Notes to the Financial Statements

For the year ended 31st December 2005

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section to the annual report.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are investment holding, security investment and property investment. There were no significant changes in the nature of the Group's principal activities during the year.

The financial statements are presented in Hong Kong Dollars which is the functional currency of the Company.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

Impact of new and revised Hong Kong Financial Reporting Standards

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 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

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 income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the 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 1st January 2005 onwards. Comparative figures for 2004 have not been restated.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Goodwill

In previous years, goodwill arising on acquisitions after 1st January 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 Business Combination which is effective for business combination for which the agreement date is on or after 1st January 2005. From 1st January 2005 onwards, the Group discontinued amortising the goodwill and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st 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.

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 and HKAS 39, which is effective for accounting periods beginning on or after 1st January 2005, generally does not permit the recognition, derecognition or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of 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 classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the income statement. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January 2005 onwards, the Group classifies and measures 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". The classification depends on the purpose for which the assets are acquired. "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 the income statement and equity respectively. Available-for-sale equity 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Classification and measurement of financial assets and financial liabilities (Continued)

On 1st January 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provision of HKAS 39. As a result, the Group classified its short term investment as investment held for trading, at fair value through profit or loss. In additions, investment securities amounted to HK$43.7 million has been classified as “available-for-sale investments” on 1st January 2005 (see below for financial impact).

The changes in the accounting policies described above do not have any effect on the results for the current and prior years or the Group’s equity on 1st January 2004.

Summary of the effects of the changes in accounting policies and reclassification

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

Balance sheet items

	As at 31st December 2004 HK$’ million	Adjustment HK$’ million	As at 1st January 2005 HK$’ million
Impact of HKAS 39:			
Investment in securities	43.7	(43.7)	—
Available-for-sale investments	—	43.7	43.7
Other reclassification:			
Trade and other receivable	41.8	(34.3)	7.5
Deposits in an assets management company	—	34.3	34.3
Total effect on assets	85.5	—	85.5

The reclassification was made to conform with the presentation of current year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Potential impacts of issued but not yet effective HKFRS

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

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 & 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 Decommissing, 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 1st January 2007.

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

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

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

The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with HKFRSs. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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.

Goodwill

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is before 1st 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 subsidiary and associate at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1st 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 an acquisition of a subsidiary and an associate for which the agreement date is on or after 1st 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 subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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 income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary and an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interests in associates

The results and assets and liabilities of associates are incorporated in these 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 associates, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value consideration received or receivables and represents amount receivable in the normal course of business on the following basis:

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.

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

Rental income under operating leases is recognised on straight-line basis over the relevant lease terms.

Sale of trading securities is recognised when the significant risks and rewards have been passed and is on trade date basis.

Impairment losses (other than goodwill – see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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, but so 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

Plant and equipment, are stated at cost less accumulated depreciation and impairment losses.

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

Furniture and fixtures	20%
Computer equipment	33.33%

An item of 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 income statement in the year in which the item is derecognised.

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 and losses from changes in the fair value of investment properties are included in the income statement for the period in which they arise.

Leasing

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.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant leases. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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 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 1st 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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 tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax 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 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax 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 tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits Scheme

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when a group entity becomes a party to the contractual provisions of the instruments. 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 are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (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 and other receivables, note receivables and deposits) 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 assets' 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 debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any indentified 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including other payables and accrued charges are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below:

Depreciation and amortisation

The Group's net book value of plant and equipment as at 31st December 2005 was approximately HK$ 0.9 million. The Group depreciates the plant and equipment on a straight line basis over the estimated useful life, and after taking into account of their estimated residual value, at the rate 20% to 33.33% per annum, commencing from the date the equipment is placed into productive use. The estimated useful life and dates that the Group places the equipment into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Investment properties

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 3. The fair value of the investment properties is determined by open market value. A firm of independently qualified professional surveyors and the fair value of investment properties as at the balance sheet date were set out in note 15. Such valuation was based on certain assumptions, which are subject to uncertainty and might material differ from the actual results.

In working judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate capitalisation rates. These estimates are regularly compared to actual date and actual transactions entered into by the Group.

