQUITY (continued)
An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for financial liabilities and equity instruments are set out below.

Financial liabilities
Financial liabilities including trade and other payables, amount due to a related company, obligation under finance leases and bank borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank borrowings
Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowings costs.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based payments
The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Retirement benefits costs
Payments to the mandatory provident fund scheme are charged as an expense as they fall due.

5. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 4, management had made the following estimations that have the most significant effect on the amounts recognised in the consolidated financial statements.

5. Key Sources of Estimation Uncertainty (continued)

Impairment of goodwill

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 Group 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. The carrying amount of goodwill as at 31 December 2005 was HK$15,600,000 arising from acquisition of subsidiaries. Details of the recoverable amount calculations of goodwill arising from acquisitions of subsidiaries are disclosed in note 17. Changes in estimation of the value in use would materially affect the amounts of impairment loss recognised in respect of goodwill in the consolidated income statement and the balance of goodwill in the consolidated balance sheet.

Impairment of trade receivables

Note 4 describes that trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the receivables are not recoverable.

Management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's majority of working capital is devoted to trade receivables. In determining whether impairment on trade receivable is occurred, the Group takes into consideration the ageing status and the likelihood of collection. An impairment loss on trade receivables is recognised when they are unlikely to be collected. The measurement of impairment loss requires the Group to estimate the future cash flows expected to be collected. Adjustments will be made in future periods if the estimated future cash flows changes. Changes in the estimation would materially affect the impairment of trade receivables recognised in the consolidated income statement and balance of trade receivables in the consolidated balance sheet.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include pledged bank deposits, pledged deposits in financial institutions, bank balances and cash, trade and other receivables, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain trade receivables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

Except for disclosures in note 21, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank borrowings (see note 27). The Group currently does not have interest cash flow hedging policy. However, management monitors the related interest cash flow exposure closely and will consider hedging significant interest cash flow exposure should the need arises.

7. Turnover

	2005 HK$'000	2004 HK$'000
Turnover represents the net amounts received and receivable for:		
Trading of pharmaceutical ingredients and chemicals	**130,262**	163,730
Sales of investments held for trading/ investments in securities	**36,108**	58,179
Processing, storage and enrolment fees	**15,634**	11,724
Rental income	**8,684**	8,805
Dividend income	**150**	21
	190,838	242,459

8. Business and Geographical Segments

Business segments

The Group is currently engaged in property investment, processing and storage of cord blood, trading of investments and trading of pharmaceutical ingredients and chemicals. There are no sales or trading transactions between the business segments. These segments are the basis on which the Group reports its primary segment information.

8. Business and Geographical Segments (continued)

Business segments (continued)

Segment information about these businesses for the year ended 31 December 2005 is set out as follows:

For the year ended 31 December 2005

	Property investment HK$'000	Processing and storage of cord blood HK$'000	Trading of investments HK$'000	Trading of pharmaceutical ingredients and chemicals HK$'000	Total HK$'000
Turnover	8,684	15,634	36,258	130,262	190,838
Results	(29,934)	(95)	1,101	(381)	(29,309)
Finance costs					(1,919)
Share of results of associates					1,373
Loss on disposal of an associate					(1,373)
Unallocated corporate expenses					(24,631)
Loss before taxation					(55,859)
Taxation					659
Loss for the year					(55,200)

At 31 December 2005

	Property investment HK$'000	Processing and storage of cord blood HK$'000	Trading of investments HK$'000	Trading of pharmaceutical ingredients and chemicals HK$'000	Total HK$'000
Segment assets	153,385	25,675	3,334	–	182,394
Unallocated corporate assets					114,647
Total assets					297,041
Segment liabilities	3,069	23,280	–	–	26,349
Unallocated corporate liabilities					43,265
Total liabilities					69,614

8. Business and Geographical Segments (continued)

Business segments (continued)

For the year ended 31 December 2005

	Property investment HK$'000	Processing and storage of cord blood HK$'000	Trading of Investments HK$'000	Unallocated HK$'000	Total HK$'000
OTHER INFORMATION					
Capital additions	5	328	–	12	345
Depreciation	137	509	–	922	1,568
Decrease in fair value of investment properties	31,000	–	–	–	31,000
Impairment loss recognised in respect of receivable	3,866	–	–	–	–
Impairment loss recognised in respect of goodwill	–	2,126	–	–	2,126

Segment information about these businesses for the year ended 31 December 2004 is set out as follows:

