1. CORPORATE INFORMATION

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment in listed and unlisted companies in Hong Kong and in the PRC.

The registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

The shares of the Company were listed on the Stock Exchange with effect from 27 September 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as the "new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005. The Company adopted these new/revised Standards and interpretations of HKFRSs in the financial statements, which are relevant to its operations. The financial statements for the year ended 2004 have been restated in accordance with the relevant requirements.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of significant accounting policies followed by the Company in the preparation of the financial statements is set out below:

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 18	Revenue
HKAS 21	The Effects of changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The adoption of new/revised HKASs 1, 7, 8, 10, 18, 21, 24, and 33, 34, 36 and 37 did not result in substantial changes to the Company's accounting policies. In summary:

— HKAS 1 has affected the presentation of financial statements.

— HKASs 7, 8, 10, 18, 33, 34, 36 and 37 had no material effect on the Company's policies.

— HKAS 21 had no material effect on the Company's policy. The functional currency of the Company has been re-evaluated based on the guidance to the revised standard. The Company have the same functional currency as the presentation currency for respective entity financial statements.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Company require retrospective application other than:

— HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Company applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 Janurary 2005.

The adoption of revised HKAS 39 resulted in

	2005	2004
	HK$'000	HK$'000
Increase in available-for-sale financial assets	**2,170**	3,900
Decrease in investment securities	**(2,170)**	(3,900)
Increase in financial assets at fair value through profit or loss	**652**	171
Decrease in trading securities	**(652)**	(171)

There was no impact on basic and diluted loss per share from the adoption of HKAS 39.

(a) Basis of Preparation

The measurement basis used in the preparation of the financial statements is historical cost as modified by the marking-to-market of certain investments in securities as explained in Note 2(b) to financial statements below.

(b) Fundamental Uncertainties

The financial statements have been prepared on a going concern basis. The Company had net loss of HK$4,726,000 (2004: HK$7,442,000) and accumulated losses of HK$22,602,000 (2004:HK$17,876,000) and its continuance in business as a going concern is dependent upon the Company having future profitable operations and continuing financial support from the directors of the Company. The financial statements have been prepared on a going concern basis as a director of the Company have confirmed to provide continuing financial support to the Company in the form of interest-free advances to the extend of HK$5 million to enable it to settle its liabilities as and when they fall due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investment

From 1 January 2004 to 31 December 2004:

The Company classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as non-trading securities and trading securities.

(a) ***Non-trading securities***

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealth with in the income statements.

Where there was objective evidence that individual investments were impaired the cumulative loss recorded in the revaluation reserve was taken to the income statement.

(b) ***Trade securities***

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sale proceeds and the carrying amounts, were recognised in the income statement as they arised.

From 1 January 2005 onwards:

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investment (Continued)

(b) Trade securities (Continued)

(c) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. During the year, the Company did not hold any investments in this category.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date — the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognised in equity. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities respectively.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Current Assets and Liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Company's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Company's operating cycle.

(e) Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(f) Turnover

Turnover represents sales of investments in securities, dividend income and interest income.

(g) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, revenue is recognised in the income statement as follows:

i. Dividend income is recognised when the right to receive payment is established.

ii. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rate applicable.

iii. Sales of investments in securities are recognised on a trade date basis.

(h) Operating Leases

Leases where substantially all risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(i) Translation of Foreign Currencies

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet are translated at the rates exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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

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

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

(k) Impairment of Assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in properties under construction, other properties and other fixed assets are impaired. If any such indicate exists, the recoverable amount of the assets is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

Reversal of impairment loss recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. A reversal of an impairment loss is recognised as income immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provision

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

(m) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company.

Contingent assets are not recognised but are disclosed in the notes to financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Employee Benefits

i. *Employee Leave Entitlements*

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

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

ii. *Profit Sharing and Bonus Plans*

The expected cost of profit sharing and bonus payments are recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee Benefits (Continued)

iii. *Retirement Benefits Scheme Contributions*

The Company has participated in the Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance. The assets of the Scheme are held separately from those of the Company in an independently administered fund. The Scheme is generally funded by payments from employees and by the Company. The Company's contributions to the Scheme are expensed as incurred in accordance with the rules of the Scheme and are not reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions.