Estimated impairment of available-for-sale financial assets

The Group follows the guidance of HKAS39 on determining when an investment is other than temporarily impaired. This determination requires significant judgement. In working this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs, and the financial health of and near-term business and look for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Estimated 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. An impairment loss of HK$ 7.9 million has been recognised in the current year. Details of which are set out in note 31.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, note receivables, deposits in an assets management company, other payables and accrued charges and derivative financial instruments and amount due to a security company. 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.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st 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 delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews 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.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Interest rate risk

The Group's exposure to interest rate risk is minimal as the Group does not have any long term interest bearing financial assets and liabilities.

Liquidity risk

The Group's objective is to maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements. The Group's exposure to liquidity risk is minimal.

Foreign currency risk

The Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

Fair value

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

6. TURNOVER

Turnover represents the net amounts received and receivables from placing of deposits, trading of securities and leasing of properties for the year.

An analysis of the Group's revenue for the year is as follows:

	2005 HK$' million	2004 HK$' million
Interest income from deposits	3.5	—
Rental income	2.7	18.2
Proceeds from trading of securities	35.0	—
	41.2	18.2

7. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions treasury and investment, property and securities trading. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Treasury and investment:

The placing of deposits and securities investment to generate income from interest, dividends and capital appreciation.

Funds are also advanced as loans to other parties on a secured or unsecured basis where suitable opportunities are identified to earn enhanced returns.

Property:

Investment in property to generate rental income.

Securities trading:

Investment in listed securities to generate profit from short-term fluctuation in price.

7. SEGMENT INFORMATION (Continued)

(a) Business segments

For the year ended 31st December 2005

	Treasury and investment HK$' million	Property HK$' million	Securities trading HK$' million	Total HK$' million
TURNOVER				
Interest income	3.5	—	—	3.5
Rental income	—	2.7	—	2.7
Trading of security	—	—	35.0	35.0
Total turnover	3.5	2.7	35.0	41.2
RESULTS				
Segment results	(51.1)	(10.7)	(0.7)	(62.5)
Other operating income	—	—	—	0.5
Unallocated expenses	—	—	—	(8.6)
Impairment losses recognised in respect of goodwill arising from acquisition of a subsidiary	—	—	—	(7.9)
Loss before taxation				(78.5)

7. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31st December 2004

	Treasury and investment HK$' million	Property HK$' million	Securities trading HK$' million	Total HK$' million
TURNOVER				
Interest income	—	—	—	—
Rental income	—	18.2	—	18.2
Trading of security	—	—	—	—
Total turnover	—	18.2	—	18.2
RESULTS				
Segment results	(32.8)	(7.3)	—	(40.1)
Unallocated expenses	—	—	—	(3.1)
Share of losses of associates	—	—	—	(18.1)
Amortisation of goodwill in respect of associates	—	—	—	(6.3)
Impairment losses recognised in respect of goodwill arising from acquisition of associates	—	—	—	(41.3)
Impairment losses recognised in respect of interests in associates	—	—	—	(138.0)
Loss before taxation				(246.9)

7. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Balance sheet

As at 31st December 2005

	Treasury and investment HK$' million	Property HK$' million	Securities trading HK$' million	Total HK$' million
ASSETS				
Segment assets	68.8	272.0	12.2	353.0
Unallocated corporate assets				6.9
				359.9
LIABILITIES				
Segment liabilities	22.9	0.7	10.2	33.8
Unallocated corporate liabilities				1.3
				35.1

As at 31st December 2004

	Treasury and investment HK$' million	Property HK$' million	Securities trading HK$' million	Total HK$' million
ASSETS				
Segment assets	82.9	295.6	—	378.5
Unallocated corporate assets				6.1
				384.6
LIABILITIES				
Unallocated corporate liabilities				3.2

7. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Other information

For the year ended 31st December 2005

	Treasury and investment HK$' million	Property HK$' million	Securities trading HK$' million	Unallocated HK$' million	Total HK$' million
Depreciation	—	—	—	0.4	0.4
Decrease in fair value on an investment property	—	13.0	—	—	13.0
Provision for loss on a guarantee agreement	22.9	—	—	—	22.9
Impairment losses recognised in respect of goodwill arising from acquisition of a subsidiary	—	7.9	—	—	7.9
Allowance for bad and doubtful debts	—	—	—	2.5	2.5
Impairment loss recognised in respect of available-for-sale investments	31.7	—	—	—	31.7
Loss on derivative financial instrument	—	—	0.1	—	0.1

For the year ended 31st December 2004

	Treasury and investment HK$' million	Property HK$' million	Securities trading HK$' million	Unallocated HK$' million	Total HK$' million
Amortisation of goodwill	—	—	—	6.3	6.3
Depreciation	—	—	—	0.4	0.4
Decrease in fair value on an investment property	—	29.3	—	—	29.3
Addition of goodwill in respect of associates	—	—	—	28.8	28.8
Impairment loss recognised in respect of goodwill arising from acquisition of associates	—	—	—	41.3	41.3
Impairment loss recognised in respect of interests in associates	—	—	—	138.0	138.0
Impairment loss recognised in respect of other assets	3.6	—	—	—	3.6
Gain on disposal of an investment property	—	(6.8)	—	—	(6.8)

7. SEGMENT INFORMATION (Continued)

(b) Geographical segments

(i) The following table provides an analysis of the Group's turnover by geographical market:

	2005 HK$' million	2004 HK$' million
The People's Republic of China, excluding Hong Kong (the "PRC")	**6.2**	18.2
Hong Kong	**35.0**	—
	41.2	18.2

(ii) The following is an analysis of the carrying amount of segment assets, and additions to plant and equipment, investment properties and available-for-sale investments analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to plant and equipment, investment properties and available-for-sale investments	
	2005 HK$' million	2004 HK$' million	2005 HK$' million	2004 HK$' million
The PRC	**340.8**	346.8	**250.0**	—
Hong Kong	**19.1**	37.8	**—**	—
	359.9	384.6	**250.0**	—

8. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	2005 HK$' million	2004 HK$' million
Directors' remuneration (note 10)	1.4	1.3
Contributions to retirement benefit scheme	—	—
Other staff costs	0.9	0.7
Total staff costs	2.3	2.0
Auditors' remuneration	0.3	0.6
Allowance for bad and doubtful debts	2.5	—
Cost of security trading	35.6	—
Depreciation	0.4	0.4
Minimum lease rentals in respect of rented premises	1.4	1.5
Rental income less outgoings of HK$0.4 million (2004: HK$2.3 million)	(2.3)	(15.9)

9. TAXATION

	2005 HK$' million	2004 HK$' million
The charge attributable to the Company and its subsidiaries comprises:		
Other regions in the PRC	0.2	2.8

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both years.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

9. TAXATION (Continued)

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

	2005	2004
	HK$' million	HK$' million
Loss before taxation	**(78.5)**	(246.9)
Tax at domestic rate of 17.5% (2004: 17.5%)	**13.7**	43.2
Tax effect of income not taxable for tax purpose	**0.7**	—
Tax effect of expenses not deductible for tax purpose	**(13.3)**	(46.5)
Tax effect of tax losses not recognised	**(1.5)**	(0.8)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**0.2**	1.1
Others	**—**	0.2
Taxation charge for the year	**(0.2)**	(2.8)

10. DIRECTORS' REMUNERATION

	2005	2004
	HK$' million	HK$' million
Directors' fee		
Executive directors	**0.9**	1.0
Independent non-executive directors	**0.5**	0.3
Other emoluments:		
Salaries and other benefits	**—**	—
Retirement benefit scheme contributions	**—**	—
Total emoluments	**1.4**	1.3

There was no arrangement under which directors waived or agreed to waive any emoluments in the two years ended 31st December 2005 and 2004.

