Notes to Financial Statements

31st December 2005

1. CORPORATE INFORMATION

Magnum International Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 1301A, 13/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- securities dealing and brokerage
- securities trading and investment holding
- money lending
- property investment

The immediate holding company of the Company is Magnum (Guernsey) Limited (''MGL'') which is incorporated in Malaysia.

In the opinion of the directors, the ultimate holding company is Magnum Corporation Berhad (''MCB''), which is incorporated and listed in Malaysia.

2. CORPORATE UPDATE AND BASIS OF PRESENTATION

The Group had net current liabilities of HK$24,394,308 and a net deficiency in assets of HK$53,826,527 as at 31st December 2005. The current liabilities included interest payables to the holding companies and a fellow subsidiary aggregating HK$47,277,001, whilst the non-current liabilities included amounts due to holding companies aggregating HK$73,919,147 as at that date. The Group sustained a loss for the year attributable to equity holders of the Company of HK$8,756,390 for the year ended 31st December 2005.

The Company's holding companies, including MCB, have agreed in writing to provide adequate financial support to the Group to enable it to operate as a going concern as long as the Group remains as subsidiary companies of MCB. The Company's holding companies have also agreed not to demand for repayment of the principal amounts and the related interest payables due thereto until such time, when the Group is in a position to repay the amounts due, without impairing its liquidity position as long as the Group remains as subsidiary companies of MCB.

31st December 2005

2. CORPORATE UPDATE AND BASIS OF PRESENTATION (continued)

Subsequent to the balance sheet date, on 30th March 2006:

(a) MCB, MGL, Dragon Hill Development Limited (''Dragon Hill''), an independent third party, and Mr. Lee Shing (''Mr. Lee''), the sole beneficial shareholder and director of Dragon Hill, entered into a share sale agreement (the ''Share Sale Agreement''), pursuant to which MGL has conditionally agreed to sell and Dragon Hill agreed to purchase a total of 316,973,680 issued shares of the Company (the ''Sale Shares''), representing approximately 51.54% of the entire issued share capital of the Company for a maximum cash consideration of HK$10 million (equivalent to approximately HK$0.03155 per Sale Share);

(b) The Company, MCB, Dragon Hill and Mr. Lee entered into a subscription agreement (the ''Subscription Agreement''), pursuant to which the Company has conditionally agreed to issue and Dragon Hill has conditionally agreed to subscribe for convertible preference shares (the ''Convertible Preference Shares'') at a subscription price of HK$48 million;

(c) Watary Investments Limited (''Watary''), a wholly-owned subsidiary of the Company, and MGL entered into a disposal agreement (the ''Disposal Agreement''), whereby Watary has conditionally agreed to sell and/or assign, and MGL has conditionally agreed to purchase and/or accept the entire issued share capital in and loans to Lismore Properties Limited (''Lismore''), a wholly-owned subsidiary of Watary, and its subsidiaries (collectively the ''Lismore Group'') for a consideration of approximately HK$56.4 million (the ''Disposal Consideration''). The Lismore Group is the sole property holding business segment of the Group;

(d) The Company, MGL, Magnum Enterprise Sdn Bhd (''MESB''), an intermediate holding company of the Company, Magnum Investment Limited (''MIL''), a fellow subsidiary of the Company and Dragon Hill, entered into a deed of settlement (the ''Deed of Settlement''), pursuant to which the Company, MGL, MESB and MIL have conditionally agreed that the amounts due thereto (collectively the ''Shareholder's Loan'') shall be fully settled in the following manner:

  (i) the subscription price receivable (i.e., approximately HK$48 million) of the Company upon issue of the Convertible Preference Shares under the Subscription Agreement; and

  (ii) the Disposal Consideration (i.e., approximately HK$56.4 million) payable by MGL pursuant to the Disposal Agreement.

2. **CORPORATE UPDATE AND BASIS OF PRESENTATION (continued)**

The remaining balance of the Shareholder's Loan as at the completion date of the transactions as detailed in notes 2(a), (b) and (c) above will be waived by MGL, MESB and MIL. If the completion of the Subscription Agreement and the Disposal Agreement does not take place on or before the date falling 2 business days after the long stop date of the Subscription Agreement and the Disposal Agreement on 31st July 2006, the Deed of Settlement shall lapse.

(e) The Company proposes to implement a capital reduction which will involve (i) the reduction of the par value of each share in issue from HK$0.10 to HK$0.001 by cancelling the paid up capital to the extent of HK$0.099 on each share in issue on the date upon which the capital reduction becoming effective, such that the par value of each issued share will be reduced to HK$0.001 and the issued shares of the Company of HK$61,502,418 shall be reduced by HK$60,887,394 to HK$615,024; (ii) the transfer of the credit arising from the cancellation of paid up capital to the contributed surplus account of the Company; and (iii) the subdivision of each unissued share in the Company with the par value of HK$0.10 into 100 new unissued shares in the Company and the par value of which will be HK$0.001; and

(f) Immediately following the completion of the Share Sale Agreement, Dragon Hill and parties acting in concert with it will own an aggregate of 316,973,680 shares, representing approximately 51.54% of the entire issued share capital of the Company under Rule 26.1 and Rule 13 of the Hong Kong Code on Takeovers and Mergers, Dragon Hill is required to make mandatory cash offers for all the issued shares and the outstanding options of the Company. The offer prices for the issued shares and the share options are HK$0.03155 per share and HK$0.001 per share option, respectively.

