1 GENERAL INFORMATION

E2-Capital (Holdings) Limited (the Company) and its subsidiaries (together the Group) are primarily engaged in six main business segments namely Broking Services, Investment Banking, Direct Investments, Industrial and Management Operating Services, Digital Consumer Products and Property.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 14 March 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the 2005 annual financial statements except that the Group has changed its revenue recognition policy (see note 2.1(d) below) and certain of its other accounting policies following its adoption of the new or revised standards and interpretations to the published standards which are relevant to its operations. The adoption of these new or revised standards and interpretations did not result in any substantial change to the Group's accounting policies.

The consolidated financial statements of E2-Capital (Holdings) Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

When necessary, certain comparative figures have been reclassified to conform to the current year's presentation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Amendments to published standards effective in 2006

From 1 January 2006, the Group has adopted the following amendments and interpretation to existing HKFRS, which are relevant to its operations.

HKAS 19 (Amendment)	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) - Int 4	Determining whether an Arrangment contains a Lease

The adoption of these amendments and interpretation did not result in significant changes to the Group's accounting policies.

(b) Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

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

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments - Disclosures
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

(c) Interpretation to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

— HK(IRFIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IRFIC)-Int 7 is not relevant to the Group's operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(d) Change in revenue recognition policy

In previous years, sale proceeds and the related cost of sales of financial assets were presented in the consolidated income statement within turnover and cost of sales respectively, in accordance with the Group's accounting policy then.

In the current year, the Group has revised its accounting policy in order to comply more fully with HKAS 32 and to conform with market practice, whereby the net gains/losses on disposal of financial assets are presented in the consolidated income statement within turnover.

The effects of the change in accounting policy have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Decrease in turnover	(174,195)	(107,983)	(6,293)	—
Decrease in cost of sales	174,195	107,983	6,293	—
Effect on net profit	—	—	—	—
Effect on basic and fully diluted earnings per share	—	—	—	—

This change in accounting policy does not have an impact on the results of the Group in respect of the current and prior years.

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see Note 2.10). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (Note 2.11).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions amd minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.10).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Associates (Continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

(d) Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Buildings comprise mainly offices. Buildings are stated at historical cost less depreciation and impairment losses. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. The principal annual rates are as follows:

– Buildings	2.5%
– Leasehold improvements	20%
– Motor vehicles	20%
– Furniture, fixtures and equipment	10 % – 33$\frac{1}{3}$ %

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net, in the income statement.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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

Changes in fair value are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

2.7 Leasehold land and land use rights

Leasehold land and land use rights are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement. In the course of property development, the amortization is included as part of the costs of the property for development.

2.8 Properties for development

Properties for development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for investment purposes or no decision has yet been made on their future use. These properties are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost includes land cost, construction cost, interest, finance charges and other direct costs. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Where presale has taken place, properties under development for sale are stated at cost plus attributable profits less foreseeable losses and deposits received from presale; otherwise, properties under development for sale are stated at the lower of cost and net realisable value. Cost includes construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Foreseeable losses represent estimated or actual selling price less all costs to completion and selling expenses. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary / associate / jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Trading rights

The trading rights of the Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited are recognised as intangible assets on the balance sheet and stated at nominal costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of investments in subsidiaries, associates, a jointly controlled entity and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 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 classified as trade and other receivables in the balance sheet.

(c) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group 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. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Net proceeds from disposal of other financial assets at fair value through profit or loss are recognised when a sale and purchase contract is entered into. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group 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 are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other (losses)/gains - net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

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 Group established 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, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in 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 as an indicator that 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 profit or loss - 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.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2.17 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effect interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Borrowings

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

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

2.19 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits

(a) Pension obligations

The Group operates defined contribution plans under the mandatory provident fund scheme and the ORSO scheme, the assets of which are held in separate trustee-administered funds.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.21 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

(b) Service income is recognised on completion of contract which typically lasts for one to six months.

(c) Proceeds from the sale of properties are recognised on execution of a binding sales agreement.

Proceeds from properties pre-sold prior to completion of development are recognised over the period from the execution of a binding sales agreement to the completion of development on the basis of development costs to date as a proportion of estimated total development costs.