(o) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being member of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(p) Segment Reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude investment in securities and investment properties. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisition through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expense it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) *Market risk*

(i) *Foreign exchange risk*

The Company mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong Dollars. Most of the Company's monetary assets and liabilities are also denominated in Hong Kong Dollars. Therefore, the Company considers it has no significant foreign exchange risk.

(ii) *Price risk*

The Company is exposed to equity securities price risk because investments held by the Company are classified on the balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Company is not exposed to commodity price risk.

(b) *Credit risk*

The Company has no significant concentrations of credit risk. The carrying amount of cash and bank balances and other receivables represent the Company's maximum exposure to credit risk in relation to financial assets. The Company has policies that limit the amount of credit exposure to any financial institutions. The Company also has credit policies in place and exposures to credit risks regards other receivables are mentioned on an ongoing basis.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding through an adequate amount of committed credit facilities. The Company also aims to maintain flexibility in funding by keeping committed credit lines available.

(d) *Interest rate risk*

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

3.2 Fair value estimation

The carrying amounts of the Company's financial assets which mainly include cash and bank balances and other receivables; and financial liabilities, which mainly include amount due to a related company, amount due to directors, and other payables, approximate their fair values due to their short maturities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Company 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.

(a) Impairment on available-for-sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

5. TURNOVER

Turnover represents sales of listed and unlisted securities during the year. The amount of each significant category of revenue recognised during the year are as follows:

	2005 HK$'000	2004 HK$'000
Turnover:		
Sale of financial assets at fair value through profit or loss	**129**	2,950
Sale of available-for-sale financial assets	**3,890**	—
Dividend recieved	**9**	—
Bank interest income	**5**	—
	4,033	2,950

In the opinion of the directors, as an investment company, all income arising from financial assets including dividend and bank interest income should be classified as turnover from the principal activities of the Company. The comparative figures for the year ended 31 December 2004 were restated to conform with current year presentation.

6. SEGMENT INFORMATION

During the year ended 31 December 2005, more than 90% of the Company's turnover was derived from sale of available-for-sale financial assets in the British Virgin Islands (BVI), no business and geographical segmental information on turnover are presented.

For the year ended 31 December 2004, more than 90% of the Company's turnover was derived from sale of financial assets at fair value through profit or loss in Hong Kong, no business and geographical segmental information on turnover are presented.

6. SEGMENT INFORMATION (Continued)

The Company segment assets and liabilities for the year, analysed by geographical market, are as follows:

	Hong Kong		UK		BVI		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**2,452**	1,433	**515**	—	**—**	3,900	**2,967**	5,333
Segment liabilities	**2,135**	1,618	**—**	—	**—**	—	**2,135**	1,618

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2005	2004
	HK$'000	HK$'000
Unlisted, at cost	**2,600**	5,000
Less: Impairment loss	**(430)**	(1,100)
	2,170	3,900
Reclassified as current assets	**—**	(3,900)
Non-current assets	**2,170**	—

Impairment loss for available-for-sale-financial assets

The available-for-sale financial assets were valued individually as separate cash generating units ("CGU") at 31 December 2005 by independent valuers, BMI Appraisals Limited. Each CGU was valued to its recoverable amounts, which was its fair value less costs to sell determined by reference to the market. Difference between its costs and its recoverable amounts were recognised as impairment losses.

Unlisted financial assets in Hong Kong:

	Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held	Interest held	Net assets attributable to the Company	Cost of investment	Fair value	Impairment loss
			HK$'000	(%)	HK$'000	HK$'000	HK$'000	HK$'000
(i)	Netx Limited	Hong Kong limited liability company	1.725	15.00	212	1,300	1,270	(30)
(ii)	Netters Land Management Limited	Hong Kong limited liability company	1.725	15.00	3	1,300	900	(400)

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes:

(i) Netx Limited is principally engaged in on-line advertising various website.

The unaudited net profit attributable to shareholders of Netx Limited for the nine months ended 31 December 2005 was HK$644,000

(ii) Netters Land Management Limited is principally engaged in internet consultancy on IT system, infrastructure and solutions.