The completion of the Share Sale Agreement, Subscription Agreement, Disposal Agreement and Deed of Settlement (collectively the "Agreements") is subject to fulfillment of certain items and conditions, and is expected to be completed on 31st July 2006. Details of the Agreements, including the terms and conditions, were set out in the announcement dated 30th March 2006 jointly issued by the Company and Dragon Hill.

2. CORPORATE UPDATE AND BASIS OF PRESENTATION (continued)

After the completion of the above transactions, the directors of the Company expect that gains arising from the disposal of the Lismore Group and waiver of the Shareholder's Loan by MGL, MESB and MIL as set out in notes 2(c) and (d) above, respectively, would be approximately HK$12.4 million and HK$16.8 million, respectively, before expenses, based on the financial information as at 31st December 2005. The total liabilities of the Group would be reduced from HK$129.6 million to approximately HK$7.9 million as at 31st December 2005, resulting in net current assets and net assets of approximately HK$20.7 million and HK$21.5 million, respectively, as at that date. The financial information of the Lismore Group as at 31st December 2005 is set out in Supplementary Information of this annual report.

Mr. Lee has also confirmed in writing in respect of his willingness to provide financial support to the Group to enable the Group to operate as a going concern and to meet its liabilities as and when they fall due following the completion of the above transactions, so long as the Group is a subsidiary of Dragon Hill and Dragon Hill is owned and controlled by Mr. Lee.

In light of (i) the continuous financial support from the holding companies should the Group remains as its subsidiary companies of MCB; (ii) the improvement in the financial position and the confirmed willingness of Mr. Lee to provide financial support following the completion of the above transactions; and (iii) the continuous effort to seek support from potential investors to strengthen the Group's working capital position, the directors of the Company consider that the Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (''HKFRSs'') (which also include Hong Kong Accounting Standards (''HKASs'') and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

3.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December 2005. The results of subsidiaries are consolidated from the date of acquisition being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 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
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

3.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Except for HKASs 24, 32, 38, 39 and 40, HKFRS 2 and HK(SIC)-Int 21 as stated below, the adoption of the above standards has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

(a) HKAS 24 — Related Party Disclosures

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

(b) HKAS 32 and HKAS 39 — Financial Instruments

In prior years, the Group classified its investments in listed equity securities for trading purposes as short term investments, which were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1st January 2005 in the amount of HK$1,420,287 are classified as equity investments at fair value through profit or loss under the transitional provisions of HKAS 39 and are also stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. Comparative amounts have been reclassified for presentation purpose. The effects of the above changes are summarised in note 3.4 to the financial statements.

(c) HKAS 38 — Intangible Assets

In prior years, the Group's intangible assets were amortised on the straight-line basis over their estimated useful lives of 10 years, less any impairment losses.

Upon the adoption of HKAS 38, the Group's eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and The Philippines Stock Exchange, Inc. are permitted to be regarded as having indefinite lives, which should not be amortised and are subject to annual impairment tests. Under the transitional provision of HKAS 38, this change in accounting policy has been applied prospectively and therefore comparative amounts have not been restated.

3.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(d) HKAS 40 — Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the asset revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

The adoption of HKAS 40 has had no impact on the amounts disclosed in the financial statements.

(e) HKFRS 2 — Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments (``equity-settled transactions''), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 3.5 ``Summary of significant accounting policies'' below.

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3.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(e) HKFRS 2 — Share-based Payment (continued)

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7th November 2002; and (ii) options granted to employees after 7th November 2002 but which had vested before 1st January 2005.

As the Group did not have any employee share options which were granted during the period from 7th November 2002 to 31st December 2004 but had not yet vested as at 1st January 2005, the adoption of HKFRS 2 has had no impact on the accumulated losses as at 31st December 2003 and at 31st December 2004.

(f) HK(SIC)-Int 21 — Income Taxes — Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use and, accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in note 3.4 to the financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

3.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1st January 2006:

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

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Group regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1st January 2007.

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3.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The HKAS 19 Amendment, HKAS 21 Amendment, HKAS 39 Amendments, HKFRSs 1, 4 & 6 Amendments, HKFRS 6, HK(IFRIC)-Int 4, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6, and HK(IFRIC)-Int 7 do not apply to the activities to the Group. HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 shall be applied for annual periods beginning on or after 1st December 2005 and 1st March 2006, respectively.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

3.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

	Effect of adopting		
	HKASs 32# & 39*	HK(SIC)-Int 21#	
At 1st January 2005 Effect of new policies (Increase/(decrease))	Change in classification of equity investments	Deferred tax on revaluation of investment properties	Total
	HK$	HK$	HK$
Assets			
Equity investments at fair value through profit or loss	1,420,287	—	1,420,287
Short term investments	(1,420,287)	—	(1,420,287)
			—
Liabilities			
Deferred tax liabilities	—	(265,598)	(265,598)

* Adjustments taken effect prospectively from 1st January 2005

\# Adjustments/presentation taken effect retrospectively

3.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effect on the consolidated balance sheet (continued)

At 31st December 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HKASs 32 & 39 Change in classification of equity investments	HK(SIC)-Int 21 Deferred tax on revaluation of investment properties	Total
	HK$	HK$	HK$
Assets			
Equity investments at fair value through profit or loss	1,910,949	—	1,910,949
Short term investments	(1,910,949)	—	(1,910,949)
			—
Liabilities			
Deferred tax liabilities	—	60,000	60,000

