1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Century Yard, Cricket Squares, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands, Bristish West Indies and its principal place of business is Suites 5303-4, 53rd floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Details of principal activities of its principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

The financial statements on pages 29 to 88 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The financial statements for the year ended 31 December 2005 were approved by the board of directors on 27 April 2006.

2. ADOPTION OF NEW OR REVISED HKFRS

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

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments : Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments : Recognition and Measurement
HKFRS 3	Business Combinations

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

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

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

2.1 Adoption of HKAS 1

The application of HKAS 1 has resulted in a change in the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year.

2.2 Adoption of HKAS 17

In previous years, leasehold land and buildings were included in property, plant and equipment and carried at cost or valuation less accumulated depreciation and accumulated impairment losses.

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and subsequently recognised in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively.

2.3 Adoption of HKAS 36, HKAS 38 and HKFRS 3

These standards stipulate a prospective change to the accounting policies. Previously, goodwill arising on acquisition was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

In accordance with the provisions of HKFRS 3, with respect to goodwill previously capitalised on consolidated balance sheet, the amortisation of goodwill has ceased from 1 January 2005 and the accumulated amortisation at 31 December 2004 was eliminated against the original gross amount of goodwill. Goodwill is now subject to annual testing for impairment as well as when there is indication of impairment. The Group has allocated the carrying amount of its goodwill to its relevant cash generating units.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.4 Other standards adopted

The adoption of HKAS 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 32, 33, 37 and 39 did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.5 Impact of adoption of new/revised HKFRS

The effect of changes in the accounting policies on consolidated income statement and consolidated balance sheet on adoption of HKAS 17, which takes effect retrospectively, is summarised below:

	HK$'000
Consolidated income statement	
Year ended 31 December 2004	
Increase in amortisation of prepaid lease payments	105
Decrease in depreciation	(105)
Total increase/(decrease) in loss	–
Increase/(decrease) in basic loss per share	–
Year ended 31 December 2005	
Increase in amortisation of prepaid lease payments	**107**
Decrease in depreciation	**(107)**
Total increase/(decrease) in loss	**–**
Increase/(decrease) in basic loss per share	**–**

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.5 Impact of adoption of new/revised HKFRS

	HK$'000
Consolidated balance sheet	
At 31 December 2004	
Increase/(decrease) in assets	
Property, plant and equipment	(4,798)
Prepaid lease payments	4,798
At 31 December 2005	
Increase/(decrease) in assets	
Property, plant and equipment	**(4,831)**
Prepaid lease payments	**4,831**

2.6 New Standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards and Interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial 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]

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.6 New Standards or interpretations that have been issued but are not yet effective (Continued)

[1] Effective for annual periods beginning on or after 1 January 2007

[2] Effective for annual periods beginning on or after 1 January 2006

[3] Effective for annual periods beginning on or after 1 December 2005

[4] Effective for annual periods beginning on or after 1 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial statements have been prepared on the historical cost basis except for the revaluation of certain property, plant and equipment and certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

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

(b) Basis of consolidation

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

(c) Subsidiaries

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated balance sheet. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

(d) Foreign currency translation

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

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

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

(e) Income and expense recognition

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

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) interest income, on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable; and

(iii) rental and sub-leasing rental income are recognised on a time proportion basis in accordance with the terms and conditions of the tenancy agreement.

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

(f) Borrowing costs

All borrowing costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Goodwill

Goodwill arising on acquisition of subsidiaries for which the acquisition date is before 1 January 2005 represents the excess of the cost of an acquisition over the Group's interest in the fair value of identifiable assets and liabilities of the acquired subsidiary at the date of acquisition. The Group has discontinued amortisation from 1 January 2005 onwards and such goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(h) Property, plant and equipment

Property, plant and equipment are recognised at revalued amount, based on their fair value at the date of valuation less any subsequent depreciation and impairment losses. Fair value is determined based on directors estimates and in appraisals by external professional valuers at least once every three years, unless market-based factors indicate a risk of impairment. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus arising on revaluation of property, plant and equipment is credited to the "assets revaluation reserve" in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 3(i). To the extent that any decrease has previously been recognised in income statement, a revaluation increase is credited to income statement with the remaining part of the increase dealt with in the asset revaluation reserve. A decrease in net carrying amount of property, plant and equipment arising from revaluations or impairment testing is charged against any revaluation surplus in the asset revaluation reserve relating to the asset and any remaining decrease recognised in income statement.

Depreciation is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows :

Buildings	The shorter of the lease terms and/or 50 years
Plant and machinery	15 years
Leasehold improvements, furniture, office equipment and motor vehicles	4 to 10 years

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income statement. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of revalued assets.

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

(i) Impairment testing of assets

Goodwill, property, plant and equipment, prepaid lease payments, and interests in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment testing of assets (Continued)

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Leases

(a) Finance lease

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

(b) Operating leases

(i) Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(ii) Prepaid lease payments are up-front payments to acquire the land use rights/ leasehold land. The payments are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis out, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activities. Net realisable value is based on the estimated selling prices in the ordinary course of business less any applicable selling expenses.

(l) Accounting for income taxes

Income tax comprises current tax and deferred tax

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(n) Share Capital

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

Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(o) Financial liabilities

The Group's financial liabilities include bank and other borrowings, trade and other payables, and accruals. They are included in balance sheet line items as "other loans" under current or non-current liabilities or "trade payables", "other payables and accruals" and "bank borrowings" under current liabilities.

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

(b) Trade and other payables and accruals

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

(c) Convertible note

Convertible note issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the call option for conversion of the note into equity, is included in equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provisions and contingent liabilities

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

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

(q) Pension obligations and short term employee benefits

(a) Employee entitlement

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Pension obligations and short term employee benefits (Continued)

(b) Pension schemes and other retirement benefits (Continued)

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

The employees of the Group's subsidiaries which operate in the People's Republic of China, excluding Hong Kong, (the "PRC") are required to participate in the retirement benefits scheme (the "RB Scheme") operated by the respective local municipal government in the PRC. These subsidiaries are required to contribute a certain percentage of their payroll costs to the RB Scheme to fund the benefits. The only obligation of the Group with respect to the RB Scheme is to pay the ongoing required contributions under the RB Scheme. Contributions under the RB Scheme are charged to the income statement as they become payable in accordance with the rules of the RB Scheme.