(d) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Advisory fees, introductory fees and management fees are recognised when the service is rendered, the income can be reliably estimated and it is probable that the revenue will be received.

(f) Dividend income is recognised when the right to receive payment is established.

(g) Operating lease rental income is recognised on a straight line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.24 Insurance contracts

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the income statement.

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers, guarantees provided to its related parties and tax indemnity provided to its non-wholly owned subsidiary as insurance contracts.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose 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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group's assets and liabilities are primarily denominated in Hong Kong dollars. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. The Investment Committee meets on an ad hoc basis to review the investments held by the Group in order to minimise the price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet short term cash requirements.

(d) Cash flow interest rate risk

The Group's interest-rate risk arises from borrowings, bank deposits and mortgage loans receivable. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group's borrowings are based on Prime or HIBOR interest rates. Details of the Group's borrowings are set out in note 32. Bank deposits are primarily short term in nature and mortgage loans are priced based on Prime +1 % p.a..

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables approximates their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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.

4.1 Critical accounting estimates and assumptions

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

(a) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

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

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

(b) Estimate of fair value of unlisted securities

Certain unlisted securities included in available-for-sale financial assets and other financial assets at fair value through profit or loss are stated at cost at the balance sheet date as the Group determines the fair value of such assets closely approximated the cost. For the unlisted securities valued at fair value, the Group uses the discounted cashflows valuation method and makes assumptions that are based on market conditions existing at each balance sheet date for the determination of the fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies

(c) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates rental income to an entity as an investment property. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

(d) Impairment of assets

The Group determined whether available-for-sale financial assets and other financial assets at fair value through profit or loss is impaired by evaluating the duration and extent to which the fair value is less than its cost. This evaluation is subject to changes in factors such as industry and sector performance, changes in operational and financing cash flow.

The Group reviews its financial and non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The Group recognises impairment loss based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of the asset will impact the amount of impairment loss required.

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their utilisation may be different.

(f) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group also performs annual review of the assumptions made on useful lives to ensure that they continue to be valid.

5 SEGMENT INFORMATION

Primary reporting format – business segments

At 31 December 2006, the Group is organised on a regional basis into six main business segments:

(1) Broking Services – securities broking and provision of margin financing, commodities, options and futures broking

(2) Investment Banking – provision of corporate finance services

(3) Direct Investments – securities trading and investments

(4) Industrial and Management Operating Services – manufacture of quality plastic and paper boxes for luxury consumer goods, and trading of dyestuffs

(5) Digital Consumer Products – sourcing and distribution of digital consumer products

(6) Property – property development and holding

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

The segment results for the year ended 31 December 2005 are as follows:

	Broking Services	Investment Banking	Direct Investments	Industrial and Management Operating Services	Digital Consumer Products	Property	Unallocated	(Restated) Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	14,274	8,664	11,748	21,397	1,150	41,460	—	98,693
Operating profit/(losses)	75	1,813	7,697	(1,135)	(3,236)	62,292	(21,831)	45,675
Finance costs *(Note 9)*	(214)	(20)	(284)	(24)	—	(1,637)		(2,179)
Share of results of associates *(Note 20)*	(3,049)	86	—	8,992	—	—		6,029
Profit before income tax								49,525
Income tax expenses *(Note 10)*								(2)
Profit before minority interests								49,523
Minority interests								988
Profit attributable to shareholders								50,511

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

The segment results for the year ended 31 December 2006 are as follows:

	Broking Services	Investment Banking	Direct Investments	Industrial and Management Operating Services	Digital Consumer Products	Property	Unallocated	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	38,776	4,595	76,397	17,701	20,793	1,241	—	159,503
Operating profit/(losses)	9,024	2,236	90,868	(2,487)	(3,452)	(8,604)	(25,325)	62,260
Finance costs *(Note 9)*	(2,085)	(29)	(59)	(93)	—	(8,807)		(11,073)
Share of results of associates *(Note 20)*	429	(43)	—	2,289	—	—		2,675
Profit before income tax								53,862
Income tax expenses *(Note 10)*								(78)
Profit before minority interests								53,784
Minority interests								202
Profit attributable to shareholders								53,986