10. DIRECTORS' REMUNERATION (Continued)

The emoluments of each director of the Company for the year are set out as follow:

	Directors' fee	
	2005	2004
	HK$' million	HK$' million
Executive directors:		
Li Guanghao (note a)	**0.3**	0.1
Chen Baodong	**0.3**	0.1
Li Zhaohui (note b)	**0.3**	0.1
Liang Xudong, Robert (note c)	**—**	0.6
Sun Shufeng, Sonny (note d)	**—**	0.1
	0.9	1.0
Independent non-executives directors:		
Cheung Hok Fung, Alexander (note e)	**0.1**	0.1
Leung Fung Yee, Alice (note e)	**0.1**	0.1
Lou Aidong (note f)	**0.1**	0.1
Wang Ligui (note g)	**0.1**	—
Lu Wennian (note g)	**0.1**	—
	0.5	0.3
	1.4	1.3

Notes:

a. Appointed on 13th July 2004

b. Appointed on 19th October 2004

c. Resigned on 2nd March 2004

d. Appointed on 4th March 2004 and resigned on 31st August 2005

e. Appointed on 4th March 2004 and retired on 30th June 2005

f. Appointed on 13th July 2004

g. Appointed on 30th June 2005

11. EMPLOYEES' EMOLUMENTS

The Group, of the five individuals with the highest emoluments, four (2004: four) were directors, whose emoluments are set out in note 10.

The emoluments of the remaining one (2004: one) highest paid individual were as follows:

	2005 HK$' million	2004 HK$' million
Salaries allowances and benefit in kind	**0.8**	0.6
Retirement benefit scheme contribution	**0.1**	0.1
	0.9	0.7

The emoluments were within the band ranging from nil to HK$1.0 million.

12. DIVIDEND

No dividend was paid or proposed during 2005, nor has any dividend been proposed since balance sheet date (2004: Nil).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	2005 HK$' million	2004 HK$' million
Loss for the year	**78.7**	249.7
	Million	Million
Weighted average number of ordinary shares	**323.5**	292.8

There were no dilutive potential ordinary shares in existence during both years, accordingly, no diluted loss per share figures are presented.

14. PLANT AND EQUIPMENT

	Furniture and fixtures HK$' million	Computer equipment HK$' million	Total HK$' million
THE GROUP			
COST			
At 1st January 2004	2.0	0.3	2.3
Disposal	(0.5)	—	(0.5)
At 31st December 2004 and at 31st December 2005	1.5	0.3	1.8
ACCUMULATED DEPRECIATION			
At 1st January 2004	0.1	—	0.1
Provided for the year	0.3	0.1	0.4
At 31st December 2004	0.4	0.1	0.5
Provided for the year	0.3	0.1	0.4
At 31st December 2005	**0.7**	**0.2**	**0.9**
NET BOOK VALUES			
At 31st December 2005	**0.8**	**0.1**	**0.9**
At 31st December 2004	1.1	0.2	1.3

15. INVESTMENT PROPERTIES

	HK$' million
THE GROUP	
VALUATION	
At 1st January 2004	384.0
Changes in fair value	(61.4)
Disposal during the year	(29.0)
Disposal through disposal of a subsidiary	(258.6)
At 31st December 2004	35.0
Additions through acquisition of a subsidiary	250.0
Change in fair value	(13.0)
At 31st December 2005	**272.0**

Investment property located in Shanghai, the PRC with carrying amount of HK$35.0 million (2004: HK$35.0 million)

At the balance sheet date, the property was held under medium lease terms (lease period not less than 20 years but not more than 50 years) and for rental purposes.

The property was revaluated at 31st December 2005 by B.I. Appraisals Limited, a firm of registered professional surveyors, valuers and property consultants, on an open market value existing state basis.

On 23rd March 2004, the Group entered into agreements to pledge the property to a bank in the PRC to secure for a short-term bank loan of RMB24.0 million (equivalent approximately of HK$22.9 million) granted to a third party. In return, the Group receives an income of 8% per annum on the face value of such loan. As at 31st December 2005, the bank loan was overdue and the Group was being demanded for repayment. The property was sequestrated by a court in the PRC (Further details are set out in note 25).

Investment property located in Shandong, the PRC with carrying amount of HK$237.0 million (2004: NIL)

At 31st December 2005, the property was held under medium-term lease and was vacant. The property was originally acquired through the acquisition of a subsidiary in 2002. It was disposed through the disposal of the subsidiary in 2004. However, the purchaser of that subsidiary was defaulted paying of the consideration. Accordingly, the Company enforced the share charge in July 2005 and resumed the ownership of the subsidiary and the property. (Further details are set out in note 31).