(r) Segment reporting

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

Segment revenue, expenses, results' assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Unallocated item mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Related parties

Parties are considered to be related to if:

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

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3(i). The recoverable amounts of goodwill was determined to be the fair value, reflecting market conditions less costs to sell, of the relevant CGU to which the goodwill is related. The fair value was determined by a firm of independently qualified professional valuers, LCH (Asia Pacific) Surveyors Limited ("LCH"). Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(ii) Depreciation

The Group depreciates its property, plant and equipment on a straight-line basis over the estimated useful lives of 4 to 50 years. The estimated useful lives reflect the directors' estimate of the period that the Group will derive future economic benefits from the use of the Group's property, plant and equipment.

(iii) Fair value of property, plant and equipment

Property, plant and equipment are stated at fair value based on directors' estimates and by approvals performed by independent professional valuers at least every three years. In determining the fair value, the directors and the valuers have used a method of valuation which involves certain estimates. The directors have exercised their judgement as to the estimates used, the appropriateness of the exercised their judgment and is satisfied that the method of valuation and the assumptions used therein are reflective of the current market conditions.

(iv) Impairment of receivables

The Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on the credit history of its customers, past settlement and industry practice and current market conditions. Management reassess the impairment of receivables at the balance sheet date.

(v) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. Management reassess the estimations at the balance sheet date.

5. REVENUE AND OTHER OPERATING INCOME

Revenue, which is also the Group's turnover, represents total invoiced value of goods sold after allowances for returns and trade discounts.

An analysis of the Group's revenue and other operating income is as follows:

	2005	2004
	HK$'000	HK$'000
Revenue		
Sale of goods	**40,982**	19,560
Other operating income		
Interest income	**87**	–
Rental and sub-leasing rental income	**544**	177
Sundry income	**134**	–
	765	177

6. SEGMENT INFORMATION

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

(i) the manufacturing of carpets segment represents the manufacturing and sale of carpets; and

(ii) the trading of carpets segment represents the trading of carpets of other renowned brand names.

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

There was no intersegment sale and transfer during the year (2004: Nil).

6. SEGMENT INFORMATION

(a) Primary reporting format – business segments

	Manufacturing of carpets		Trading of carpets		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**8,179**	8,587	**32,803**	10,973	**40,982**	19,560
Segment results	**(54,994)**	(13,292)	**(9,960)**	(11,913)	**(64,954)**	(25,205)
Unallocated other operating income					**55**	135
Impairment loss of goodwill	**(35,750)**	(26,250)	**–**	(9,500)	**(35,750)**	(35,750)
Provision for compensation expenses					**–**	(4,656)
Gain on disposal of subsidiaries	**3,838**	–	**6,796**	–	**10,634**	–
Gain on deemed disposal of a subsidiary	**–**	–	**2,067**	–	**2,067**	–
Other unallocated expense					**(1,496)**	(9,027)
Finance costs					**(1,686)**	(3,290)
Loss before income tax					**(91,130)**	(77,793)
Taxation credit					**–**	84
Loss for the year					**(91,130)**	(77,709)

6. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

	Manufacturing of carpets		Trading of carpets		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000
Segment assets	**83,740**	130,842	**10,123**	8,275	**93,863**	139,117
Unallocated assets	**–**	–	**–**	–	**16,739**	36,378
Total assets	**83,740**	130,842	**10,123**	8,275	**110,602**	175,495
Segment liabilities	**8,211**	12,603	**12,247**	20,300	**20,458**	32,903
Unallocated liabilities	**–**	–	**–**	–	**4,252**	62,523
Total liabilities	**8,211**	12,603	**12,247**	20,300	**24,710**	95,426
Amortisation of prepaid lease payments	**107**	105	**–**	–	**107**	105
Depreciation	**5,952**	6,529	**323**	215	**6,275**	6,744
Unallocated depreciation	–	–	–	–	**105**	31
	5,952	6,634	**323**	215	**6,380**	6,775
Capital expenditure – addition of property, plant and equipment	**242**	17	**36**	1,307	**278**	1,324
Unallocated capital expenditure	**–**	–	**–**	–	**725**	597
Addition of property, plant and equipment	**242**	17	**36**	1,307	**1,003**	1,921

6. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

	Manufacturing of carpets		Trading of carpets		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000
Non cash expenses						
Bad debts written off	**47,950**	–	**72**	207	**48,022**	207
Impairment of trade receivables	**–**	1,416	**–**	610	**–**	2,026
Unallocated impairment loss of trade receivables	**–**	–	**–**	–	**–**	3,301
	–	1,416	**–**	610	**–**	5,327
Impairment loss of goodwill	**35,750**	26,250	**–**	9,500	**35,750**	35,750
Unallocated provision for compensation expenses	**–**	–	**–**	–	**–**	4,656
Unallocated write back of provision for deposits paid	**–**	–	**–**	–	**–**	(1,000)

6. SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographic segments

	Hong Kong		Macau		PRC		South East Asia		Overseas		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
Segment revenue												
Sales to external customers	**24,231**	7,076	**778**	657	**11,541**	10,586	**–**	225	**4,432**	1,016	**40,982**	19,560
Segment assets	**26,862**	44,653	**–**	3	**83,740**	82,889	**–**	–	**–**	47,950	**110,602**	175,495
Capital expenditure												
Addition of property, plant and equipment	**761**	1,904	**–**	–	**242**	17	**–**	–	**–**	–	**1,003**	1,921

7. FINANCE COSTS

	2005	2004
	HK$'000	HK$'000
Interest charged on:		
Bank loans and overdrafts wholly repayable within five years	**275**	1,711
Finance leases	**6**	35
Other loans	**1,405**	1,544
	1,686	3,290

8. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging and crediting the following:

	2005	2004
	HK$'000	HK$'000
		(restated)
Charging:		
Cost of inventories sold	**25,824**	15,280
Depreciation (note (a))		
– owned assets	**6,374**	6,726
– leased fixed assets	**6**	49
	6,380	6,775
Amortisation of prepaid lease payments	**107**	105
Operating lease charges on land and buildings	**2,589**	655
Auditors' remuneration	**311**	695
Loss on disposals of property, plant and equipment**	**22**	–
Property, plant and equipment written off**	**–**	994
Realised loss on short term investment**	**–**	88
Provision for slow-moving and net realisable value of inventories**	**–**	829
Impairment loss of goodwill (note 18)**	**35,750**	35,750
Provision for compensation expenses**	**–**	4,656
Write off of amount due from former minority shareholders**	**–**	4,350
Bad debts written off (note (b))**	**48,022**	207
Impairment loss of trade receivables**	**–**	5,327
Outgoings in respect of leasing properties	**60**	32
Exchange difference, net	**239**	–
Crediting:		
Gain on disposal of subsidiaries (note 36(a))**	**10,634**	1,222
Gain on deemed disposal of subsidiaries (note 36(b))**	**2,067**	–
Gain on disposals of property, plant and equipment**	**–**	4,713
Write back of other payables	**2,230**	–
Write back of provision for salary provision**	**62**	1,333
Write back of provision for loans receivable**	**–**	900
Write back of provision for deposits paid**	**–**	1,000

Notes:

** Included in "Other operating expenses" on the face of the consolidated income statement.

8. LOSS BEFORE INCOME TAX (Continued)

(a) Depreciation expenses of HK$5,384,000 (2004 : HK$5,256,000) has been expensed in cost of sales and HK$996,000 (2004 : HK$1,519,000, restated) in administrative expenses.

(b) Included in the bad debts written off was an amount of HK$47,950,000 due from a debtor which was overdue for over two years as at 31 December 2005. In the opinion of the directors, the recoverability of this receivable is very low, and has accordingly been written off.

9. TAXATION CREDIT

	2005	2004
	HK$'000	HK$'000
Current tax		
Hong Kong profits tax		
– overprovision in previous year	**–**	84

No provision for Hong Kong profits tax is required since the Group has no estimated assessable profit for the year (2004: Nil).

9. TAXATION CREDIT (Continued)

Reconciliation between taxation credit and the accounting loss at applicable tax rates:

	2005	2004
	HK$'000	HK$'000
Loss before income tax	**(91,130)**	(77,793)
Tax at the applicable rates	**(16,117)**	(13,613)
Tax effect of non-taxable income	**(1,495)**	(1,865)
Tax effect of non-deductible expenses	**15,326**	9,773
Tax effect of unrecognised temporary differences	**242**	(48)
Tax effect of tax losses not recognised	**2,044**	5,753
Over-provision of taxation in previous years	**–**	(84)
Income tax credit	–	(84)

10. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2005 (2004: Nil).

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to equity holders of the Company of HK$91,136,000 (2004: HK$77,486,000), a loss of HK$54,155,000 (2004: HK$86,168,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of approximately HK$91,136,000 (2004: HK$77,486,000) and on the weighted average of 303,888,493 ordinary shares (2004: 125,905,480, restated) in issue during the year assuming the effect of the capital reorganisation as set out in note 27(b) had been in place throughout the current and previous year.

Diluted earnings per share for the year was not presented as there were no dilutive potential shares.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2005 HK$'000	2004 HK$'000
Wages, salaries and allowances	**10,035**	7,466
Retirement benefit cost – defined contribution plans	**227**	261
	10,262	7,727

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emolument

Executive directors and non-executive directors

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Quarter expenses HK$'000	Contribution to retirement benefit scheme HK$'000	Total HK$'000
2005						
Executive directors						
Mr. Pang Man Kin, Nixon	(i)	–	201	325	5	531
Mr. Tsao Ke Wen, Calvin	(i)	–	183	329	5	517
Mr. Lam Shu Chung		–	600	–	12	612
Mr. Law Fei Shing		–	480	–	12	492
Mr. So Chi Keung	(ii)	–	181	–	4	185
Non-executive directors						
Dr. Ma Chung Wo Cameron	(iii)	–	–	–	–	–
Independent non-executive directors						
Mr. Poon Chiu	(iii)	30	–	–	–	30
Mr. Lum Pak Sum	(iv)	18	–	–	–	18
Mr. Li Chak Hung	(iv)	19	–	–	–	19
Mr. Yu Tak Shing, Eric	(v)	50	–	–	–	50
Mr. Lee Siu Leung	(vi)	52	–	–	–	52
Mr. Ha Chun, Michael	(vii)	30	–	–	–	30
		199	1,645	654	38	2,536

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

(a) Directors' emolument (Continued)

Executive directors and non-executive directors (Continued)

Notes:

(i) appointed on 16 August 2005

(ii) appointed on 31 March 2005

(iii) appointed on 30 June 2005

(iv) appointed on 16 September 2005

(v) appointed on 31 March and resigned on 16 September 2005

(vi) resigned on 6 June 2005

(vii) resigned on 31 March 2005

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Quarter, expenses HK$'000	Contribution to retirement benefit scheme HK$'000	Total HK$'000
2004						
Executive directors						
Mr. Lam Shu Chung		–	200	–	4	204
Mr. Law Fei Shing		–	160	–	4	164
Mr. Anthony Henry Serra	(i)	–	69	–	–	69
Mr. Chew Kean Eng	(i)	–	23	–	–	23
Mr. Khoo Chuan Teng	(i)	–	3	–	–	3
Mr. Wong Kwai Wah	(ii)	–	–	–	–	–
Independent non-executive directors						
Mr. Liu Ngai Wing		180	–	–	–	180
Mr. Ong Hong Hoon	(iii)	120	–	–	–	120
Mr. Lee Siu Leung		40	–	–	–	40
Mr. Ha Chun, Michael		40	–	–	–	40
		380	455	–	8	843

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

(a) Directors' emolument (Continued)

Executive directors and non-executive directors (Continued)

Notes:

(i) resigned on 24 August 2004

(ii) resigned on 12 June 2004

(iii) resigned on 15 October 2004

During the year, two (2004: four) former directors waived emoluments of HK$386,000 (2004: HK$2,056,000) for the year ended 31 December 2005.