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Broking Services	Investment Banking	Direct Investments	Industrial and Management Operating Services	Digital Consumer Products	Property	Unallocated	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	72,716	2,101	280,930	16,845	618	391,571	30,202	794,983
Interests in associates	16,275	2,208	—	57,536	—	—	—	76,019
Total assets	88,991	4,309	280,930	74,381	618	391,571	30,202	871,002
Liabilities	41,525	4,369	1,429	4,112	244	2,042	6,728	60,449
Borrowings	—	—	—	1,102	—	213,521	1,120	215,743
Total liabilities	41,525	4,369	1,429	5,214	244	215,563	7,848	276,192
Capital expenditure *(Note 14, 16, 17)*	12	20	—	3	43	297,116	947	298,141
Depreciation *(Note 14)*	73	79	—	118	1	483	761	1,515
Amortisation *(Note 16)*	—	—	—	—	—	4,727	—	4,727
Impairment charge and provision *(Note 6)*	—	—	1,894	—	—	1,500	—	3,394

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Broking Services	Investment Banking	Direct Investments	Industrial and Management Operating Services	Digital Consumer Products	Property	Unallocated	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	73,264	8,369	339,257	14,272	8,976	363,023	27,342	834,503
Interests in associates	21,768	—	—	813	—	—	—	22,581
Total assets	95,032	8,369	339,257	15,085	8,976	363,023	27,342	857,084
Liabilities	36,758	849	4,139	3,802	3	1,007	22,430	68,988
Borrowings	—	—	—	1,018	—	210,747	368	212,133
Total liabilities	36,758	849	4,139	4,820	3	211,754	22,798	281,121
Capital expenditure *(Note 14)*	254	3	—	303	107	—	1,737	2,404
Depreciation *(Note 14)*	75	74	—	73	29	—	604	855
Amortisation *(Note 16)*	—	—	—	—	—	8,118	—	8,118
Impairment charge and provision *(Note 6)*	—	105	—	—	—	—	5,000	5,105

Segment assets consist primarily of leasehold land and land use rights, properties for development/sale, investment property, property, plant and equipment, intangible assets, inventories, available-for-sale financial assets, other financial assets at fair value through profit or loss, receivables and operating cash.

Segment liabilities comprise operating liabilities and borrowings.

Unallocated assets consist mainly of cash and cash equivalents, amount due from associates and other deposits and receivables.

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

Unallocated liabilities are mainly represented by accrual of corporate expenses.

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and properties for development/sale.

Secondary reporting format – geographical segments

The Group's six business segments operate in two main geographical areas, even though they are managed on a regional basis.

The Group's broking services, investment banking, direct investments, industrial and management operating services and property mainly operate in The People's Republic of China, Hong Kong and Singapore.

The Group's digital consumer products segment is mainly operated in Europe.

	2006	(Restated) 2005
	HK$'000	HK$'000
Turnover:		
The People's Republic of China including Hong Kong	84,401	97,543
Singapore	54,319	—
Europe	20,783	1,150
	159,503	98,693

5 SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments (Continued)

Sales are allocated based on the countries in which the customers or trades are located.

As the total carrying amount of segment assets and the total cost incurred during the year to acquire segment assets for each geographical segment other than The People's Republic of China including Hong Kong are less than 10% of the total assets of all geographical segments, no separate disclosure is shown for segment assets by geographical segment.

Analysis of sales by category

The principle activities of the Group are investment in securities and investment properties, stock and futures brokerage and provision of financial advisory services and other securities related financial services.