The property was revaluated by B.I. Appraisals Limited at the date of resumption of ownership at HK$250.0 million.

The property was revaluated by B.I. Appraisals Limited at 31st December 2005 at HK$237.0 million. Impairment loss of HK$13.0 million has been recognised for the year.

16. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2005	2004
	HK$' million	HK$' million
Unlisted shares overseas		
Hennabun Management International Limited (formerly known as Hennabun Management Inc.) ("HMI") (note a)		
At cost	**59.0**	59.0
Impairment losses recognised	**(59.0)**	(27.3)
	—	31.7
Unlisted shares in PRC		
Heze Century Energy Coalchem Industrial Co. Ltd ("Heze") (note b)	**12.0**	12.0
At cost	**12.0**	43.7

The above investments represent unlisted equity securities issued by private companies. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Notes:

a) HMI was incorporated in British Virgin Islands with limited liabilities. It was engaged in securities trading, investment holding and provision of brokerage and financial services. At 31st December 2005, the Group owned 5.15% (2004: 5.39%) interests in HMI.

At the balance sheet date, the directors of the Company conducted a review of the above investments and full impairment loss be recognised on this investment as a prudent measure.

b) At the balance sheet date, the Group owned 11.2% (2004: 11.2%) interests in Heze. Heze was incorporated in the PRC with limited liabilities. At 31st December 2005, Heze had not commenced business.

The directors has conducted a review of the investment in Heze based on its audited financial information and determined that its carrying amount approximates to its fair value.

17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005	2004
	HK$' million	HK$' million
Share of post acquisition results	**138.0**	138.0
Less: Impairment losses recognised	**(138.0)**	(138.0)
	—	—

At 31st December 2005, the particulars of Group's associates are as follows:

Name of associate	Class of share held	Place of establishment/ operation	Registered capital	Nominal value of registered capital held by the Group	Principal activities
Zhejiang Risesun Paper Co., Ltd. ("Risesun")	Contributed capital	PRC	US$3,615 million	25%	Suspended operation
Wuhu Dongtai Paper Mfg. Co., Ltd. ("Dongtai")	Contributed capital	PRC	RMB100 million	25%	Suspended operation

17. INTERESTS IN ASSOCIATES (Continued)

The movement of goodwill arising on acquisition of associates in prior years are set out as follows:

	THE GROUP
	HK$' million
Cost	
1st January 2004	20.0
Arising from acquisition during the year	28.8
31st December 2004	48.8
Elimination of accumulated amortisation upon application of HKFRS 3	(7.5)
At 31st December 2005	**41.3**
Accumulated amortisation	
1st January 2004	1.2
Amortised during the year	6.3
At 31 December 2004	7.5
Elimination of accumulated amortisation upon application of HKFRS 3	(7.5)
At 31st December 2005	—
Impairment losses	
At 1st January 2004	—
Impairment loss recognised	41.3
At 31st December 2004 and 2005	41.3
Carrying amount	
At 31st December 2005	**—**
At 31st December 2004	—

The operations of the Group's associates have been occasionally suspended since the second half year of 2004 and since December 2004, respectively due to electricity supply problem and insufficient working capital. As a prudent measure, impairment losses were fully recognised in respect of the Group's share of net assets of HK$ 138.0 million and the goodwill arising from acquisition of the associates of HK$41.3 million. Up to the date of approval of these financial statements, the operations have not yet resumed.

18. HELD FOR TRADING INVESTMENT

	THE GROUP	
	2005	2004
	HK$' million	HK$' million
Listed shares in Hong Kong, at fair value	**12.2**	—

The listed shares were pledged to the security company for the credit facilities granted.

19. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2005	2004
	HK$' million	HK$' million
Trade receivables	**—**	2.6
Other receivables	**10.4**	4.9
	10.4	7.5

Trade receivables represent rental income from investment properties let under operating leases. Invoices are payable upon receipt.