The unaudited net loss attributable to shareholders of Netters Land Management Limited for the nine months ended 31 December 2005 was HK$138,000.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2005 HK$'000	2004 HK$'000
Held-for-trading:		
Equity securities, at fair value		
— listed in Hong Kong	**137**	171
— listed outside Hong Kong	**515**	—
	652	171

The following is a list of the trading securities as at 31 December 2005:

Equity securities listed outside Hong Kong:

Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held	Interest held (%)	Net assets/ (liability) attributable to the Company HK$'000	Cost of investment HK$'000	Fair value HK$'000	Unrealised loss arising on revaluation HK$'000
i. Bolton Group (International) Limited	Bermuda, limited liability company	3,000,000 ordinary shares	4.75	39,387	1,291	515	(776)

Equity securities listed in Hong Kong:

Name of equity securities	Place incorporation and kind of legal entity	Number of shares held	Interest held (%)	Net assets/ (liability) attributable to the Company HK$'000	Cost of investment HK$'000	Fair value HK$'000	Unrealised loss arising on revaluation HK$'000
ii. WLS Holdings Limited ("WLS")	the Cayman Islands, limited liability company	1,370,000 ordinary shares	0.30	(5,583)	203	137	(66)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

A brief description of the business and financial information of the above listed equity securities, based on their latest published annual reports or interim financial reports, is as follows:

i. Bolton Group (International) Limited is principally engaged in the real estate holding and development.

The unaudited net profit attributable to shareholders of Bolton Group (International) Limited for the six months ended 30 October 2005 was £20,000 (2004: £3,193,000).

ii. WLS is principally engaged in the provision of scaffolding for construction and building works in Hong Kong.

The unaudited net profit attributable to shareholders of WLS for the nine months ended 31 January 2006 was HK$2,731,000 (2005: HK$3,160,000).

9. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

On 18 April 2005, the Company entered into a sale and purchase agreement (the "Sinowich Agreement") with an independent third party in which the Company proposed to acquire 6% interest in 哈爾濱東方(香港)食品有限公司, a foreign enterprise incorporated in the PRC. According to the Sinowich Agreement, the total consideration of HK$1,300,000 had to be settled by a transfer of 712,000 fully paid up shares of Hong Xiang Petroleum International Holdings Limited (the "Cash in Kind for Sinowich"), the investment securities owned by the Company. As at the date of this report, the Cash in Kind for Sinowich has been transferred to the independent third party and however, the registration of the Company's interest in 哈爾濱東方(香港)食品有限公司 has not yet been completed.

Impairment loss for investment deposits

In the opinion of the directors, the failure to complete the registration of the Company's interest in 哈爾濱東方(香港)食品有限公司 was an indication of impairment and a condition existed during the year ended 31 December 2005. As a result, an impairment loss of HK$1,300,000 (2004: HK$Nil) on investment deposit should be provided.

10. SHARE CAPITAL

	2005 HK$'000	2004 HK$'000
Authorised:		
200,000,000 ordinary shares of HK$0.01 each (2004: 200,000,000 ordinary shares of HK$0.01 each)	**2,000**	2,000
Issued and fully paid:		
60,000,000 ordinary shares of HK$0.01 each (2004: 50,000,000 ordinary shares of HK$0.01 each)	**600**	500

10. SHARE CAPITAL (Continued)

During the year, the following movements in the Company's shares capital were recorded:

	Number of Ordinary Share of HK$0.01 each '000	Amount HK$'000
Authorised:		
As at 1 January 2005 and 31 December 2005	**200,000**	2,000
Issued and fully paid:		
As at 1 January 2005	50,000	500
Issue of shares	10,000	100
As at 31 December 2005	**60,000**	**600**

On 21 March 2005, 10,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.188 per share. A shares premium of HK$1,743,000, net of share issue expenses, has been credited to share premium account. Details of these transactions were set out in the Company's announcement dated 23 March 2005.