	2006	(Restated) 2005
	HK$'000	HK$'000
Turnover		
Sales of properties and properties for development	—	39,430
Realised gain on investments	70,187	6,269
Sales of goods	38,484	22,547
Brokerage commission income	39,449	20,040
Advisory fee, introductory fee and other commission income	964	2,728
Dividend income		
– listed investments	79	194
– unlisted investments	229	199
Interest income	9,850	6,294
Rental income and building management fee income	261	992
Total turnover	159,503	98,693
Other revenues/(losses)	11,477	(442)
Total revenues	170,980	98,251

6 EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs and general and administrative expenses are analysed as follows:

	2006 HK$'000	(Restated) 2005 HK$'000
Cost of sales of properties	—	43,914
Cost of goods sold	32,415	14,643
Brokerage costs	9,093	3,724
Amortisation of leasehold land	8,118	4,727
Depreciation	855	1,515
Employee benefit expenses	41,909	32,363
Exchange difference	1,675	(662)
Operating lease rentals in respect of land and buildings	6,862	4,315
Auditors' remuneration		
– current year	2,600	2,397
– under-provision in prior years	37	719
Provision for impairment of doubtful receivables	105	3,394
Impairment loss on investment deposit	5,000	—
Impairment loss on goodwill	411	—
Loss on partial disposal of a joint venture's subsidiary	—	734
Loss on disposal of an associated company	2,166	—

7 EMPLOYEE BENEFIT EXPENSES

	2006 HK$'000	2005 HK$'000
Wages and salaries	24,209	21,208
Discretionary bonus	17,060	10,585
Termination benefits	60	9
Pension costs – defined contribution plans	580	561
	41,909	32,363

7 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Pensions – defined contribution plans

Contributions totalling HK$342,000 (2005: HK$394,000) were payable to the fund at the year end.

(b) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of director	Fees	Salary	Discretionary inducement bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fung Ka Pun	—	2,880	2,500	12	5,392
Dato' Wong Sin Just	—	2,678	2,500	9	5,187
Ongpin Roberto V	50	—	—	—	50
Chung Cho Yee, Mico	80	—	—	—	80
Ho Kwan Tat	120	—	—	—	120
Hui Ka Wah, Ronnie	120	—	—	—	120

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

Name of director	Fees	Salary	Discretionary inducement bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fung Ka Pun	—	2,880	2,740	12	5,632
Dato' Wong Sin Just	—	2,930	2,740	11	5,681
Ongpin Roberto V	50	—	—	—	50
Chung Cho Yee, Mico	75	—	—	—	75
Ho Kwan Tat	110	—	—	—	110
Hui Ka Wah, Ronnie	110	—	—	—	110

7 EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2005: two) directors whose emoluments are reflected in the analysis presented above. The amounts payable to the remaining three (2005: three) individuals during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	2,122	2,560
Discretionary bonus	657	—
Pensions	36	30
	2,815	2,590

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2006	2005
HK$nil – HK$1,000,000	2	3
HK$1,000,001 – HK$1,500,000	1	0

8 INVESTMENT GAINS/(LOSSES)

	2006 HK$'000	2005 HK$'000
Other financial assets at fair value through profit or loss:		
– Unrealised fair value gains	12,956	13,298
– Unrealised fair value losses	(3,310)	(13,734)
	9,646	(436)

9 FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on bank loans		
Wholly repayable within five years	9,496	1,564
Interest on other loans		
Wholly repayable within five years	1,451	497
Not wholly repayable within five years	126	118
	11,073	2,179

10 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006	2005
	HK$'000	HK$'000
Current income tax:		
– Hong Kong profits tax	101	25
– Over – provision in prior years	(23)	—
Deferred income tax:		
– Over – provision in prior years	—	(23)
	78	2

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Company and is reconciled as follows:

	2006	2005
	HK$'000	HK$'000
Profit before tax	53,862	49,525
Calculated at a taxation rate of 17.5% (2005: 17.5%)	9,426	8,667
Over provision for previous years	(23)	(23)
Income not subject to taxation	(16,182)	(14,548)
Expenses not deductible for taxation purpose	3,232	1,221
Addition of unrecognised tax losses	3,625	4,685
Taxation charge	78	2

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders of HK$7,564,000 is dealt with in the financial statements of the Company (2005: loss of HK$3,037,000).

12 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$53,986,000 (2005: HK$50,511,000) and the weighted average of 400,633,217 (2005: 400,633,217) ordinary shares in issue during the year.