An aged analysis of the trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2005	2004
	HK$' million	HK$' million
Within 30 days	**—**	0.2
31 to 90 days	**—**	0.5
91 to 180 days	**—**	0.5
181 to 365 days	**—**	1.4
	—	2.6

20. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

THE GROUP

On 12th April 2005, the Group entered into a share transfer agreement with a third party to acquire 80% interests in Daoqin Hospital Management Company Limited (上海道勤醫院投資管理有限公司) ("Daoqin Hospital") at a consideration of HK$30.2 million (the "Acquisition"). Daoqin Hospital is a company established in the PRC with limited liability and it is established for the purpose of provision of hospital management services. As at 31st December 2005, Daoqin Hospital had not commenced business and the Group has made partial payment of HK$ 13.8 million.

According to the terms of the agreement, if the Acquisition was not completed in December 2005, the Acquisition would be cancelled and the Group would entitle to recover the payment made. As at 31st December 2005, the Acquisition has not been completed.

On 27th April 2006, the Group entered into another agreement to cancel the Acquisition and the counterparty is required to refund the payment made to the Group within the fifteen days from the date of agreement.

21. DEPOSIT IN AN ASSETS MANAGEMENT COMPANY

THE GROUP

On 1st July 2004, the Group placed a deposit of HK$34.3 million into an assets management company (the "Manager") which was a limited company incorporated in the PRC. The Manager was engaged in investment advisory, asset management and other relate business. The deposit was contracted for the period from 1st July 2004 to 1st July 2005. During the year, a sum of HK$1.7 million was recovered from the Manager. As at 31st December, the outstanding balance of the deposit was HK$32.6 million and had been overdue. The director of the Company. Mr. Li Zhaohui who was appointed as director of the Company on 19th October 2004 has beneficial interests in the Manager.

During the year, interest income of HK$3.5 million (2004: Nil) was received from the Manager.

22. CASH AND CASH EQUIVALENTS

	THE GROUP	
	2005	2004
	HK$' million	HK$' million
Bank balances and cash	**5.7**	4.8
Deposits in a security company	**0.3**	—
Overdraft in a security company – secured	**(10.1)**	—
	(4.1)	4.8

	2005	2004
	HK$' million	HK$' million
For reporting purpose		
Current assets	**6.0**	4.8
Current liabilities	**(10.1)**	—

23. OTHER PAYABLES AND ACCRUED CHARGES

THE GROUP

Other payables and accrued charges comprise accrued expenses and sundry payables, which are expected to be settled within one year.

24. DERIVATIVE FINANCIAL INSTRUMENT

	THE GROUP	
	2005	2004
	HK$' million	HK$' million
Heng Seng Index Contract, at fair value	**0.1**	—

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or equity price relative to their terms. The fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Derivative assets and liabilities and different transactions are only set-off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net loss.

25. PROVISION FOR LOSS ON A GUARANTEE AGREEMENT

THE GROUP

On 23rd March 2004, the Group entered into a guarantee agreement to pledge the Group's investment property located in Shanghai to a bank to secure a short-term bank loan of RMB24.0 million (equivalents approximately to HK$22.9 million) granted to a third party (the "Borrower"). Pursuant to the agreement, the Group would receive an income of 8% per annum on the loan amount from this third party. The income is secured by a corporate guarantee from another third party. An income of RMB0.5 million was received in respect of this guarantee.

During the year, the Group was informed by the bank that the Borrower had failed to repay the loan on the due date. Accordingly, the Group was liable for repaying of the principal and interest of the loan for the Borrower. And the bank would execute the guarantee agreement by disposing the said property through public auction. As at 31st December 2005, the property was sequestrated. The Group was negotiating with the bank and the Borrower about the repayment of the loan. As a prudence measure, a provision for the loss of HK$22.9 million was made in the consolidated financial statements.

26. DEFERRED TAXATION

At the balance sheet date, the Group and the Company had unused tax losses of HK$8.6 million (2004: HK$7.1 million) and HK$6.6 million (2004: HK$6.0 million) respectively available to offset against future profits. No deferred taxation assets have been recognised due to the unpredictability of future profits streams. Tax losses may be carried forward indefinitely.