For the year ended 31 December 2004

	Property investment HK$'000	Processing and storage of cord blood HK$'000	Trading of investments HK$'000	Trading of pharmaceutical ingredients and chemicals HK$'000	Total HK$'000
Turnover	8,805	11,724	58,200	163,730	242,459
Results	(1,714)	973	(17,105)	320	(17,526)
Finance costs					(2,373)
Share of results of associates					(28,065)
Impairment loss recognised in respect of goodwill arising on acquisition of an associate					(8,355)
Unallocated corporate expenses					(29,721)
Loss before taxation					(86,040)
Taxation					(175)
Loss for the year					(86,215)

8. Business and Geographical Segments (continued)

Business segments (continued)

At 31 December 2004

	Property investment HK$'000	Processing and storage of cord blood HK$'000	Trading of investments HK$'000	Trading of pharmaceutical ingredients and chemicals HK$'000	Total HK$'000
Segment assets	187,947	24,006	7,639	26,004	245,596
Unallocated corporate assets					238,629
Total assets					484,225
Segment liabilities	3,280	13,549	–	25,952	42,781
Unallocated corporate liabilities					161,190
Total liabilities					203,971

For the year ended 31 December 2004

	Property investment HK$'000	Processing and storage of cord blood HK$'000	Trading of Investments HK$'000	Unallocated HK$'000	Total HK$'000
OTHER INFORMATION					
Capital additions	–	901	–	75	976
Depreciation and amortisation	137	3,338	–	1,039	4,514
Loss (gain) on disposal of property, plant and equipment	–	97	–	(40)	57
Impairment loss recognised in respect of investments in securities	–	–	20,000	–	20,000
Decrease in fair value of investment properties	6,600	–	–	–	6,600

8. Business and Geographical Segments (continued)

Geographical segments

The following table provides a geographical analysis of the Group's turnover according to the location of customers and total assets according to location of the assets:

	Turnover HK$'000	Segment assets HK$'000	Capital additions HK$'000
2005			
Hong Kong	**106,593**	**143,656**	**5**
The PRC	**8,684**	**153,385**	**340**
New Zealand	**75,561**	**–**	**–**
	190,838	**297,041**	**345**
2004			
Hong Kong	211,223	118,187	976
The PRC	8,805	343,607	–
New Zealand	22,431	22,431	–
	242,459	484,225	976

9. Other Income

Other income for the year includes the following:

	2005 HK$'000	2004 HK$'000
Bad debt recovery	**139**	–
Exchange gain	**–**	48
Interest income on bank deposits	**1,282**	137
Sundries	**170**	1,215
Unrealised holding gain of investments in securities	**–**	492
	1,591	1,892

10. Finance costs

	2005 HK$'000	2004 HK$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**(1,899)**	(1,278)
Finance leases	**(20)**	(37)
Convertible bond	**–**	(1,058)
	(1,919)	(2,373)

11. Taxation credit (charge)

	2005 **HK$'000**	2004 HK$'000
The credit (charge) comprises:		
Hong Kong Profits Tax	**–**	(56)
PRC Enterprise Income Tax	**(922)**	(455)
Current tax	**(922)**	(511)
Deferred taxation *(Note 29)*	**1,581**	336
	659	(175)

Hong Kong Profits Tax is calculated at 17.5% of the estimated profit for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit for the year.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate prevailing in the relevant jurisdictions applicable to each of the years.

The charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2005 **HK$'000**	2004 HK$'000
Loss before taxation	**(55,859)**	(86,040)
Tax at the income tax rate of 17.5%	**9,775**	15,057
Tax effect of shares of results of associates	**240**	(4,911)
Tax effect of income that is not taxable in determining taxable profit	**267**	356
Tax effect of expenses that are not deductible in determining taxable profit	**(2,304)**	(6,612)
Tax effect of tax losses not recognised	**(3,917)**	(3,478)
Utilisation of tax losses previously not recognised	**493**	75
Effect of different taxation rate used in other jurisdictions	**(4,042)**	(558)
Others	**147**	(104)
Taxation credit (charge) for the year	**659**	(175)

12. Loss for the year

	2005	2004
	HK$'000	HK$'000
Loss for the year has been arrived at after charging:		
Directors' remuneration *(Note 13)*	**6,364**	6,801
Other staff costs	**8,584**	9,891
Other staff retirement benefit scheme contributions	**325**	220
Share option benefits expenses, excluding directors	**697**	–
Total staff costs	**15,970**	16,912
Auditors' remuneration	**750**	1,215
Amortisation of goodwill (included in administrative expenses)	**–**	2,914
Depreciation of property, plant and equipment		
– owned by the Group	**1,138**	1,170
– held under finance leases	**430**	430
Decrease in changes in fair values of investments held for trading	**34**	–
Exchange loss	**59**	–
Loss on disposal of property, plant and equipment	–	57
Operating lease rentals in respects of rented premises	**2,750**	3,057
Share of tax of associates (included in share of results of associates)	**106**	–
and after crediting:		
Gross rental income from investment properties	**8,684**	8,805
Less: Direct operating expenses from investment properties that generated rental income during the year	**(3,305)**	(3,344)
	5,379	5,461
Interest income	**1,282**	137
Net gain from disposal of investments held for trading/trading securities	**1,064**	2,450
Unrealised holding gain of investments in securities	**–**	492