(b) Effect on the balances of equity at 1st January 2004 and at 1st January 2005

Effect of new policies	Effect of adopting HK(SIC)-Int 21 Deferred tax on revaluation of investment properties
	HK$
1st January 2004	
Decrease in accumulated losses	351,507
1st January 2005	
Decrease in accumulated losses	265,598

3.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(c) Effect on the consolidated income statement for the years ended 31st December 2005 and 2004

Effect of new policies	Effect of adopting HK(SIC)-Int 21 Deferred tax on revaluation of investment properties
Year ended 31st December 2005	
Increase in tax and loss for the year	HK$325,598
Increase in basic loss per share	HK0.05 cents
Year ended 31st December 2004	
Increase in tax and loss for the year	HK$85,909
Increase in basic loss per share	HK0.01 cents

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing of an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

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

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

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) 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 (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and the useful life
Furniture and fixtures	20%
Motor vehicles	25%
Computers and equipment	30%–33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. The intangible assets of the Group, representing the eligibility rights to trade on or through the Stock Exchange and The Philippines Stock Exchange, Inc., have indefinite useful lives. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Applicable to the year ended 31st December 2004:

The Group classified its equity investments, other than subsidiaries, as short term investments.

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

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31st December 2005:

Financial assets in the scope of HKAS 39 are classified as either equity investments at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Equity investments at fair value through profit or loss

Financial assets classified as held for trading are included in the category "Equity investments at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31st December 2005 (continued):

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31st December 2005)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (applicable to the year ended 31st December 2005) (continued)

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (applicable to the year ended 31st December 2005)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities (applicable to the year ended 31st December 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences in respect of taxable temporary differences associated with interests in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue 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:

- commission income on securities dealings, on a trade date basis;

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- trading in securities, on the transaction date when the relevant contract notes have been exchanged;
- interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of financial asset;
- rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms; and
- dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme

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. 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, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (applicable to options granted to employees on or before 7th November 2002)

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (``equity-settled transactions'').

The Group had adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to options granted to employees on or before 7th November 2002.

The financial impact of share options granted to employees on or before 7th November 2002 under the share incentive plan is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal values of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

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 discussed below.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amount of investment properties at 31st December 2005 was HK$43,920,000 (2004: HK$33,290,000) (note 15).

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

- The securities dealing and margin finance segment provides securities dealing services in acquiring, disposing of and subscribing for securities listed on The Stock Exchange of Hong Kong Limited and financial accommodation to facilitate the trading of these marketable securities.

5. SEGMENT INFORMATION (continued)

- The securities investment segment includes trading in securities and holding of securities investments.
- The consumer finance segment comprises the granting of personal loans.
- The property holding segment involves in property investment.

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

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December 2005 and 2004.

	Securities dealing and margin finance		Securities investment		Consumer finance		Property holding		Intersegment sales elimination		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$ (Restated)
Segment revenue:												
Services provided to external customers	4,249,628	5,253,382	5,104,680	13,898,250	825,753	703,493	2,156,084	2,092,770	(25,235)	(34,746)	12,310,910	21,913,149
Other revenue	92,056	103,295	40,884	109,589	—	—	—	400	—	—	132,940	213,284
Segment revenue	4,341,684	5,356,677	5,145,564	14,007,839	825,753	703,493	2,156,084	2,093,170	(25,235)	(34,746)	12,443,850	22,126,433
Segment results	(8,901,151)	(6,510,943)	287,980	293,412	(1,021,990)	1,438,697	10,752,471	6,052,733	—	—	1,117,310	1,273,899
Unallocated revenue and gains											103,933	48,600
Unallocated expenses											(3,959,479)	(1,964,108)
Finance costs											(5,692,556)	(5,589,040)
Loss before tax											(8,430,792)	(6,230,649)
Tax											(325,598)	(112,927)
Loss for the year											(8,756,390)	(6,343,576)

Notes to Financial Statements

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5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Securities dealing and margin finance		Securities investment		Consumer finance		Property holding		Elimination		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$ (Restated)
Assets and liabilities												
Segment assets	28,957,750	43,607,731	2,539,878	1,924,268	17,059,240	18,074,840	45,201,183	34,092,450	(18,718,878)	(17,854,614)	75,039,173	79,844,675
Unallocated assets											720,823	639,277
Total assets											75,759,996	80,483,952
Segment liabilities	9,108,348	15,240,378	134,869	153,464	33,370,211	33,363,821	1,350,233	1,365,570	(31,644,099)	(36,048,585)	12,319,562	14,074,648
Unallocated liabilities											117,266,961	111,479,441
Total liabilities											129,586,523	125,554,089
Other segment information:												
Capital expenditures	650	740	—	—	—	—	100,038	21,220				
Depreciation	5,135	99,314	—	—	—	—	46,364	109,982				
Amortisation	—	505,910	—	—	—	—	—	—				
Unrealised gains/(losses) on equity investments at fair value through profit or loss	—	—	443,365	(719,000)	—	—	—	—				
Charge to/(write-back of) provision for doubtful debts	797,035	389,443	—	—	825,753	(1,737,296)	—	385,339				
Changes in fair value of investment properties	—	—	—	—	—	—	10,630,000	6,280,000				
Impairment of intangible assets recognised in the income statement	2,336,028	702,055	—	—	—	—	—	—				

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31st December 2005 and 2004.