During the year, no share options was granted to the directors of the Company to subscribe for ordinary shares of the Company (2004: Nil).

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

(b) Five highest paid individuals

The five highest paid individuals during the year included three directors (2004: none), details of whose remuneration are set out in note 14(a) above. Details of the emoluments of the remaining two (2004: five) individuals during the year, which fell within the salary band of Nil-HK$1,000,000, are as follows:

	2005	2004
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**1,080**	2,288
Retirement benefits scheme contributions	**24**	34
	1,104	2,322

During the year, no share options was granted to the five highest paid individuals (2004: Nil).

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

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Total HK$'000
At 1 January 2004				
Valuation	38,433	61,167	7,285	106,885
Accumulated depreciation	–	(2,079)	(2,956)	(5,035)
Net book amount	38,433	59,088	4,329	101,850
Year ended 31 December 2004				
Opening net book amount	38,433	59,088	4,329	101,850
Acquisition of a subsidiary	–	–	204	204
Additions	–	–	1,921	1,921
Disposals	(16,936)	–	(963)	(17,899)
Write off	–	–	(994)	(994)
Disposal of subsidiaries	–	–	(449)	(449)
Depreciation	(457)	(4,988)	(1,330)	(6,775)
Closing net book amount	21,040	54,100	2,718	77,858
At 31 December 2004				
Valuation	21,497	61,167	4,127	86,791
Accumulated depreciation	(457)	(7,067)	(1,409)	(8,933)
Net book amount	21,040	54,100	2,718	77,858

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Buildings	Plant and machinery	Leasehold improvements, furniture, office equipment and motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2005				
Opening net book amount	**21,040**	**54,100**	**2,718**	**77,858**
Additions	**–**	**–**	**1,003**	**1,003**
Disposals	**–**	**–**	**(175)**	**(175)**
Exchange differences	**607**	**1,561**	**23**	**2,191**
Depreciation	**(471)**	**(5,482)**	**(427)**	**(6,380)**
Closing net book amount	**21,176**	**50,179**	**3,142**	**74,497**
At 31 December 2005				
Valuation	**22,118**	**62,931**	**4,976**	**90,025**
Accumulated depreciation	**(942)**	**(12,752)**	**(1,834)**	**(15,528)**
Net book amount	**21,176**	**50,179**	**3,142**	**74,497**

The Group's property, plant and equipment were revalued at 31 December 2005. Valuations were made on the basis of the depreciated replacement cost method determined by LCH, an independent firm of chartered surveyors. The fair value determined by LCH was not materially different from the carrying value of property, plant and equipment and no adjustment on the valuation of property, plant and equipment was made during the year.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000
At 1 January 2004	
Valuation	568
Accumulated depreciation	(225)
Net book amount	343
Year ended 31 December 2004	
Opening net book amount	343
Additions	447
Disposals	(343)
Depreciation	(18)
Closing net book amount	429
At 31 December 2004	
Valuation	447
Accumulated depreciation	(18)
Net book amount	429
Year ended 31 December 2005	
Opening net book amount	429
Additions	9
Disposals	(12)
Depreciation	(87)
Closing net book amount	339
At 31 December 2005	
Valuation	444
Accumulated depreciation	(105)
Net book amount	339

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The cost of property, plant and equipment for the Group includes an amount of HK$380,000 in respect of assets held under a finance lease (2004: HK$150,000) and the related accumulated depreciation amounts is approximately HK$6,000 (2004: HK$13,000).

16. PREPAID LEASE PAYMENTS – GROUP

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

	2005 **HK$'000**	2004 HK$'000
Outside Hong Kong, held on leases of between 10 to 50 years	**4,831**	4,798

17. INTERESTS IN SUBSIDIARIES – COMPANY

	2005 **HK$'000**	2004 HK$'000
Unlisted shares, at costs	**76,432**	76,432
Due from subsidiaries	**139,059**	93,831
	215,491	170,263
Provision for impairment losses	**(139,059)**	(93,831)
	76,432	76,432

The balances with the subsidiaries are unsecured, interest-free and not repayable in the next twelve months from the balance sheet date.

17. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment and operation	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Jackley China Limited *	British Virgin Islands	Ordinary US$100	100%	Investment holding
Aurora International Enterprises Limited *	British Virgin Islands	Ordinary US$1	100%	Investment holding
Indirectly held				
Best Capital International Limited *	Hong Kong	Ordinary HK$100	100%	Securities investment
Hui Zhou Orient Carpet Manufacturing Co., Ltd. ("HZOCM")#*	PRC	US$4,940,000	100%	Manufacture and sale of carpets
Orient Finance (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100%	Provision of finance
Orient Carpet Manufacturing (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Kaicheng (Hong Kong) Company Limited *	Hong Kong	Ordinary HK$20,000	76%	Trading of carpets
Jackley Carpet Limited	Hong Kong	Ordinary HK$500,000	100%	Investment holding
Charvix Concrete Company Limited	Hong Kong	Ordinary HK$2,000,000	76%	Investment holding

17. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Place of incorporation/ establishment and operation	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (Continued)				
International Carpet Co. Limited ("ICC")	Hong Kong	Ordinary HK$2,000,000	51%	Trading of carpets
Aurora Logistic Finance Group Inc. *	British Virgin Islands	Ordinary US$1	100%	Investment holding
Aurora Logistic Finance (Hong Kong) Limited *	Hong Kong	Ordinary HK$1	100%	Logistic
Wellspark Holdings Limited *	Hong Kong	Ordinary HK$1	100%	Investment holding
South Hill International Enterprises Limited *	Hong Kong	Ordinary HK$1	100%	Investment holding
Wise Mount Management Limited *	Hong Kong	Ordinary HK$1	100%	Investment holding
Aurora Logistic Software Development Limited *	Hong Kong	Ordinary HK$1	100%	Logistic
Aurora Logistic Capital Assurance Limited *	Hong Kong	Ordinary HK$1	100%	Property holding