13. Directors' and Five Highest paid Employees' Emoluments

(i) Details of directors' remuneration are as follows:

The emoluments paid or payable to each of the 11 (2004: 10) directors were as follows:

			2005		
			Retirement	Share option	
		Salaries and	benefit scheme	benefits	
Name of director	**Fee**	**other benefits**	**contributions**	**expenses**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Cai Yuan	–	–	–	838	838
Luk Kin Peter Joseph	–	540	25	838	1,403
Fu Weimin	–	237	–	–	237
Zhao Linye	–	237	5	–	242
Qi Xianchao	–	1,423	49	–	1,472
Zhou Yucheng	–	1,620	–	–	1,620
Tang Tin Sek	211	–	–	–	211
Lee Kwan Hung	129	–	–	–	129
Poon Chiu Kwok	–	–	–	–	–
Julia Frances Charlton-Stevens	32	–	–	–	32
Wang Yiming	180	–	–	–	180
	552	4,057	79	1,676	6,364

		2004		
			Retirement	
		Salaries and	benefit scheme	
Name of director	**Fee**	**other benefits**	**contributions**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Zhou Yucheng	150	1,950	–	2,100
Fu Weimin	150	650	–	800
Qi Xianchao	150	1,184	12	1,346
Zhao Linye	32	178	–	210
Julia Frances Charlton-Stevens	52	–	–	52
Tong Nai Kan	55	1,628	5	1,688
Leung Wai Kwan	68	131	6	205
Tang Tin Sek	200	–	–	200
Wang Yiming	200	–	–	200
Chan Iu Nam John Bosco	–	–	–	–
	1,057	5,721	23	6,801

13. Directors' and Five Highest paid Employees' Emoluments (continued)

(ii) Employees

Details of remuneration paid by the Group to the five highest paid individuals included three (2004: four) directors, and the remaining two (2004: one) employees for the year are as follows:

	2005 HK$'000	2004 HK$'000
Salaries and other benefits	**1,261**	611
Retirement benefit scheme contributions	**38**	12
Share option benefits expenses	**291**	–
	1,590	623

Remuneration of each of the employees for both years falls within the band of less than HK$1,000,000.

During the year, no remuneration has been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. No directors have waived any remunerations during the year.

14. Loss per share

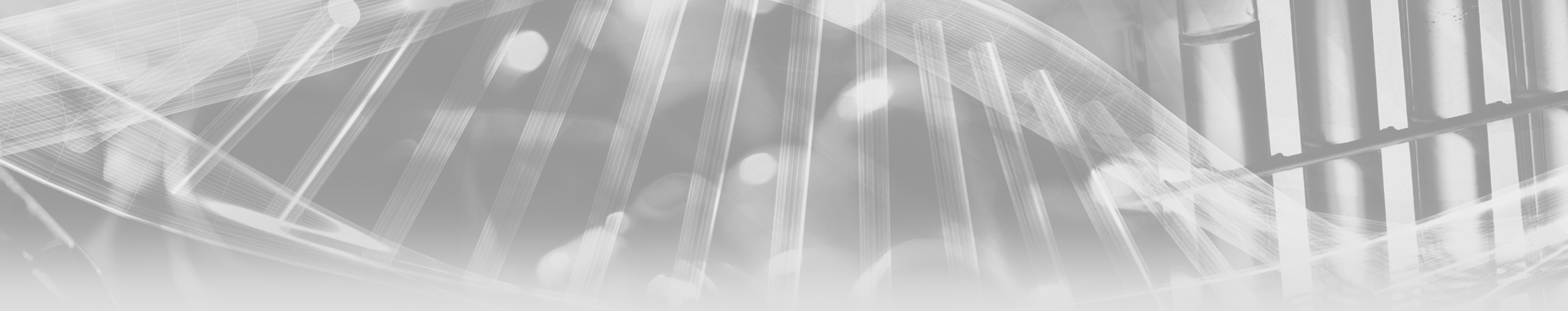
The calculation of the loss per share is based on the loss for the year of approximately HK$55,200,000 (2004: HK$86,215,000) and on 2,464,812,853 (2004: the weighted average number of 2,199,224,328) shares in issue during the year.