	Hong Kong		Philippines		Elimination		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
								(Restated)
Segment revenue:								
Services provided to external customers	**12,310,910**	21,913,149	**—**	—	**—**	—	**12,310,910**	21,913,149
Other revenue	**216,614**	152,295	**20,259**	109,589	**—**	—	**236,873**	261,884
Segment revenue	**12,527,524**	22,065,444	**20,259**	109,589	**—**	—	**12,547,783**	22,175,033
Other geographical information:								
Segment assets	**73,735,233**	78,955,281	**8,489,573**	7,639,245	**(6,464,810)**	(6,110,574)	**75,759,996**	80,483,952
Capital expenditure	**100,688**	23,560	**—**	—	**—**	—	**100,688**	23,560

6. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains is analysed as follows:

	Group	
	2005	2004
	HK$	HK$
		(Restated)
Revenue		
Commission and interest income from securities dealing and margin finance	**4,224,393**	5,218,636
Interest income from consumer finance	**825,753**	703,493
Property rental income	**2,156,084**	2,092,770
Proceeds from the sale of equity investments at fair value through profit or loss/short term investments	**5,104,680**	13,898,250
	12,310,910	21,913,149
Other income		
Dividend income from listed investments	**40,884**	109,589
Others	**140,656**	152,295
	181,540	261,884
Gains		
Foreign exchange gains, net	**55,333**	—
	236,873	261,884

In previous years, gains arising from trading of equity securities was classified as other income and included in "Securities dealing and margin finance" in segment information. During the current year, the Group included trading in securities as one of its principal activities and, accordingly, the directors considered it more appropriate to reclassify its proceeds from the trading in securities and related cost under revenue and cost of trading securities sold, respectively, and to present the related financial information under a separate segment of "Securities investment" to better reflect the underlying nature of these balances and allow a more appropriate presentation of the Group's results. Accordingly, the comparative amounts of revenue and cost of trading securities sold, and segment information have been restated to conform with the current year's presentation.

7. FINANCE COSTS

	Group	
	2005	2004
	HK$	HK$
Interest on bank overdrafts wholly repayable within five years	**12,015**	100,613
Interest on amounts due to holding companies and a fellow subsidiary	**6,494,276**	6,326,093
	6,506,291	6,426,706

31st December 2005

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2005 HK$	2004 HK$
Amortisation of intangible assets*	—	505,910
Auditors' remuneration	750,000	680,000
Depreciation	52,575	219,262
Employee benefits expense (including directors' remuneration — note 9):		
Wages and salaries	7,063,026	7,246,872
Pension scheme contributions	297,433	276,541
Termination benefits	236,721	—
	7,597,180	7,523,413
Foreign exchange losses, net	—	62,750
Minimum lease payments under operating leases in respect of land and buildings	1,392,886	1,324,355
and after crediting:		
Gross rental income	2,156,084	2,092,770
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	(112,192)	(95,196)
Net rental income	2,043,892	1,997,574
Bank interest income	120,124	8,772
Interest income for loans receivable	2,501,438	2,720,008
	2,621,562	2,728,780
Gain on disposal of equity investments at fair value through profit or loss/short term investments	103,854	1,176,500
Gain on disposal of items of property, plant and equipment	—	400

* The amortisation of the intangible assets for the year ended 31st December 2004 was included under "Other operating expenses" on the face of the consolidated income statement.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK$	HK$
Fees	**210,000**	210,000
Other emoluments:		
Salaries, allowances and benefits in kind	**2,235,320***	1,895,469
Fixed bonuses	**354,815**	354,815
Pension scheme contributions	**84,963**	84,963
	2,675,098	2,335,247
	2,885,098	2,545,247

* Included in the amount was termination benefits of HK$106,605 for an existing director of the Company for loss of office as a director of a wholly-owned subsidiary of the Company.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2005	2004
	HK$	HK$
Mr. Wong Ming Shiang	**30,000**	30,000
Mr. Lim Eng Ho	**30,000**	30,000
Mr. Soo Tho Him Yip	**30,000**	30,000
	90,000	90,000

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

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9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Fees HK$	Salaries, allowances and benefits in kind HK$	Fixed bonuses HK$	Pension scheme contributions HK$	Total remuneration HK$
2005					
Executive directors:					
Mr. Lim Teong Leong	30,000	—	—	—	30,000
Mr. Tam Cheok Wing	30,000	—	—	—	30,000
Mr. Ooi Sin Heng	30,000	652,236	35,000	21,000	738,236
Mr. Chan Hon Ming, Alan	30,000	1,583,084	319,815	63,963	1,996,862
	120,000	2,235,320	354,815	84,963	2,795,098

	Fees HK$	Salaries, allowances and benefits in kind HK$	Fixed bonuses HK$	Pension scheme contributions HK$	Total remuneration HK$
2004					
Executive directors:					
Mr. Lim Teong Leong	30,000	—	—	—	30,000
Mr. Tam Cheok Wing	30,000	—	—	—	30,000
Mr. Ooi Sin Heng	30,000	616,209	35,000	21,000	702,209
Mr. Chan Hon Ming, Alan	30,000	1,279,260	319,815	63,963	1,693,038
	120,000	1,895,469	354,815	84,963	2,455,247

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2004: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2004: three) non-director, highest paid employees for the year are set out below:

	Group	
	2005	2004
	HK$	HK$
Salaries, allowances and benefits in kind	**1,257,467**	1,265,418
Fixed bonuses	**95,180**	95,180
Pension scheme contributions	**57,108**	57,108
	1,409,755	1,417,706

The remuneration of each of the non-director, highest paid employees fell within the band of nil to HK$1,000,000 for the two years ended 31st December 2005 and 2004.