* Subsidiaries not audited by Grant Thornton Hong Kong or other member firms of Grant Thornton International

wholly foreign owned enterprise

18. GOODWILL – GROUP

The net carrying amount of goodwill is analysed as follows :

	2005 HK$'000	2004 HK$'000
Net carrying amount at 1 January	**35,750**	–
Acquisition of subsidiaries	**–**	71,500
Impairment losses	**(35,750)**	(35,750)
Net carrying amount at 31 December	**–**	35,750
At 31 December		
Gross carrying amount	**71,500**	71,500
Accumulated impairment	**(71,500)**	(35,750)
Net carrying amount	**–**	35,750

In 2004 the Group acquired the balance of the 49% interest in its subsidiary HZOCM (the "Acquisition"), whose primary business is the manufacture and sale of carpets. The total goodwill arising from the Acquisition was HK$62,000,000, and of this the directors considered there had been an impairment of HK$26,250,000 at 31 December 2004. The balance of the Group's goodwill carried forward to 2005 of HK$35,750,000 is wholly attributable to HZOCM, which carries out all of the Group's carpet manufacturing operations.

For the purposes of the annual goodwill impairment test, the directors consider the CGU to which the goodwill relates is the carpet manufacturing operations of HZOCM. The recoverable amount for this CGU was determined to be the fair value (less costs to sell) of the CGU, as this was higher than the value in use figure estimated by the directors. The directors attribute this to the very intense and competitive environment of this industry sector, which has been compounded by high crude oil prices, a key raw material component in the carpet manufacturing process. The keen pricing competition in the markets the Group competes in means this additional cost could not be fully passed on to end customers. The factory is presently running at still below its designed operating capacity.

18. GOODWILL – GROUP (Continued)

The fair value of the CGU was determined by an independent firm of chartered surveyors, LCH on an asset-based approach. Under this approach, LCH used the depreciated replacement cost method to value the factory and the leasehold land occupied by the factory. They used the market approach (willing buyer, willing seller on an arm's length transaction basis) to determine the fair value of the remaining non-real estate tangible assets such as plant and machinery, electric equipment and transport equipment.

Based on the comparison of the fair value less costs to sell (being the recoverable amount) determined above and the carrying value of the CGU, the directors concluded the goodwill relating to the HZOCM carpet manufacturing operations had been fully impaired. Accordingly, an impairment charge of HK$35,750,000 was charged to the current year's income statement.

19. INVENTORIES – GROUP

	2005	2004
	HK$'000	HK$'000
Raw materials	**2,170**	639
Work in progress	**61**	–
Finished goods	**3,452**	885
	5,683	1,524

20. TRADE AND BILLS RECEIVABLES – GROUP

The Group normally allows credit terms ranging from 30 to 120 days to established customers. An aging analysis of the trade and bills receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	2005	2004
	HK$'000	HK$'000
1 – 90 days	**3,340**	3,163
91 – 120 days	**80**	565
121 – 365 days	**2,292**	33
Over 1 year	**1,423**	53,277
	7,135	57,038
Less: Impairment of trade receivables	**(1,423)**	(5,327)
Trade receivables – net	**5,712**	51,711

21. CASH AND CASH EQUIVALENTS

(a) Group

Cash and cash equivalents include the following components :

	2005 HK$'000	2004 HK$'000
Cash at banks and in hand	**7,069**	1,340
Bank overdrafts (note 25)	**(138)**	(3,993)
Cash and cash equivalents	**6,931**	(2,653)

Included in cash at banks and in hand of the Group is HK$201,000 (2004: HK$1,085,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency.

(b) Company

	2005 HK$'000	2004 HK$'000
Cash at banks and in hand	**6,313**	–

22. TRADE PAYABLES – GROUP

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	2005 HK$'000	2004 HK$'000
1 – 90 days	**5,977**	3,118
91 – 120 days	**986**	1,011
121 – 365 days	**500**	572
Over 1 year	**1,569**	6,712
	9,032	11,413

23. OTHER PAYABLES AND ACCRUALS

At 31 December 2005, included in other payables and accruals of the Group and the Company were amounts of approximately HK$58,000 (2004: HK$288,000) due to an a former-director of the Company respectively. The amounts due were unsecured, interest free and had no fixed terms of repayment.

24. FINANCE LEASE PAYABLE – GROUP

The analysis of the total future minimum lease payments under finance leases and their present values, were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**101**	156	**76**	139
In the second year	**101**	–	**76**	–
In the third to fifth years, inclusive	**301**	–	**228**	–
Total minimum finance lease payments	**503**	156	**380**	139
Future minimum finance lease payments	**(123)**	(17)		
Total net finance lease payable	**380**	139		
Less: Portion classified as current liabilities	**(76)**	(139)		
Non-current portion included under non-current liabilities	**304**	–		

25. BANK BORROWINGS, SECURED – GROUP

An analysis of bank borrowings which were repayable within one year was as follows :

	2005	2004
	HK$'000	HK$'000
Bank overdrafts (note 21(a))	**138**	3,993
Trust receipt loans	**2,257**	2,156
Bank loans	**–**	3,900
	2,395	10,049

Bank overdrafts and trust receipt loans were denominated in Hong Kong Dollars and United States Dollars respectively. At 31 December 2005, these borrowings bear interest at variable rate of 7.405% per annum.

At 31 December 2005, the Group's bank borrowings were secured by the following:

(i) Pledge of time deposits of HK$2,031,000 (2004: HK$1,000,000); and

(ii) Personal guarantees executed by a related party and by the minority shareholders of ICC .

26. OTHER LOANS

An analysis of other loans was as follows :

(a) Group

	Notes	**2005**	2004
		HK$'000	HK$'000
Current liabilities			
Amounts due to third parties	(i)	**–**	12,392
Non-current liabilities			
Amounts due to third parties	(ii)	**–**	17,695
Amounts due to minority shareholders	(iii)	**2,356**	433
		2,356	18,128

(i) At 31 December 2004, the loans were unsecured, interest-bearing at fixed rates ranging from 6% to 10% and were repayable on demand.