The effect of share options is excluded from the calculation of the diluted loss per share for both years since their exercise would result in a decrease in the loss per share.

The computation of the diluted loss per share for 2004 did not assume the conversion of the convertible bond since its exercise would result in a decrease in the loss per share.

The following table summarises the impact on loss per share as a result of changes in accounting policies:

	2005 HK cents	2004 HK cents
Figures before adjustments	**(2.11)**	(3.92)
Adjustments arising from changes in accounting policies *(see note 3)*	**(0.13)**	–
Reported	**(2.24)**	(3.92)



15. Property, Plant and Equipment

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2004	5,700	4,200	3,511	13,411
Additions	13	963	–	976
Write-off	(4,374)	–	–	(4,374)
Disposals	–	(335)	(800)	(1,135)
At 31 December 2004	1,339	4,828	2,711	8,878
Additions	–	345	–	345
At 31 December 2005	1,339	5,173	2,711	9,223
DEPRECIATION				
At 1 January 2004	4,460	1,717	1,704	7,881
Provided for the year	330	648	622	1,600
Eliminated on write-off	(4,374)	–	–	(4,374)
Eliminated on disposals	–	(211)	(640)	(851)
At 31 December 2004	416	2,154	1,686	4,256
Provided for the year	325	739	504	1,568
At 31 December 2005	741	2,893	2,190	5,824
CARRYING VALUES				
At 31 December 2005	598	2,280	521	3,399
At 31 December 2004	923	2,674	1,025	4,622

The net book value of motor vehicles includes an amount of approximately HK$509,000 (2004: HK$939,000) in respect of assets under finance leases.

16. Investment Properties

	HK$'000
FAIR VALUE	
At 1 January 2004	162,400
Decrease in fair value recognised in the consolidated income statement	(6,600)
At 31 December 2004	155,800
Decrease in fair value recognised in the consolidated income statement	(31,000)
At 31 December 2005	124,800

The fair value of the Group's investment properties held under medium term leases in the PRC have been arrived at on the basis of a valuation carried out on that date by Malcolm & Associates Appraisal Limited, independent qualified firm of professional valuers not connected with the Group. The valuation, which conforms to The Hong Kong Institute of Surveyors Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

Majority of the Group's investment properties are rented out under operating leases to earn rentals or for capital appreciation purposes and are measured using the fair value model.

The Group has pledged all of its investment properties to secure general banking facilities granted to the Group.

17. Goodwill

	HK$'000
GROSS VALUE	
At 1 January 2004 and 31 December 2004	29,139
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 3)*	(11,413)
At 1 January 2005 and 31 December 2005	17,726
AMORTISATION	
At 1 January 2004	8,499
Charge for the year	2,914
At 31 December 2004	11,413
Elimination of accumulated amortisation upon the application of HKFRS 3	(11,413)
At 1 January 2005 and 31 December 2005	–
IMPAIRMENT LOSS RECOGNISED FOR THE YEAR AND AT 31 DECEMBER 2005	(2,126)
CARRYING VALUES	
At 31 December 2005	15,600
At 31 December 2004	17,726

17. Goodwill (continued)

Until 31 December 2004, goodwill arising on acquisition of subsidiaries had been amortised over the estimated useful life of 10 years.

For the purpose of impairment review, goodwill set out above is allocated to the processing and storage of cord blood cash generating unit ("CGU"). The carrying amount of goodwill allocated to the CGUs as at 31 December 2005 is HK$15,600,000.

The recoverable amounts of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using a risk-free rate, the market return and company-specific factors. The growth rates are based on the estimation on the historical annual growth rates of the CGU and the comparable companies industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill with reference to the valuation carried out by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. The valuation is based on cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows for the following four years based on an estimated growth rate of 20% to 25% plus a terminal value. The rate used to discount the forecast cash flow is 10.66%. Due to the fact that there are new competitors entered into the market this year, the value in use calculated by using the discount rate is lower than the carrying amount of the CGU and accordingly, an impairment loss of HK$2,126,000 was considered necessary.