27. SHARE CAPITAL

	Number of shares		Share capital	
	2005	2004	**2005**	2004
	million	million	**HK$'million**	HK$'million
Authorised:				
Ordinary shares of HK$0.4 each				
At 1st January	**1,000.0**	100.0	**400.0**	400.0
Division	**—**	900.0	**—**	—
At 31st December	**1,000.0**	1,000.0	**400.0**	400.0
Issued and fully paid:				
At 1st January	**292.8**	292.8	**117.1**	117.1
Alloted during the year	**58.6**	—	**23.4**	—
At 31st December	**351.4**	292.8	**140.5**	117.1

With effect from 2nd July 2004, the Company's authorised share capital of HK$400.0 million divided into 100,000,000 ordinary shares of HK$4.0 each was sub-divided into 1,000,000,000 ordinary shares of HK$0.4 each. During the year ended 31st December 2005, the Company allotted 58,564,000 ordinary shares at par value of HK$0.4 each for cash to provide additional working capital of the Company.

The new shares rank pari passu with the existing shares in all respects.

28. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK$' million	HK$' million
Unlisted shares, at cost	**0.1**	0.1
Amounts due from subsidiaries	**544.2**	528.2
	544.3	528.3
Impairment losses recognised	**(223.7)**	(206.6)
	320.6	321.7

28. INTEREST IN SUBSIDIARIES (Continued)

The amounts due from subsidiaries are unsecured and non interest-bearing and have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximates to their fair values.

In view of the operating loss position of certain subsidiaries, impairment losses were recognised with reference to their recoverable amounts.

Details of the Company's subsidiaries at 31st December 2005 are set out in note 36.

29. RESERVES

	Share premium	Accumulated profits	Total
	HK$' million	HK$' million	HK$' million
THE COMPANY			
At 1st January 2004	39.3	377.7	417.0
Loss for the year	—	(211.1)	(211.1)
At 31st December 2004	39.3	166.6	205.9
Share issue expense	(1.3)	—	(1.3)
Loss for the year	—	(20.4)	(20.4)
At 31st December 2005	**38.0**	**146.2**	**184.2**

At 31st December 2005, the Company's reserves available for distribution to shareholders amounted to HK$146.2 million (2004: HK$166.6 million).

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

30. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and the employees are required to contribute 5% of the salaries to the MPF Scheme. During the year, the Group made contribution of HK$0.1 million (2004: HK$0.1million) to the MPF Scheme.

31. ACQUISITION /DISPOSAL OF A SUBSIDIARY

On 19th October 2004, the Group entered into an agreement to dispose of the entire shares of a subsidiary, Grand Noble Group Limited ("Grand Noble") (the "Sale Shares") at a consideration of HK$270.0 million, According to the agreement, the consideration was satisfied by cash of HK$20.0 million payable at the completion date of the disposal and a promissory note of HK$250.0 million payable on the expiry of six months from the date of completion. The repayment of the promissory was secured by the Sale Shares.

The net assets of Grand Noble at the date of disposal were as follows:

	HK$' million
Investment property	258.6
Trade and other receivables	11.4
Amount due from a shareholder	30.2
Net assets disposed	300.2
Waiver of amount due from a shareholder	(30.2)
Consideration	270.0

Grand Noble contributed HK$14.7 million to the Group's turnover and a loss of HK$16.5 million to the Group's loss from operations for the year ended 31st December 2004.

On 13th December 2004, the Group entered into a supplementary agreement with the purchaser that the payment schedule of the consideration was revised as follows:

	HK$' million
On 14th December 2004	12.0
On 12th March 2005	8.0
On 12th June 2005	250.0
	270.0

As at 31st December 2004, the purchaser had paid HK$12.0 million.

31. ACQUISITION /DISPOSAL OF A SUBSIDIARY (Continued)

As the purchaser defaulted in paying the promissory note at the due date, the Group decided to execute the charge of the Sale Shares. On 11th July 2005, the Group had completed the procedures for resumption of the ownership of Grand Noble. At that date, the fair value of the net assets of Grand Noble was as follows:

	HK$' million
Investment property	250.0
Cash in hand	0.1
Net assets resumed	250.1
Goodwill	7.9
Consideration satisfied by note receivable	258.0

Grand Noble contributed a loss of HK$13.0 million to the Group for the year ended 31st December 2005. No turnover was contributed for the year. Net cash acquired was HK$0.1 million.