26. OTHER LOANS (Continued)

(a) Group (Continued)

(ii) At 31 December 2004, HK$14,250,000 of the loan was secured by way of first charge over the Group's assets, including buildings, leasehold interest in land, trade receivables and goodwill. The loan was interest bearing at fixed rates ranging from 10% to 20% per annum and would not be repayable within the next twelve months from the balance sheet date and HK$3,445,000 of the loan was unsecured, interest bearing at fixed rate of 10% per annum and would not be repayable within the next twelve months from the balance sheet date.

(iii) The amounts due are unsecured, interest free and would not be repayable within the next twelve months from the balance sheet date.

All the loans from third parties were fully repaid during the year ended 31 December 2005.

(b) Company

	Notes	**2005** **HK$'000**	2004 HK$'000
Current liabilities			
Amount due to third parties	(i)	**–**	9,783
Non-current liabilities			
Amount due to third parties	(ii)	–	17,695

(i) At 31 December 2004, the loans were unsecured, interest-bearing at fixed rates ranging from 6% to 10% and were repayable on demand.

(ii) At 31 December 2004, HK$14,250,000 of the loan was secured by way of first charge over the Group's assets, including buildings, leasehold interest in land, trade receivables and goodwill. The loan was interest bearing at fixed rates ranging from 10% to 20% per annum and would not be repayable within the next twelve months from the balance sheet date and HK$3,445,000 of the loan was unsecured, interest bearing at fixed rate of 10% per annum and would not be repayable within the next twelve months from the balance sheet date.

All the loans from third parties were fully repaid during the year ended 31 December 2005.

27. SHARE CAPITAL

	Notes	31 December 2005 Number of shares '000	31 December 2005 HK$'000	31 December 2004 Number of shares '000	31 December 2004 HK$'000
Authorised :					
At 1 January, ordinary share of HK$0.1 each (2004 : HK$0.1 each)		**2,000,000**	**200,000**	2,000,000	200,000
Capital reorganisation	(b)	**18,000,000**	**–**	–	–
At 31 December ordinary shares of HK$0.01 each (2004 : HK$0.1 each)		**20,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:					
At 1 January, ordinary shares of HK$0.1 each (2004 : HK$0.1 each)		**1,340,000**	**134,000**	1,245,000	124,500
Shares issued on 8 November 2004	(f)	**–**	**–**	95,000	9,500
Shares issued on 18 January 2005	(a)	**50,000**	**5,000**	–	–
Capital reorganisation	(b)	**(1,251,000)**	**(137,610)**	–	–
Ordinary shares of HK$0.01 each after the capital reorganisation		**139,000**	**1,390**	1,340,000	134,000
Shares issued on 14 April 2005	(c)	**69,500**	**695**	–	–
Shares issued on 10 August 2005	(d)	**275,000**	**2,750**	–	–
Shares issued on 3 November 2005	(e)	**41,700**	**417**	–	–
At 31 December ordinary shares of HK$0.01 each (2004 : HK$0.1 each)		**525,200**	**5,252**	1,340,000	134,000

27. SHARE CAPITAL (Continued)

(a) On 18 January 2005, the Company issued 50,000,000 new ordinary shares at HK$0.30 per share to Shenzhen Hao Sheng He Industrial Company Limited to complete the balance of the consideration of the conditional share acquisition agreement (to acquire 49% additional equity interest in a subsidiary of the Company, HZOCM) entered into on 15 September 2003. These issued shares rank pari pasu with other shares in issue in all aspects.

(b) Pursuant to a special resolution passed on 31 December 2004, the capital reorganisation was approved in the following manner (i) the nominal value of the issued shares was reduced from HK$0.10 each to HK$0.001 each by the cancellation of HK$0.099 paid up on each issued share; (ii) every authorised but unissued share was subdivided into 100 reduced shares; and (iii) every 10 reduced shares was consolidated into one new shares ("New Share"). As a result, an amount of approximately HK$137,610,000 standing to the credit of the issued share capital of the Company was cancelled and credited to capital reserve account of the Company, from which distribution shall be at the discretion of the Directors. The capital reorganisation was completed on 10 March 2005.

(c) On 22 February 2005, the Company proposed to raise approximately HK$13.9 million before expenses, by issuing 69,500,000 offer shares at the price of HK$0.2 per offer share by way of an open offer, payable in full on application, on the basis of one offer share for every two New Shares. The open offer was fully allotted by the shareholders and the underwriter in April 2005 and funds were used to pay down the outstanding bank borrowings and loans due to independent third parties. These issued New Shares rank pari pasu with other shares in issue in all aspects.

(d) In June 2005, the Company completed a subscription agreement for the issue of convertible note in an aggregate principal of HK$33,000,000 to the subscriber. The subscriber has the right to convert the whole integral multiple of HK$1,000,000 of the principal amount of the convertible note into New Shares at any times before the maturity date falling on the second anniversary of the date of issue of the convertible note at the initial conversion price of HK$0.12 per share.

On 9 August 2005, the Company received a conversion notice from L & L Holdings Limited ("L&L") in respect of the convertible note in an aggregate principal amount of HK$33,000,000, pursuant to which L & L exercised the conversion rights in full attaching to the convertible note at the conversion price of HK$0.12 per share, resulting in the issue of 275,000,000 New Shares by the Company to L & L. These issued New Shares rank pari pasu with other shares in issue in all aspects.

27. SHARE CAPITAL (Continued)

(e) In October 2005, Prime Orient International Limited ("POIL") entered into the placing and subscription agreement pursuant to which a placing agent agreed with POIL to place up to 41,700,000 shares at the placing price of HK$0.79 per placing share on behalf of POIL to not less than six individual investors who were third parties independent of the Company and its connected persons on a best effort basis. Immediately after the completion of the aforesaid placing, the Company issued 41,700,000 New Shares at HK$0.79 per share to POIL on 3 November 2005. These issued New Shares rank pari pasu with other shares in issue in all aspects.

(f) During the year ended 31 December 2004, 95,000,000 ordinary shares of HK$0.1 each was issued at par for acquisition of 51% equity shareholding of ICC. These issued shares rank pari pasu with other shares in issue in all aspects.