11. RESERVES

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2003	21,091	(10,434)	10,657
Loss for the year	—	(7,442)	(7,442)
At 31 December 2004	21,091	(17,876)	3,215
Issue of new shares	1,780	—	1,780
Share issue expenses	(37)	—	(37)
Loss for the year	—	(4,726)	(4,726)
At 31 December 2005	**22,834**	**(22,602)**	**232**

12. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company was unsecured, interest-free and fully repaid during the year.

13. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and repayable on demand.

14. EXPENSE BY NATURE

Administrative expenses are analysed as follows:

	2005 HK$'000	2004 HK$'000
Auditors' remuneration	**200**	252
Employee benefit expenses *(note 15)*	**523**	668
Legal and professional fee	**573**	142

15. EMPLOYEE BENEFIT EXPENSES

	2005 HK$'000	2004 HK$'000
Salaries and other short-term employee benefits	**504**	640
Retirement benefits scheme contributions	**19**	28
	523	668

(a) Directors' and senior management's emolument

The remuneration of every Director for the year ended 31 December 2005 is set out below:

	Fee HK$'000	Salary HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Tam Wai Keung, Billy	—	—	—	—	—
Li Sze Tang *(note 1)*	—	320	10	—	330
Wu Tse Wai, Frederick	—	150	7	—	157
Fong Chi Wah *(note 2)*	—	34	2	—	36
Chow Wan Hoi, Paul *(note 3)*	—	—	—	—	—
Hui Wing Sang, Wilson *(note 4)*	—	—	—	—	—
Tang King Fai, Kelvin	—	—	—	—	—
Kwok Ming Wa *(note 5)*	—	—	—	—	—
Chiu Siu Keung *(note 6)*	—	—	—	—	—
Wang Tianye *(note 7)*	—	—	—	—	—
	—	504	19	—	523

15. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Directors' and senior management's emolument (Continued)

The remuneration of every Director for the year ended 31 December 2004 is set out below:

	Fee	Salary	Other benefits	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Tam Wai Keung, Billy	—	—	—	—	—
Li Sze Tang *(note 1)*	—	265	—	12	277
Wu Tse Wai, Frederick	—	118	—	6	124
Fong Chi Wah *(note 2)*	—	—	—	—	—
Chow Wan Hoi, Paul *(note 3)*	—	—	—	—	—
Hui Wing Sang, Wilson *(note 4)*	—	—	—	—	—
Tang King Fai, Kelvin	—	—	—	—	—
Kwok Ming Wa *(note 5)*	—	33	—	—	33
Chiu Siu Keung *(note 6)*	—	2	—	—	2
Wang Tianye *(note 7)*	—	31	—	—	31
	—	**449**	**—**	**18**	**467**

Notes:

1. Resigned on 1 November 2005

2. Appointed on 1 November 2005

3. Resigned on 20 February 2006

4. Resigned on 20 February 2006

5. Resigned on 19 July 2004

6. Resigned on 19 July 2004

7. Resigned on 19 July 2004

Directors' basis salaries disclosed above included HK$Nil (2004:HK$63,548) paid to independent non-executive directors.

During the year, the emoluments waived by a director of the Company amounted to HK$Nil (2004:HK$340,000). Other than that, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

15. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Directors' and senior management's emolument (Continued)

The number of the directors fell within the following bands:

	Number of directors	
	2005	2004
Nil to HK$1,000,000	**3**	9

(b) Five Highest Paid Individuals

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

	2005 HK$'000	2004 HK$'000
Basic salaries and benefits	**504**	449
Contribution to provident fund	**19**	18
	523	467

The number of the Employees whose emoluments fell within the following bands:

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**2**	2

16. INCOME TAX EXPENSES

Current Taxation

No provision for Hong Kong profits tax has been made as the Company incurred a taxation loss for the year (2004: Nil).