18. Interest in Associates

	2005	2004
	HK$'000	HK$'000
Costs of investments in associates - unlisted	**40,285**	195,945
Share of post-acquisition profits	**(40,285)**	(31,930)
	–	164,015
Less: Impairment losses recognised	**–**	(8,355)
	–	155,660

Included in the costs of investments in associates in 2004 was goodwill of HK$24,488,000 arising on acquisition of an associate. The movement of goodwill is set out below:

	Goodwill
	HK$'000
CARRYING VALUES	
Arising on acquisition of an associate and balance at 31 December 2004	24,488
Elimination upon the disposal	(24,488)
At 31 December 2005	–

18. Interest in Associates (continued)

Particulars of the principal associates at 31 December 2005 were as follows:

Name	Place of incorporation/ establishment/ operation	Percentage of attributable equity interest		Principal activities
		2005	2004	
Happy Bright Holdings Limited ("Happy Bright")	Hong Kong	20%	20%	Investment holding
Guangzhou Huakang Dikong Development Company Limited ("GHDDCL")	PRC	17%*	17%*	Property development and investments

* Happy Bright held 85% equity interest in GHDDCL

In 2004, the Group entered into a conditional agreement with China Worldbest Life Industries Company Limited ("CWGC Life"), a subsidiary of China Worldbest Group Company Limited, a former shareholder of the Company, to acquire 30% equity interests in Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited ("SW Treeful") at total consideration of HK$155,660,000 (equivalent to RMB165,000,000) (the "Agreement"). The Group had paid the first instalment in amount of approximately HK$46,698,000 (equivalent to approximately RMB49,500,000) to CWGC Life in 2004, but failed to pay the second and third instalments upon the due date. On 1 April 2005 (the "Disposal Date") , the Group entered into a rescission agreement (the "Rescission Agreement") with CWGC Life to rescind the Agreement and transferred the 30% equity interest in SW Treeful back to CWGC Life on the condition that CWGC Life returned the first instalment to the Group.

On 13 July 2005, Shanghai Foreign Investment Commission approved the Rescission Agreement and the reinstatement of the status of SW Treeful into a PRC domestic company was registered at the Shanghai Administration of Industry and Commerce on 4 November 2005.

Since its acquisition and up to 31 December 2004, the Group shared profit from SW Treeful of HK$8,355,000 and recognised an impairment loss of HK$8,355,000 in respect of the goodwill arising on the acquisition, resulted in a balance of interest in SW Treeful of HK$155,660,000 at 31 December 2004.

During the year end 31 December 2005, the directors estimated the Group's share of profits from SW Treeful in current year up to the Disposal Date of HK$1,373,000, based on the unaudited management accounts of SW Treeful, and recognised a loss on disposal with same amount in the consolidated income statement. There were no audited financial information of SW Treeful available. However, any increase or decrease in the results of the associate would result in increase or decrease in the loss on disposal of the associate correspondingly and would have had no effect on the loss for the year then ended.

19. Available-for-Sale Investments

Available-for-sale investments as at 31 December 2005 comprise:

	2005 HK$'000
Unlisted equity securities, at cost	30,000
Less: Impairment loss recognised	(30,000)
	–

The available-for-sale investments at 31 December 2005 represent the Group's 10% shareholding in Universal Biotech Company Limited 寰生生物科技有限公司 ("UBC") which was incorporated in Taiwan and engaged in the provision of research and development, production and sales of Chinese medical health food and Chinese medical pharmaceutical products. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. Investments in Securities

Investments in securities as at 31 December 2004 are set out below. Upon the application of HKAS 39 on 1 January 2005, investments in securities were reclassified to appropriate categories under HKAS 39 *(see note 3 for details)*.

	Trading securities HK$'000	Other securities HK$'000
Equity securities:		
Listed in Hong Kong	7,639	–
Unlisted	–	30,000
Less: Impairment loss recognised	–	(30,000)
	7,639	–
Market value of listed securities	7,639	–
Carrying amount analysed for reporting purposes as:		
Current	7,639	–
Non-current	–	–
	7,639	–

20. Investments in Securities (continued)

The unlisted securities at 31 December 2004 represented the Group's 10% shareholding in UBC as mentioned in note 19 above.

21. Trade and Other Receivables

	2005	2004
	HK$'000	HK$'000
Trade debtors	**35,360**	61,269
Other debtors	**2,079**	1,191
Deposits and prepayments	**15,892**	1,990
	53,331	64,450

At the balance sheet date, trade debtors include an amount of receivable from Guangdong International Building Enterprises Company Limited ("GIBE"), a former fellow subsidiary company, amounting to approximately HK$27,809,000 (2004: HK$31,608,000). As at 31 December 2005, the carrying amount (after an impairment loss of HK$3,866,000) was determined based on the present value of the estimated future cash inflows discounted using the prevailing market rate at the balance sheet. The effective interest rate of the receivable is 6.98% per annum. This receivable represents rental income generated from the investment properties of the Group after netting off the relevant property management fees payable for the properties.

Guangdong International Trust & Investment Corporation ("GITIC"), the former ultimate holding company, commenced liquidation in October 1998. As a result, GIBE encountered financial difficulties to repay the outstanding amount to the Group. As agreed with the liquidators of GITIC, part of the proceeds from the disposal of its interest in GIBE will be used to repay this receivable.