For the purposes of impairment testing, goodwill from resumption of Grand Noble was allocated to the relevant cash-generating unit. The Directors reviewed the recoverable amount expected to arise from the cash-generating unit and determined that the goodwill was impaired. Accordingly, an impairment loss of HK$ 7.9 million was recognised in the consolidated income statement.

Since the resumption of the ownership, the directors had been conducting an investigation on whether there were any unrecorded losses or liabilities incurred during the period when the ownership was transferred. Up to the date of approval of these financial statements, the investigation had not been completed.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	2005 HK$' million	2004 HK$' million
Within one year	**0.9**	1.4
In the second to fifth year inclusive	**—**	1.0
	0.9	2.4

Operating lease payments represent rentals payable by the Group for its office premises. Lease is negotiated for a term of three years and rentals are fixed for three years.

At the balance sheet date, the Company had no operating lease commitments under operating lease (2004: Nil).

33. PLEDGE OF ASSETS

At 31st December 2005, the following assets were pledged:

a) Investment property with carrying value of HK$35.0 million (2004: HK$35.0 million) was pledged to a bank to secure a short-term bank loan granted to a third party.

b) Held for trading investments with carrying value of HK$12.2 million (2004: Nil) were pledged to a security company to secure the credit facility granted to the Group.

34. RELATED PARTY TRANSACTIONS

a) On 1st July 2004, the Group placed a deposit of HK$34.3 million into the Manager. As at 31st December 2005, the outstanding balance of the deposit was HK$32.6 million. The director, Mr. Li Zhaohui who was appointed as a director of the Company on 19th October 2004 had beneficial interests in the Manager.

During the year, interest income of HK$3.5 million (2004: Nil) was received from the Manager.

The maximum balance outstanding during the year was HK$34.3 million (2004: HK$34.3 million).

b) Compensation of key management personnel

The details of the remuneration of directors and other members of key management during the years ended 31st December 2005 and 2004 were disclosed in notes 10 and 11.

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. POST BALANCE SHEET EVENT

A petition was filed by a shareholder of the Company on 7th February 2006, for prohibition of the Company, and an order against the Company requiring the Company to convene an extraordinary general meeting to consider and vote upon certain proposed resolutions relating to (i) the revocation of general mandate previously provided to the board of directors, (ii) the information about current status and the value of investment in Daoqin Hospital and current status of Grand Noble. The Order has been served on 11th March 2006. The petition does not seek damages. The directors considered the litigation will not significantly affect the operations of the Group.

36. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries, all of which are limited company, as at 31st December 2005 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Direct %	Indirect %	
Noble Congress Limited	British Virgin Islands*	1 ordinary share of US$1 each	100	—	Investment holding
Accurate City Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Investment holding
Active Chance Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Security investment
Asiawell Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Investment holding
Best Energy International Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Investment holding
China Eastern Energy Holdings Limited	Samoa/PRC	1 ordinary share of US$1 each	—	100	Investment holding
Digital Faith Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Investment holding
Eastern Good Limited	British Virgin Islands/PRC	1 ordinary share of US$1 each	—	100	Property investment
Elite City Investment Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Investment holding
Max Margin Group Limited	British Virgin Islands/PRC	1 ordinary share of US$1 each	—	100	Property investment

36. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Direct	Indirect	
			%	%	
Ocean Pearl Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Investment holding
Profit Guidance Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Investment holding
Rosedale Investments Trading Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Investment holding
Sincere Leader Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Investment holding
True Leader International Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100	Investment holding
Toprich International Investments Limited	Hong Kong	616,000 ordinary shares of US$1 each	—	100	Investment holding
Up Global Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100	Treasury
澤潤投資諮詢（上海）有限公司	PRC	US$140,000	—	100	Investment holding
Grand Noble Group Limited	British Virgin Islands/PRC	2 ordinary shares of US$1 each	—	100	Properties holding

* These companies have no specific principal place of operation.

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