13 DIVIDENDS

	2006	2005
	HK$'000	HK$'000
Interim, paid, of 14.9 HK cents (2005: 2.5 HK cents) per ordinary share	59,850	10,016
Final, proposed of 5 HK cents (2005: 5 HK cents) per ordinary share	20,032	20,032
	79,882	30,048

On 10 May 2006, the Board resolved to declare and pay to the shareholders an interim dividend of approximately HK$0.2087 per share, which was satisfied wholly by a distribution in specie of Winbox International (Holdings) Limited ("Winbox") shares held by the Company representing 38% of the issued share capital of Winbox immediately prior to its listing. The value of approximately HK$0.2087 per share has been determined by dividing the projected total market value of the Winbox shares to be held by the Company by the aggregate number of total issued shares of the Company. About 38 Winbox shares were distributed for every 100 shares held by the shareholders whose names appeared on the register of members of the Company as at 29 May 2006. Since Winbox had been an associated company of the Group which was carried at book value, the dividend in specie based on the share of net asset value of Winbox was about HK$0.149 per share.

The final dividend has been proposed by the directors subject to the approval by the shareholders in the forthcoming annual general meeting.

14 PROPERTY, PLANT AND EQUIPMENT

	Group				
	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005					
Cost	42,214	4,919	3,092	2,774	52,999
Accumulated depreciation/impairment	(22,580)	(4,785)	(2,681)	(2,129)	(32,175)
Net book amount	19,634	134	411	645	20,824
Year ended 31 December 2005					
Opening net book amount	19,634	134	411	645	20,824
Effect of adopting proportionate consolidation of a joint venture	—	319	873	—	1,192
Additions	—	—	154	871	1,025
Disposals	(18,294)	(60)	(25)	(330)	(18,709)
Depreciation	(452)	(302)	(456)	(305)	(1,515)
Exchange differences	—	1	—	—	1
Closing net book amount	888	92	957	881	2,818
At 31 December 2005					
Cost	923	3,423	6,324	3,095	13,765
Accumulated depreciation/impairment	(35)	(3,331)	(5,367)	(2,214)	(10,947)
Net book amount	888	92	957	881	2,818
Year ended 31 December 2006					
Opening net book amount	888	92	957	881	2,818
Additions	—	108	426	1,870	2,404
Disposals	—	—	(96)	—	(96)
Transfers *(Note 15)*	(888)	—	—	—	(888)
Depreciation	—	(84)	(380)	(391)	(855)
Exchange differences	—	—	7	—	7
Closing net book amount	—	116	914	2,360	3,390
At 31 December 2006					
Cost	—	3,517	6,599	4,698	14,814
Accumulated depreciation/impairment	—	(3,401)	(5,685)	(2,338)	(11,424)
Net book amount	—	116	914	2,360	3,390

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company		
	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2005			
Cost	107	1,432	1,539
Accumulated depreciation	(54)	(840)	(894)
Net book amount	53	592	645
Year ended 31 December 2005			
Opening net book amount	53	592	645
Additions	27	871	898
Disposals	—	(330)	(330)
Depreciation	(27)	(252)	(279)
Closing net book amount	53	881	934
At 31 December 2005			
Cost	134	1,754	1,888
Accumulated depreciation	(81)	(873)	(954)
Net book amount	53	881	934
Year ended 31 December 2006			
Opening net book amount	53	881	934
Additions	60	1,601	1,661
Disposals	—	—	—
Depreciation	(28)	(369)	(397)
Closing net book amount	85	2,113	2,198
At 31 December 2006			
Cost	194	3,355	3,549
Accumulated depreciation	(109)	(1,242)	(1,351)
Net book amount	85	2,113	2,198

15 INVESTMENT PROPERTY – GROUP

	2006	2005
	HK$'000	HK$'000
Beginning of the year	10,000	4,500
Fair value gains	722	5,500
Transfers *(Note 14)*	888	—
Disposal	(10,000)	—
End of the year	1,610	10,000

In 2005, the investment property was revalued by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited on the basis of market value.

In 2006, valuation was carried out internally by reference to similar properties by the management.

The Group's interests in investment property at their net book values are analysed as follows:

	2006	2005
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	—	10,000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	1,610	—

Direct operating expense of HK$18,000 (2005: HK$33,000) was included in the general and administrative expenses.