The directors have been advised by the liquidators that the transaction would be completed and the proceeds from the disposal would be used to fully repay the outstanding amount owed to the Group when the potential purchaser completed the sale. The liquidators had also been approached by a number of other potential purchasers currently who were interested in acquiring GIBE. Against this background, the directors are of the opinion that this receivable will be fully recoverable.

Included in the deposits and prepayments at 31 December 2005 is a prepayment amounting to HK$13,850,000 made to a supplier for purchase of goods.

Rental income from tenants is due and payable in advance.

The Group allows credit periods normally ranging from 30 days to 60 days to its trade customers other than from its tenants.

21. Trade and Other Receivables (continued)

The following is an aged analysis of the remaining trade debtors at the balance sheet date:

	2005 HK$'000	2004 HK$'000
0 to 30 days	**3,033**	5,051
31 to 60 days	**962**	23,217
61 to 90 days	**817**	625
Over 90 days	**2,739**	768
	7,551	29,661

The fair value of the Group's trade and other receivables at 31 December 2005 approximated to the corresponding carrying amount.

22. Investments Held for Trading

Investments held for trading as at 31 December 2005 represented equity securities listed in Hong Kong and are carried at fair value with reference to the quoted market bid prices available on the relevant exchanges.

23. Pledged Bank Deposits and Pledged Deposits in Financial Institutions

The amounts represent deposits pledged to banks amounting to HK$5,099,000 (2004: HK$10,342,000) and deposits pledged to financial institutions amounting to HK$8,412,000 (2004: HK$6,208,000) to secure bank borrowings and credit facilities granted to the Group.

The pledged bank deposits and the pledged deposits in financial institutions carrying fixed interest rate at a range from 0.1% to 3.9% (2004: 0.1% to 2.1%) per annum. The fair value of pledged bank deposits approximated to the corresponding carrying amounts.

24. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at interest rate in a range from 1% to 4% per annum. The directors consider that the carrying amount of these assets approximate their fair value.

25. Trade and Other Payables

	2005 HK$'000	2004 HK$'000
Trade payables	**980**	25,910
Other payables	**31**	156
Accrued charges	**6,740**	11,216
	7,751	37,282

25. Trade and Other Payables (continued)

The following is an aged analysis of trade payables at the balance sheet date:

	2005 HK$'000	2004 HK$'000
0 to 30 days	**940**	25,909
31 to 60 days	**16**	–
Over 60 days	**24**	1
	980	25,910

The fair value of the Group's trade and other payables at 31 December 2005 approximated to the corresponding carrying amount.

26. Amount Due to a Related Company

The amount was due to CWGC Life. The amount was unsecured and interest-free. The amount was derecognised upon the completion of a rescission agreement as set out in note 18.

27. Secured Bank Borrowings

	2005 HK$'000	2004 HK$'000
The carrying amounts of secured bank borrowings repayable:		
Within one year	**4,000**	4,000
Between one to two years	**4,200**	4,000
Between two to five years	**14,400**	13,800
After five years	**10,310**	15,110
	32,910	36,910
Less: Amount due within one year shown under current liabilities	**(4,000)**	(4,000)
Amount due after one year	**28,910**	32,910

The bank borrowings are denominated in Hong Kong dollars and carry interest rate at HIBOR plus 2.65% per annum for both years.

The fair value of the Group's bank borrowings as at 31 December 2005 approximated to the corresponding carrying amount calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

28. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**120**	269	**117**	249
More than one year but not more than two years	**–**	120	**–**	117
	120	389	**117**	366
Less: Future finance charges	**(3)**	(23)	**–**	–
Present value of lease obligations	**117**	366	**117**	366
Less: Amount due within one year			**(117)**	(249)
Amount due after one year			**–**	117

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is approximately 4 years. For the year ended 31 December 2005, the average effective borrowing rate was 2.4% (2004: 2.4%) per annum.

The fair value of the Group's finance lease obligations, determined based on the present value of the estimated cash flows discounted using the prevailing market rate at the balance sheet date approximate to their carrying amount.

29. Deferred Taxation

A summary of the deferred tax liabilities recognised and movements thereon during the current and prior reporting years is as follows.

	Revaluation of investment properties HK$'000
At 1 January 2004	8,282
Credit to consolidated income statement for the year	(336)
At 1 January 2005	7,946
Credit to consolidated income statement for the year	(1,581)
At 31 December 2005	6,365

29. Deferred Taxation (continued)

At the balance sheet date, the Group has unused tax losses of approximately HK$110,019,000 (2004: HK$91,456,000) available for offset against future profits. The tax losses may be carried forward indefinitely. No deferred taxation asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. There were no other significant temporary differences arising during the year or at the balance sheet date.