11. TAX

No provision for Hong Kong profits tax has been made for the current and prior years as the Group has available tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong during the two years. Tax charge in the prior year represented underprovision for Hong Kong profits tax in prior years.

	2005	2004
	HK$	HK$
		(Restated)
Underprovision for Hong Kong profits tax in prior years	**—**	27,018
Deferred tax — note 28	**325,598**	85,909
Tax charge for the year	**325,598**	112,927

11. TAX (continued)

A reconciliation of the tax charge applicable to loss before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2005 HK$	%	2004 HK$ (Restated)	%
Loss before tax	**(8,430,792)**		(6,230,649)	
Tax at the statutory tax rate	**(1,475,389)**	**(17.5)**	(1,090,364)	(17.5)
Current tax of previous periods	**—**		27,018	
Income not subject to tax	**(1,472,707)**		(1,099,000)	
Expenses not deductible for tax	**1,900,298**		1,666,943	
Tax losses not recognised	**1,382,057**		1,002,437	
Tax losses utilised from previous periods	**(8,661)**		(394,107)	
Tax charge at the Group's effective rate	**325,598**	**3.9**	112,927	1.8

12. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss for the year attributable to equity holders of the Company for the year ended 31st December 2005 dealt with in the financial statements of the Company was HK$6,009,873 (2004: HK$8,211,340) (note 31(b)).

13. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company of HK$8,756,390 (2004: HK$6,343,576 (Restated)) and the weighted average number of 615,024,175 (2004: 615,024,175) ordinary shares in issue throughout the year.

Diluted loss per share amounts for the years ended 31st December 2005 and 2004 have not been disclosed, as the share options outstanding during these years had anti-dilutive effects on the basic loss per share amounts for these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$	Furniture and fixtures HK$	Motor vehicles HK$	Computers and equipment HK$	Total HK$
31st December 2005					
At 1st January 2005:					
Cost	1,732,659	968,417	650,000	867,017	4,218,093
Accumulated depreciation	(1,654,701)	(950,120)	(650,000)	(860,196)	(4,115,017)
Net carrying amount	77,958	18,297	—	6,821	103,076
At 1st January 2005, net of accumulated depreciation	77,958	18,297	—	6,821	103,076
Additions	100,038	—	—	650	100,688
Depreciation provided during the year	(42,294)	(5,528)	—	(4,753)	(52,575)
At 31st December 2005, net of accumulated depreciation	135,702	12,769	—	2,718	151,189
At 31st December 2005:					
Cost	1,832,697	968,417	650,000	867,667	4,318,781
Accumulated depreciation	(1,696,995)	(955,648)	(650,000)	(864,949)	(4,167,592)
Net carrying amount	135,702	12,769	—	2,718	151,189

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold improvements HK$	Furniture and fixtures HK$	Motor vehicles HK$	Computers and equipment HK$	Total HK$
31st December 2004					
At 1st January 2004:					
Cost	1,718,909	1,391,821	650,000	889,325	4,650,055
Accumulated depreciation	(1,548,789)	(1,368,943)	(650,000)	(783,545)	(4,351,277)
Net carrying amount	170,120	22,878	—	105,780	298,778
At 1st January 2004, net of accumulated depreciation	170,120	22,878	—	105,780	298,778
Additions	13,750	7,470	—	2,340	23,560
Depreciation provided during the year	(105,912)	(12,051)	—	(101,299)	(219,262)
At 31st December 2004, net of accumulated depreciation	77,958	18,297	—	6,821	103,076
At 31st December 2004:					
Cost	1,732,659	968,417	650,000	867,017	4,218,093
Accumulated depreciation	(1,654,701)	(950,120)	(650,000)	(860,196)	(4,115,017)
Net carrying amount	77,958	18,297	—	6,821	103,076

15. INVESTMENT PROPERTIES

	Group 2005 HK$	2004 HK$
Carrying amount at 1st January	**33,290,000**	27,010,000
Net profit from a fair value adjustment	**10,630,000**	6,280,000
Carrying amount at 31st December	**43,920,000**	33,290,000

The investment properties are all situated in Hong Kong and are held under the following lease terms:

	HK$
Long term leases	4,050,000
Medium term leases	39,870,000
	43,920,000

The Group's investment properties were revalued on 31st December 2005 by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers, at HK$43,920,000 on an open market, existing use basis.

All the investment properties of the Group are leased to third parties under operating leases, further summary details of which are included in note 32(a) to the financial statements.

Certain investment properties of the Group with a total carrying amount of HK$43,570,000 (2004: HK$32,940,000) are subject to legal charges in favour of the Group's bankers at the balance sheet date. No bank facilities are utilised by the Group as at 31st December 2005.