	2005 HK$'000	2004 HK$'000
Deferred Taxation		
Credit for the year	**—**	—

16. INCOME TAX EXPENSES (Continued)

The credit for the year can be reconciled to the loss per the income statement as follows:

	2005 HK$'000	%	2004 HK$'000	%
Loss before tax	**(4,726)**		(7,442)	
Tax at Hong Kong profit tax rate of 17.5% (2004: 17.5%)	**(827)**	**(17.5)**	(1,302)	(17.5)
Estimated tax effect on income that are not taxable in determining taxable profit	**(2)**	**(0.1)**	—	—
Estimated tax effect on expenses that are not deductible in determining taxable profit	**—**	**—**	193	2.6
Tax effect of unrecognised deductible temporary differences	**—**	**—**	82	1.1
Tax effect of unrecognised tax losses	**829**	**17.6**	1,027	13.8
Tax income and effective tax rate for the year	**—**	**—**	—	—

17. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of the loss of HK$4,726,000 (2004: HK$7,442,000).

18. DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2005 (2004: Nil).

19. LOSS PER SHARE

The calculation of basic loss per share is based on the Company's net loss attributable to the shareholders of HK$4,726,000 (2004: HK$7,442,000) and the 57,808,000 (2004: 50,000,000) weighted average ordinary shares in issue during the year.

There were no dilutive potential shares during the years ended 31 December 2004 and 2005, therefore, no diluted loss per share has been presented.

20. DEFERRED TAXATION

	2005 HK$'000	2004 HK$'000
Balance as at 31 December 2005/2004	**—**	—

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using a principal taxation rate of 17.5% (2004: 17.5%).

As at the balance sheet date, the Company has estimated tax losses of approximately HK$20,887,000 (2004: HK$16,151,000) and deductible temporary differences of approximately HK$5,165,000 (2004: HK$4,970,000) that are available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets have not been provided for due to the unpredictability of the future profit streams.

21. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of HK$832,000 (2004: HK$3,715,000) and the 60,000,000 (2004: 50,000,000) ordinary shares in issue as at 31 December 2005 and 31 December 2004.

22. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2005, the Company had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Company's business.

Nature of related party relationship	**Nature of transactions**	**2005** **HK$'000**	**2004** HK$'000
Company with common director:			
First Asia Finance Group Limited *(Note (a))*	Administration fee — paid	**175**	73

Notes: (a) Mr Li Sze Tang who resigned on 1 November 2005 had beneficial interest in the related company.

Key management compensation

	2005 **HK$'000**	2004 HK$'000
Salaries and other short-term employee benefits	**504**	640
Employer contribution to pension scheme	**19**	28

Amounts due to directors

		2005 **HK$'000**	2004 HK$'000
Mr Tam Wai Keung, Billy	— Cash advanced to the Company	**1,000**	250
Mr Chow Wan Hoi, Paul	— Cash advanced to the Company	**—**	5
	— Amounts settled on behalf of the Company	**—**	50

23. SUBSEQUENT EVENTS

The Company had no significant event took place subsequent to the balance sheet date.

24. IMPACT OF ISSUE BUT NOT YET EFFECTIVE HKFRSs

The Company has not applied for the following new and revised HKFRSs that have been issued but are not yet effective to these financial statements. Unless otherwise stated, these HKFRSs are effective for accounting period commencing on or after 1 January 2006:

HKAS 1 Amendment	Capital disclosures
HKAS 19 Amendment	Actuarial gains and losses, group plans and disclosures
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 & HKFRS4 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
HK (IFRIC)-Int 4	Determining whether an arrangement contains a lease
HK (IFRIC)-Int 5	Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds
HK (IFRIC)-Int 6 (effective for accounting periods on or after 1 December 2005)	Liabilities arising from participating in a special market — waste electrical and electronic equipment

The HKAS 1 Amendment shall be effective for accounting periods commencing on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Company's objective, policies and processes for managing capital; quantitative data about what the Company 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 effective for accounting periods commencing on or after 1 January 2007.

The Company is in the process of making an assessment of what the impact of the new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the HKAS 19 Amendment, HKAS 39 Amendments, HKFRSs 1 & 6 Amendments, HKFRS 6, HK (IFRIC) Int 5 & 6 do not apply to the activities of the Company. The Company expects that the adoption of the rest of them will not have any significant impact on the Company's results of operation and financial position.

25. COMPARATIVE FIGURES

As further explained in note 2 to financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, comparative figures have been reclassified and restate to conform with the current year's presentation and accounting treatment.

26. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2006.