30. Share Capital

	Number of ordinary shares of HK$0.1 each		Amount	
	2005	2004	**2005**	2004
			HK$'000	HK$'000
Authorised:				
At 1 January and 31 December	**4,000,000,000**	4,000,000,000	**400,000**	400,000
Issued and fully paid:				
At 1 January	**2,464,812,853**	2,104,512,853	**246,481**	210,451
Issue of new shares on exercise of share options	**–**	300,000	**–**	30
Issue of new shares on conversion of convertible bond *(note 31)*	**–**	360,000,000	**–**	36,000
At 31 December	**2,464,812,853**	2,464,812,853	**246,481**	246,481

31. Convertible Bond

On 9 December 2003, the Company issued a convertible bond of HK$36 million at par to China Worldbest HK. The bond carried interest at 4% per annum, payable half yearly in arrears, and a right to convert into new shares of HK$0.10 each in the issued share capital of the Company at a conversion price of HK$0.10 per share, subject to adjustment, at any time from 9 March 2004 to 8 December 2005. The bond was fully converted into 360,000,000 ordinary shares of the Company on 27 September 2004. The effective interest rate of the bond is 4.5% per annum.

32. Share Options

Pursuant to ordinary resolutions of the shareholders of the Company passed on 11 March 1997 and 26 June 2002, the Company adopted an old share option scheme (the "Old Share Option Scheme") and a new share option scheme (the "New Share Option Scheme") respectively. The Old Share Option Scheme was terminated on 26 June 2002 such that no further options shall be offered under the Old Share Option Scheme but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and, in all other respects, its provisions shall remain in full force and effect.

The Company operates these share option schemes for the purpose of providing incentives or rewards to participants.

32. Share Options (continued)

(a) Old Share Option Scheme

Details of the movements in the number of share options during the year under the Old Share Option Scheme are as follows:

Type of participants	Date of grant	Exercisable period	Exercise price per share HK$	Number of Share Options Outstanding at 1.1.2004	Exercised during the year	Outstanding at 1.1.2005	Lapsed during the year	Outstanding at 31.12.2005
Ex-director	29 August 2001	1 March 2002 to 28 February 2005	0.145	17,500,000	–	17,500,000	17,500,000	–
Employee	29 August 2001	1 March 2002 to 28 February 2005	0.145	300,000	300,000	–	–	–
				17,800,000	300,000	17,500,000	17,500,000	–

The HK$0.145 exercise price per share of the above share options granted under the Old Share Option Scheme was determined by the Board of Directors.

In respect of the above share options exercised in 2004, the weighted average share price at the date of exercise is HK$0.480.

No option may be granted to any existing option holder which, if exercised in full, would result in the total number of shares already issued and issuable to him under this scheme exceeding 25 percent of the aggregate number of shares in respect of which options are issuable under this scheme.

No option shall be granted under this scheme which would result in the aggregate number of shares issued or issuable or which may be issuable under this scheme, when added to the number of shares issued or issuable or which may be issued under all other share option schemes (if any) of the Company, exceeding 10 per cent of the issued share capital of the Company at the time of granting of the option (excluding any shares issued upon exercise of the options).

(b) New Share Option Scheme

Details of the movements in the number of share options during the year under the New Share Option Scheme are as follows:

Type of participant	Date of grant	Exercisable period	Exercise price per share HK$	Number of Share Options Outstanding at 1.1.2004	Cancelled during the year	Outstanding as at 1.1.2005	Granted during the year	Outstanding as at 31.12.2005
Ex-director	3 January 2003	3 January 2003 to 2 January 2008	0.100	9,966,000	9,966,000	–	–	–
Directors	20 December 2005	3 January 2006 to 2 January 2009	0.160	–	–	–	17,300,000	17,300,000
Employees	20 December 2005	3 January 2006 to 2 January 2009	0.160	–	–	–	7,188,000	7,188,000
				9,966,000	9,966,000	–	24,488,000	24,488,000

The HK$0.160 exercise price per share represented the closing price of the Company's shares quoted on the Stock Exchange on the date of grant of the options.

32. Share Options (continued)

(b) New Share Option Scheme (continued)

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this scheme and any other share option scheme for the time being of the Company shall not, in aggregate, exceed such number of shares as equals 30% of the shares in issue from time to time. No option may be granted under the scheme or any other share option scheme of the Company if it would result in the above-mentioned 30% limit being exceeded.