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15. INVESTMENT PROPERTIES (continued)

Particulars of the investment properties are as follows:

	Location	Approximate floor area	Existing use	Lease term	Group interest
a.	Flat A & Flat B of 4th Floor and Roof thereto, Front Block, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, Hong Kong (76/2260th shares of and in Kwun Tong Inland Lot No. 83)	19,622 sq. ft.	Commercial	Medium	100%
b.	Flat A & Flat B of 7th Floor, Front Block, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, Hong Kong (76/2260th shares of and in Kwun Tong Inland Lot No. 83)	16,818 sq. ft.	Commercial	Medium	100%
c.	4th Floor and Portions of Flat Roof on 4th Floor of Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Hong Kong (112/3190th shares of and in Kwun Tong Inland Lot Nos. 51 and 52)	7,368 sq. ft.	Commercial	Medium	100%
d.	Office 1 on 1st Floor, Tesbury Centre, No. 28 Queen's Road East, Wan Chai, Hong Kong (15/1386th parts or shares of and in Sections B, C, D, E, F, G and Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 65 and Sub-sections 3 and 4 of Section A of Marine Lot No. 65)	1,188 sq. ft.	Commercial	Long	100%

15. INVESTMENT PROPERTIES (continued)

	Location	Approximate floor area	Existing use	Lease term	Group interest
e.	Apartment A on 20th Floor, Car Parking Space No. 172, 1st Floor, South Bay Towers, No. 59 South Bay Road, South Bay, Island South, Hong Kong (105/16026th shares of and in Rural Building Lot No. 1049)	1,433 sq. ft.	Residential	Medium	100%
f.	Car Parking Space No. 1, Ground Floor, King Yip Factory Building, No. 59 King Yip Street Kowloon, Hong Kong (1/640th share of and in Kwun Tong Inland Lot No. 70)	N/A	N/A	Medium	100%

16. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$	2004 HK$
Unlisted shares, at cost	**143,919,955**	143,919,955
Provision for impairment	**(135,378,190)**	(135,378,190)
	8,541,765	8,541,765
Amounts due from subsidiaries	**276,857,250**	280,299,120
Provisions for amounts due from subsidiaries	**(253,478,700)**	(253,412,533)
	23,378,550	26,886,587
Amounts due to subsidiaries	**(54,847,591)**	(54,493,355)
	(22,927,276)	(19,065,003)

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16. INTERESTS IN SUBSIDIARIES (continued)

The balances with subsidiaries are unsecured, interest-free and not repayable within one year.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Watary Investments Limited	British Virgin Islands/ Hong Kong	US$36,000	100	—	Investment holding
Magnum International Holdings Services Limited	Hong Kong	HK$2	—	100	Provision of administrative services
Lismore Properties Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Property services and investment holding
Ongreat Properties Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Property investment
Continuous Gain Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Property investment
Jenpoint Limited	Hong Kong	HK$2	—	100	Trading of marketable securities
Wolston Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Property investment
Magnum International Finance Limited	Hong Kong	HK$10,000,000	—	100	Money lending
Magnum International Securities Limited	Hong Kong	HK$37,510,000	—	100	Securities dealing and margin finance

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Magnum Financial Services Holdings Limited	British Virgin Islands/ Hong Kong	US$2	100	—	Investment holding
Magnum Industries Limited	Hong Kong	HK$10	—	100	Trading of marketable securities

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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17. INTANGIBLE ASSETS

Trading rights

	Group	
	2005	2004
	HK$	HK$
At beginning of year:		
Cost	**8,476,908**	8,573,184
Accumulated amortisation and impairment	**(5,341,429)**	(4,196,458)
Net carrying amount	**3,135,479**	4,376,726
Cost at beginning of year, net of accumulated amortisation and impairment	**3,135,479**	4,376,726
Amortisation provided during the year	**—**	(505,910)
Impairment during the year	**(2,336,028)**	(702,055)
Exchange realignment	**27,795**	(33,282)
At end of year	**827,246**	3,135,479
At end of year:		
Cost	**8,675,042**	8,476,908
Accumulated amortisation and impairment	**(7,847,796)**	(5,341,429)
Net carrying amount	**827,246**	3,135,479

Upon the adoption of HKAS 38, trading rights are considered to have indefinite lives, which are not amortised.

The impairment of the intangible assets arose from the directors' assessment of the estimated realisable value of the intangible assets with reference to the prevailing market conditions.

18. LOANS RECEIVABLE

Loans receivable comprise margin clients accounts receivable and a consumer finance loan receivable of HK$8,969,290 (2004: HK$13,402,017) and HK$6,000,000 (2004: HK$6,000,000), respectively.

The margin clients accounts receivable are secured by the underlying pledged securities, repayable on demand and bear interest at annual effective rates of 8% to 11% (2004: 8% to 9%). No aged analysis is disclosed as, in the opinion of the directors, an aged analysis is not relevant in view of the nature of the business of securities margin financing.

The consumer finance loan receivable is secured by the pledged properties situated in Hong Kong, bears interest at annual effective rates of 7% to 10% (2004: 7% to 8%). At 31st December 2005, the open market value of the pledged properties was approximately HK$9.6 million.

19. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE

Accounts receivable and accounts payable arise from the Group's securities dealing and brokerage business with settlement terms of two days after the trade date.