28. RESERVES

(a) Group

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

The share premium account of the Company includes:

(i) the difference between the then combined net asset value of the subsidiaries acquired pursuant to the Group reorganisation in 2001, over the nominal value of the share capital of the Company issued in exchange therefor;

(ii) the premium arising from the capitalisation issue in the previous year; and

(iii) issue of shares of the Company at a premium net of the transaction costs associated with the issue of shares.

The capital reserves of the Group was resulted from the capital reorganisation as set out in note 27(b) above.

28. RESERVES (Continued)

(b) Company

	Share premium account HK$'000	Capital reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004	–	3,057	(8,745)	(5,688)
Net loss for the year	–	–	(86,168)	(86,168)
At 31 December 2004 and 1 January 2005	–	3,057	(94,913)	(91,856)
Shares issued during the year	85,981	–	–	85,981
Capital reorganisation	–	137,610	–	137,610
Net loss for the year	–	–	(54,155)	(54,155)
At 31 December 2005	**85,981**	**140,667**	**(149,068)**	**77,580**

Details of the share premium account and capital reserve of the Company are set out in note 28(a) above.

29. SHARE OPTION SHCEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the, Group, any person or entity that provides research, development or other technological support to the Group and any minority shareholder in the Company's subsidiaries. The Scheme was adopted on 6 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time.

29. SHARE OPTION SHCEME (Continued)

On 2 December 2003, options carrying the rights to subscribe for 84,896,000 shares, representing approximately 6.82% of the issued share capital of the Company as at the date of adoption of the Scheme, have lapsed following the expiry of the exercise period of the share options. Subsequently, no share options were granted under the Scheme. Therefore, at 31 December 2005, the number of share issuable under share options granted under the Scheme was zero (2004: Nil).

Pursuant to the extraordinary general meeting passed on 10 March 2006, the general scheme limit of the Company's share option scheme has been reset to 52,520,000 shares, representing 10% of the Company's issued share capital on the date of meeting, with the passing of ordinary resolution, which allowing the Company to grant further options carrying the rights to subscribe for a maximum of 52,520,000 shares.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1%, of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of:

(i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options;

(ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and

(iii) the nominal value of the shares.

29. SHARE OPTION SHCEME (Continued)

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

30. DEFERRED TAX

At the balance sheet date, unrecognised deferred tax assets are follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax losses	**29,544**	54,691	**–**	16,592

Deferred tax asset has not been recognised in respect of the above tax losses carried forward because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits.

The unrecognised tax losses may be carried forward indefinitely except for the losses of HK$20,051,000 (2004: HK$23,701,000) which will expire as follows:

	2005	2004
	HK$'000	HK$'000
2005	**–**	266
2006	**664**	1,875
2007	**2,397**	2,499
2008	**1,206**	6,758
2009	**9,667**	12,303
2010	**6,117**	–
	20,051	23,701

31. OPERATING LEASE COMMITMENTS

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**4,044**	1,922
In the second to fifth years, inclusive	**2,468**	2,157
	6,512	4,079

The Group leases certain leasehold land and buildings under operating leases. The leases run for an initial period of 2 to 3 years, with an option to renew the lease and renegotiate the terms at expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

The Company did not have any significant lease commitments at 31 December 2005 (2004: Nil).

32. OPERATING LEASE ARRANGEMENTS

At 31 December 2005, the Group had total future minimum lease receipts under non-cancellable operating lease falling due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**364**	574
In the second to fifth years, inclusive	**152**	516
	516	1,090

The Group sub-leases its properties under operating lease arrangements which run for an initial period of one to two years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

The Company did not have any significant lease arrangements at 31 December 2005 (2004: Nil).

33. COMMITMENTS

On 3 December 2005, the Group entered into an acquisition agreement to purchase the Logistic and Financial Management System at a total consideration RMB6,000,000 (equivalent to approximately HK$5,769,000). The consideration shall be satisfied (i) as to RMB3,500,000 (approximately HK$3,365,000) by issuing of 10,516,827 shares of the Company, and (ii) as to RMB2,500,000 (approximately HK$2,404,000) by paying cash. A refundable deposit of HK$1,000,000 was paid by the Group on 23 December 2005. As at 31 December 2005, capital commitment arising from this acquisition was approximately HK$1,404,000 in cash and issue of 10,516,827 shares of the Company.

34. CONTINGENT LIABILITIES

As at 31 December 2005, the Company and the Group did not have any significant contingent liabilities except as described below:

(a) A wholly-owned subsidiary of the Company, namely HZOCM, has been made a defendant of a proceeding in the PRC. The proceedings were brought by 深圳華興建設有限公司 against HZOCM at the Peoples Court of the Hui Yang District, Hui Zhou City, Guangdong Province in respect of installation cost due and interest payable. The amount claimed under this set of proceedings was HK$1,461,000 (RMB1,520,000) and interest payable of HK$2,137,000 (RMB2,223,000). HK$1,461,000 was provided in the Group's financial statements. No provision was made on the interest payable of HK$2,137,000 as, in the opinion of the directors, this probably will not require an outflow of resources to the Group. The proceedings were adjourned for hearing on a day to be fixed in due course.

35. RELATED PARTY TRANSACTIONS

Apart from the transactions with related parties disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

(a) A wholly-owned subsidiary entered into a sub-letting agreement with Orient Securities Limited, a company in which a director of the Company has beneficial interest, to sublet part of office at 8/F Luk Kwok Centre, 69 Gloucester Road, Wanchai, Hong Kong at monthly rental HK$30,338, totally HK$364,056 for the year (2004 : HK$121,352).