The total amount of shares covered by the options granted to a participant (including exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time. If any further grant of options to the participant would result in the shares covered by such options (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding 1% of the shares in issue as at the date of the further grant, then the following conditions have to be satisfied:

– the shareholders must approve the grant at a general meeting, with such participant and his associates abstaining from voting;

– the Company must send a circular in relation to the proposal for the further grant to its shareholders, with such information from time to time required by the Rules Governing the Listing of Securities on the Stock Exchange; and

– the number and terms (including the subscription price) of the options to be granted to such proposed grantee must be fixed before the approval by the shareholders as mentioned above.

During the year ended 31 December 2005, options were granted on 20 December 2005. The estimated fair value of the options granted was HK$0.097. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding options.

As mentioned in note 2, the Group has, for the first time, applied HKFRS 2 Share-based Payment to account for equity-settled share-based payment transactions. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share options reserve. In the current year, an amount of share option expense of HK$2,373,000 has been recognised in the income statement, with a corresponding adjustment made in the Group's share options reserve.

The fair value of the options determined at the date of grant using the Black-Scholes option pricing model, taken into account the terms and conditions upon which the share options were granted.

32. Share Options (continued)

(b) New Share Option Scheme (continued)

The following assumptions were used to calculate the fair value of share options granted during the year.

	20.12.2005
Weighted average share price	HK$0.160
Exercise price	HK$0.160
Expected life of options	3 years
Expected volatility	93%
Expected dividend yield	0%
Risk free rate	4%
Estimated fair value of option on grant date	HK$0.097
Closing share price on grant date	HK$0.160

Notes:

(i) The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices over last three years immediately preceding the grant date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.

33. Operating Lease Commitments

The Group as lessee

At the balance sheet date, the Group was committed to make the following minimum lease payments under non-cancellable operating leases in respect of rental premises and office equipment which fall due as follows:

	2005 HK$'000	2004 HK$'000
Within one year	**2,250**	2,686
In the second to fifth years inclusive	**1,221**	3,145
	3,471	5,831

Leases are negotiated for terms ranging from 1 to 3 years.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2005 HK$'000	2004 HK$'000
Within one year	**8,151**	8,220
In the second to fifth years inclusive	**23,016**	19,058
After five years	**47,910**	46,595
	79,077	73,873

34. Retirement Benefit Schemes

The Group operates a Mandatory Provident Fund for all the qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

35. Pledge of Assets

At the balance sheet date, the Group has pledged the following assets to banks and financial institutions to secure the credit facilities granted to the Group:

Category	**2005** **HK$'000**	2004 HK$'000
Investments held for trading	**–**	7,639
Investment properties	**124,800**	155,800
Bank deposits	**5,099**	10,342
Deposits in financial institutions	**8,412**	6,208
Trade receivables	**28,299**	31,725

In addition, the Group has also assigned, at the balance sheet date, all benefits and proceeds which may be effected from the Group's insurances entered in connection with the above investment properties to the bank to secure the credit facilities granted to the Group.

At the balance sheet date, the Group also assigned all rights, title, benefits and interests in respect of its receivables as referred to above in one of its wholly-owned subsidiaries to the bank to secure the credit facilities to the Group.

36. Related Party Transactions

The Group has entered into following related party transactions:

	2005 **HK$'000**	2004 HK$'000
Convertible bond interest paid to China Worldbest HK	**–**	1,058
Sales of goods to SW Treeful	**945**	–

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The Company's directors are also the key management of the Group. Details of their remuneration paid during the year are set out in note 13.

In addition, at the balance sheet date, the former director, Mr. Tong Nai Kan, has given an unlimited personal guarantee to the bank to secure the credit facilities granted to the Group.

37. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2005 were as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company %	Principal activities
Biogrowth Assets Limited *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Cell Therapy Technologies Centre Limited	Hong Kong/ Hong Kong	HK$200,000	100	Provision of cord blood bank and its relevant laboratory services
China Kent Development Limited	Hong Kong/ Hong Kong	HK$2 ordinary HK$10,000 non-voting deferred	100	Investment holding
INNOMAXX International Trading Company Limited	Hong Kong/ Hong Kong	HK$1	100	Trading of pharmaceutical ingredients and chemicals
Fullgain International Investment Limited	Hong Kong/ Hong Kong	HK$2	100	Securities investment holding and trading of securities investment
GITIC Properties Limited	Hong Kong/ PRC	HK$10,000	100	Property investment
INNOMAXX Investment Holdings Limited *	Hong Kong/ Hong Kong	HK$2	100	Investment holding
INNOMAXX Property (BVI) Limited *	British Virgin Islands/ Hong Kong	US$2	100	Investment holding
Longship Limited *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Offspring Investments Limited *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
United Profit Investments Limited *	British Virgin Islands/ Hong Kong	US$1	100	Investment holding

* Subsidiaries directly held by the Company

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.