(a) Details of the accounts receivable of the Group as at the balance sheet date, based on the transaction date and net of provisions, are as follows:

Accounts receivable:

	Group	
	2005	2004
	HK$	HK$
Not yet due	**1,083,493**	3,431,749
0–30 days	**112,834**	1,781,972
	1,196,327	5,213,721

The accounts receivable are non-interest-bearing. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

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19. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE (continued)

(b) Details of the accounts payable of the Group as at the balance sheet date are as follows:

Accounts payable:

	Group	
	2005	2004
	HK$	HK$
Not yet due	**1,013,054**	1,586,196
0–30 days	**424,543**	1,442,426
Over 30 days	**2,205,953**	2,506,288
	3,643,550	5,534,910

Accounts payable are non-interest-bearing.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Prepayments	**367,026**	417,903	**217,237**	217,237
Deposits	**1,170,251**	736,109	**12,650**	12,650
Other receivables	**868,523**	401,416	**—**	—
	2,405,800	1,555,428	**229,887**	229,887

Other receivables are non-interest-bearing and have no fixed terms of repayment.

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT TERM INVESTMENTS

	Group	
	2005	2004
	HK$	HK$
Listed equity investments, at market value:		
Hong Kong	**642,640**	604,420
Elsewhere	**1,268,309**	815,867
	1,910,949	1,420,287

The above equity investments at 31st December 2005 were classified as held for trading.

22. CLIENT TRUST BANK ACCOUNTS

Client trust bank accounts represent clients' trust monies kept in the trust bank accounts of a subsidiary engaged in the securities dealing business. The application of amounts maintained in such trust bank accounts is prescribed by the Securities and Futures Ordinance.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash and bank balances and time deposit, which are not restricted as to use.

	Group		Company	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Cash and bank balances	**2,581,554**	3,257,012	**62,010**	48,130
Time deposit, non-pledged	**5,000,000**	9,000,000	**—**	—
Cash and cash equivalents	**7,581,554**	12,257,012	**62,010**	48,130

23. CASH AND CASH EQUIVALENTS (continued)

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Interest payable to the immediate holding company	**22,419,289**	19,410,600	**15,866,647**	13,671,299
Interest payable to an intermediate holding company	**24,611,255**	21,125,668	**—**	—
Interest payable to a fellow subsidiary	**246,457**	246,457	**246,457**	246,457
Other payables	**743,955**	1,223,682	**103,168**	481,571
Accruals	**3,539,329**	3,367,109	**1,452,024**	518,916
	51,560,285	45,373,516	**17,668,296**	14,918,243

The interest payables to holding companies and a fellow subsidiary are unsecured, interest-free and have no fixed terms of repayment.

25. BANK OVERDRAFTS, SECURED

The bank overdrafts were secured by the Group's investment properties, bore interest at annual effective rates ranging from 1.75% to 2% over the Hong Kong dollar prime rate and were fully repaid during the year.

26. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company is unsecured and not repayable within one year. Except for an amount of HK$2,017,647 (2004: HK$2,017,647) which is interest-free, the remaining balance bears interest at annual effective rates ranging from 7% to 8% (2004: 7% to 8%).

27. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The amount due to an intermediate holding company is unsecured, bears interest at an annual effective rate of 6.50% (2004: 6.50%) and is not repayable within one year.

28. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation	
	2005	2004
	HK$	HK$
		(Restated)
At 1st January		
As previously reported	**351,507**	351,507
Prior year adjustment	**(265,598)**	(351,507)
As restated	**85,909**	—
Deferred tax charged to the consolidated income statement during the year — note 11	**325,598**	85,909
At 31st December	**411,507**	85,909

The Group has tax losses arising in Hong Kong of HK$183,353,825 (2004: HK$168,137,000), subject to the agreement by the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

29. SHARE CAPITAL

Shares

	2005 HK$	2004 HK$
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000,000**	100,000,000
Issued and fully paid:		
615,024,175 ordinary shares of HK$0.10 each	**61,502,418**	61,502,418

There were no movements in the Company's share capital during the current and prior years.

Share options

Details of the Company's share option scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

On 11th June 2002, the Company adopted 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.

(a) A summary of the share option scheme of the Group is as follows:

	The Scheme
Purpose	Provide incentives and rewards to eligible participants.
Participants	Eligible participants include: (i) employees (whether full-time or part-time employees, including any executive directors but not any non-executive director) of the Company and its subsidiaries; (ii) any non-executive director (including independent non-executive directors) of the Company and its subsidiaries; (iii) any supplier of goods or services to any member of the Group; (iv) any customer of the Group; (v) any person or entity that provides research, development or other technological support to the Group; and (vi) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group.

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30. SHARE OPTION SCHEME (continued)

	The Scheme
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	61,502,417 ordinary shares, being 10% of the issued share capital.
Maximum entitlement of each participant	The maximum number of ordinary shares shall not exceed 1% of the issued ordinary share capital of the Company in issue in any 12-month period.
Period within which the securities must be taken up under an option	Subject to the discretion on issuance of board of directors.
Minimum period for which an option must be held before it can be exercised	Not applicable.
Amount payable on acceptance	HK$1.00
Period within which payments/calls/loans must be made/repaid	Not applicable.

30. SHARE OPTION SCHEME (continued)

	The Scheme
Basis of determining the exercise price	Determined by the directors at their discretion and shall not be lower than the highest of: (i) the closing price of the ordinary shares on the Stock Exchange at the offer date, which must be a trading day; (ii) the average closing price of the ordinary shares on the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of an ordinary share.
The remaining life of the scheme	The scheme will be valid and effective until 7th July 2012, after which no further options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and remain unexercised immediately prior to 7th July 2012 shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the Scheme.