(b) Compensation of key management personnel

	2005	2004
	HK$'000	HK$'000
Total remuneration of directors and other members of key management during the year (note 14a)	**2,536**	843

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

On 1 October 2005, the Company disposed of its entire interests in certain of the Group's subsidiaries, Orient Carpet Trading Limited and Orient Carpet Trading (Shanghai) Limited at a nominal consideration of HK$1. In December 2005, the company disposed of its entire interest in Jackley Macau Commercial Offshare Limited at a consideration on HK$1. These transactions gave rise to a total gain of HK$10,634,000 (note 8) which is included in "other operating expenses" in the consolidated income statement.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Disposal of subsidiaries (Continued)

On 31 July 2004, the Company disposed of its entire interest is in certain of the Group's subsidiaries, Pharmasys Biotech Limited and Jackley Carpet Ind Sdn Bhd at a nominal consideration of HK$1,000,000. This transaction gave rise to a gain of HK$1,222,000.

	2005 HK$'000	2004 HK$'000
Net liabilities disposed of:		
Fixed assets	–	449
Other assets	–	67
Loan to a director	–	83
Cash and bank balances	44	34
Trade debtors	35	24
Prepayments, deposits and other receivables	44	57
Trade payables	(1,973)	–
Other payables and accruals	(5,266)	(936)
Tax payable	(3,518)	–
Net identifiable liabilities	(10,634)	(222)
Gain on disposal	10,634	1,222
	–	1,000
Satisfied by		
Cash consideration	–	1,000

	2005 HK$'000	2004 HK$'000
An analysis of the net cash (outflow)/inflow in respect of the disposal of subsidiaries is as follows:		
Cash consideration	–	1,000
Cash and bank balances disposed of	(44)	(34)
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(44)	966

(b) Deemed disposal of a subsidiary

During the year, the Group lost the power to govern the financial and reporting policies of its entire interest in Sino Development Holdings Limited due to the grant of compulsory winding up order by the Court of Hong Kong. This deemed disposal gave rise to a gain of HK$2,067,000 (note 8) which is included in "other operating expenses" in the consolidated income statement.

	2005 HK$'000
Net liabilities deemed disposed of:	
Cash and bank balances	4
Prepayments and other receivables	2,896
Other payables and accruals	(4,967)
Net identifiable liabilities	(2,067)
Gain on deemed disposal	2,067
	–
An analysis of the net cash inflow in respect of the disposal of a subsidiary is as follows:	
Cash and bank balances disposed of	(4)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(4)

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of a subsidiary

On 4 November 2004, the Company acquired a 51% equity interest in ICC.

	2004 HK$'000
Assets/(liabilities) acquired:	
Fixed assets	204
Pledged fixed deposits	1,075
Cash and bank balances	285
Trade and bills receivables	4,248
Inventories	154
Prepayments, deposits and other receivables	107
Due from a director	369
Trade and bills payables	(4,286)
Other payables and accruals	(2,082)
Taxation	(74)
	–
Goodwill on acquisition	9,500
	9,500
Satisfied by	
Shares allotment (note 27(f))	9,500
An analysis of the net cash inflow in respect of the acquisition of a subsidiary is as follows:	
Cash and cash balances acquired	1,360

(d) Major non-cash transactions

During the year ended 31 December 2005, the Company issued 50,000,000 shares at HK$0.30 per share to Shenzhen Hao Sheng He Industrial Company Limited to complete the balance of the consideration of the conditional share acquisition agreement.

On 9 August 2005, convertible note of HK$33,000,000 was fully converted into 275,000,000 shares of the Company. Further details are set out in note 27(d).

37. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which results from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to market risks, including changes in interest rates and currency exchange rates. Generally, the Group introduces conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes.

(a) Credit risk

All the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and the PRC.

The carrying amounts of trade and bills receivables and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carrying a significant exposure to credit risk.

(b) Foreign currency risk

The sales and purchases of the Group are predominantly in RMB and Hong Kong Dollar. The Group does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between RMB and Hong Kong Dollar.

(c) Interest rate risk

The Group has no significant interest bearing assets. The Group's interest rate risk arises from long term borrowings. The interest rates and terms of repayment are disclosed in notes 25 and 26.

(d) Fair values

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amount because of the immediate or short term maturity. The fair values of non-current liabilities was not disclosed because their carrying value is not materially different from their fair value.

38. SUBSEQUENT EVENTS

(a) Pursuant to the approval of shareholders at an extraordinary general meeting held on 10 March 2006, the name of the Company has changed from "Orient Industries Holdings Limited" to "Aurora Global Investment Holdings Limited" and the Company has adopted the Chinese name from "東方工業控股有限公司" to "旭日環球投資控股有限公司" for identification purposes on the same day.

38. SUBSEQUENT EVENTS (Continued)

(b) On 24 February 2006, the Company entered into a non-legally binding agreement for the acquisition of 70% of the registered capital of Liaoning Hengrong Medium and Small-sized Enterprises Investment Guarantee Company Limited at a consideration of RMB70,000,000 (equivalent to approximately HK$67,308,000) within 12 months from the date of the agreement. The consideration for the acquisition may be satisfied in cash and/or new shares and/or convertible bonds issued by the Company subject to the market conditions at the time of negotiating the terms of the formal acquisition agreement.

(c) On 7 March 2006, the Company offered a total of 32,000,000 Option Shares to the persons named as follows at a subscription price of HK$0.35 per share, being the closing price of the date of grant, for a period of five years and such Option Shares will be exercised from 10 March 2006 to 9 March 2011.

Name or category of participant	Number of Shares '000
Executive directors	
Mr. Pang Man Kin, Nixon	5,000
Mr. Tsao Ke Wen, Calvin	500
Mr. Lam Shu Chung	5,000
Mr. Law Fei Shing	5,000
Mr. So Chi Keung	5,000
Non-executive directors	
Dr. Ma Chung Wo Cameron	500
Independent non-executive directors	
Mr. Poon Chiu	500
Mr. Lum Pak Sum	500
Mr. Li Chak Hung	500
Directors of subsidiaries	
In aggregate	6,500
Other employees	
In aggregate	900
Third parties	
In aggregate	2,100
	32,000

39. ULTIMATE HOLDING COMPANY

The directors regard L & L, which is beneficially owned by Mr. Tsao Ke Wen, Calvin, as being the ultimate holding company of the Group.

40. COMPARATIVES

Certain comparatives were reclassified to conform with current year's presentation as a result of the change in accounting policies. Further details are disclosed in note 2.