30. SHARE OPTION SCHEME (continued)

(b) The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options: At 1st January 2005	Granted during the year	Lapsed during the year	At 31st December 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$	Price of Company's shares at grant date of options** HK$
Director								
Chan Hon Ming, Alan	3,000,000	—	—	**3,000,000**	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
Other employees in aggregate	17,550,000	—	(9,300,000)	**8,250,000**	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
	20,550,000	—	(9,300,000)	**11,250,000**				

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

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

At 31st December 2005, the Company had 11,250,000 share options outstanding under the Scheme which represented approximately 1.83% of the Company's ordinary shares in issue as at that date. The exercise in full of these remaining share options would, under the present capital structure of the Company, result in the issue of 11,250,000 additional ordinary shares of the Company and additional share capital of HK$1,125,000 and share premium of HK$123,750 (before issue expenses).

Subsequent to the balance sheet date, a total of 4,050,000 share options lapsed. At the date of approval of these financial statements, the Company had 7,200,000 share options outstanding under the Scheme, which represented approximately 1.17% of the Company's shares in issue at that date.

31. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in the equity on page 35 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 30th October 1992, over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Share premium account HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
At 1st January 2004	168,315,330	95,165,446	(381,998,156)	(118,517,380)
Loss for the year	—	—	(8,211,340)	(8,211,340)
At 31st December 2004 and 1st January 2005	168,315,330	95,165,446	(390,209,496)	(126,728,720)
Loss for the year	—	—	(6,009,873)	(6,009,873)
At 31st December 2005	168,315,330	95,165,446	(396,219,369)	(132,738,593)

The Company's contributed surplus represents the excess of the fair values of the shares of the subsidiaries acquired pursuant to the reorganisation referred to in note 31(a), over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances, but is not presently qualified to do so.

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32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 2 years. The terms of the leases generally require tenants to pay security deposits.

At 31st December 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	HK$	HK$
Within one year	**1,734,850**	1,399,500
In the second to fifth years, inclusive	**282,500**	669,600
	2,017,350	2,069,100

(b) As lessee

The Group leases certain of its office and residential properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Within one year	**1,859,190**	793,405	**1,619,085**	562,500

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	Group 2005 HK$	2004 HK$
Interest expense charged by the immediate holding company	(i)	**3,008,689**	3,059,286
Interest expense charged by an intermediate holding company	(i)	**3,485,587**	3,266,807
Management fee income charged to a fellow subsidiary	(ii)	**48,600**	48,600

Notes:

(i) The interest expense charged by the immediate holding company and an intermediate holding company during the year arose from their respective advances, further details of which, including the terms, are disclosed in notes 26 and 27, respectively.

(ii) Management fee income was related to the administrative services provided to a fellow subsidiary. The fee was charged at a monthly rate of HK$4,050.

(b) Outstanding balances with related parties:

	Notes	Group 2005 HK$	2004 HK$
Due to the immediate holding company	(i)	**65,418,436**	62,409,747
Due to an intermediate holding company	(ii)	**55,531,255**	52,045,668
Due to a fellow subsidiary	(iii)	**246,457**	246,457

33. RELATED PARTY TRANSACTIONS (continued)

Notes:

(i) This represents interest and loan payable to the immediate holding company, details of the terms thereof are included in notes 24 and 26, respectively.

(ii) This represents interest and loan payable to an intermediate holding company, details of the terms thereof are included in notes 24 and 27, respectively.

(iii) This represents interest payable to a fellow subsidiary, details of the terms thereof are included in note 24 to the financial statements.

(c) Compensation of key management personnel of the Group:

Details of the compensation of the Group's key management personnel are disclosed in note 9 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial resources comprise advances from holding companies, and cash on hand and cash at banks. The main purpose of maintaining the financial resources is to finance the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial resources are interest rate risk, credit risk, capital management risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are primarily deposits with banks which are mostly short term in nature and loans receivable from margin clients and consumer finance customers which are arising from security dealing business and consumer finance business, respectively. The Group's interest-bearing financial liabilities relate primarily to the long term debt obligations to its holding companies with annual effective interest rates ranging from 6.5% to 8%.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that a customer or counterparty in a transaction may default. The Group has properly put credit management policies in place which cover the examination of the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The credit policy is regularly revised, taking into account factors such as prevailing business and economic conditions, regulatory requirements and the Group's capital resources. The Group's margin clients receivable arising from the ordinary course of business of dealing in securities are secured by the underlying pledged securities while the consumer finance loan is secured by properties collateral. At the balance sheet date, the Group's 5 largest debtors accounted for 96% of its loans receivable. In respect of the Group's accounts receivable, they relate to a large number of diversified customers, there is no significant concentration of credit risk.

All the Group's bank balances are deposited with a number of major financial institutions.

The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as at the balance sheet date, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet.

Capital management risk

The Group is regulated by the Securities and Futures Commission (the ''SFC'') and is required to comply with certain minimum capital requirements according to the rules of the SFC.

Liquidity risk

For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

Notes to Financial Statements

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value

At the balance sheet date, the fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts.

35. COMPARATIVE AMOUNTS

As further explained in notes 3.2 and 3.4 to the financial statements, due to adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised/reclassified to comply with the new requirements. Accordingly, certain prior year adjustments have been made and comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25th April 2006.