16 LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

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

	2006	2005
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	328,766	336,884
Non-current portion	328,766	336,884
Opening net book amount	336,884	63,000
Additions	—	280,500
Amortisation of prepaid operating lease payment	(8,118)	(4,727)
Disposals	—	(29,600)
Write back of provision for impairment	—	27,711
Closing net book amount	328,766	336,884
At 31 December		
Cost	370,633	370,633
Accumulated impairment	(15,018)	(15,018)
Accumulated depreciation	(26,849)	(18,731)
Net book amount	328,766	336,884

The leasehold land and land use rights were last valued on 31 December 2006 by independent valuers. Valuation was made on the basis of market value by a member of Hong Kong Institute of Surveyors employed by the Group.

17 PROPERTIES FOR DEVELOPMENT/SALE – GROUP

	Properties for development	Properties for sale	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2005			
Cost or valuation	14,436	24,870	39,306
Accumulated impairment	(14,372)	(24,870)	(39,242)
Net book amount	64	—	64
Year ended 31 December 2005			
Opening net book amount	64	—	64
Additions	16,616	—	16,616
Disposals	(14,313)	—	(14,313)
Write back of provision for impairment	14,033	3,400	17,433
Closing net book amount	16,400	3,400	19,800
At 31 December 2005			
Cost or valuation	23,400	24,870	48,270
Accumulated impairment	(7,000)	(21,470)	(28,470)
Net book amount	16,400	3,400	19,800
Year ended 31 December 2006			
Opening net book amount	16,400	3,400	19,800
Additions	—	—	—
Provision for impairment	—	—	—
Closing net book amount	16,400	3,400	19,800
At 31 December 2006			
Cost or valuation	23,400	24,870	48,270
Accumulated impairment	(7,000)	(21,470)	(28,470)
Net book amount	16,400	3,400	19,800
Current portion	—	—	—
Non-current portion	16,400	3,400	19,800

17 PROPERTIES FOR DEVELOPMENT/SALE (Continued)

The Group's properties for development/sale were revalued at 31 December 2006 by Savills Valuation and Professional Services Limited.

18 INTANGIBLE ASSETS – GROUP

	2006	2005
	HK$'000	HK$'000
Trading rights on The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited, at nominal costs	1	1

19 INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares at cost	1,214,284	1,214,284
Amounts due from subsidiaries *(Note 26)*	804,792	753,400
Amounts due to subsidiaries *(Note 34)*	(1,482,486)	(1,396,891)
	(677,694)	(643,491)

Amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

19 INVESTMENTS IN SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2006:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held Direct %	Interest held Indirect %
Access Way Investment Limited	Hong Kong, limited liability company	Property development	2 ordinary shares of HK$1 each	—	100
Active Way International Limited	Hong Kong, limited liability company	Property development	2 ordinary shares of HK$1 each	—	100
Capital Guru Group Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary shares of US$1 each	—	100
Cash Level Investments Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100
Cheung Wah Ho Dyestuffs Company Limited	Hong Kong, limited liability company	Trading of dyestuffs	10 ordinary shares of HK$100 each 8,001 Non-Voting deferred shares of HK$100 each *(Note (a))*	—	70
Elite Way International Development Limited	Hong Kong, limited liability company	Property development	1,000,000 ordinary shares of HK$1 each	—	75

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held Direct %	Interest held Indirect %
Fair Winner Ltd	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100
Full Success Investments Limited	Hong Kong, limited liability company	Property holding	2 ordinary shares of HK$1 each	—	100
Goodwill Investment (BVI) Limited	British Virgin Islands, limited liability company	Investment holding	100 ordinary shares of US$1 each	100	—
Goodwill Properties (Holdings) Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100
Goodwill Properties Limited	Hong Kong, limited liability company	Investment holding	2 ordinary shares of HK$1 each	—	100
NAPA Global Limited	Hong Kong, limited liability company	Sourcing and distribution of digital consumer products	20,000,000 ordinary shares of HK$1 each	—	100
Oceanpass Holdings Limited	British Virgin Islands, limited liability company	Property development	1,000 ordinary shares of US$1 each	—	75

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held Direct %	Interest held Indirect %
Paper Rich Investment Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100
Profit Union Investments Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100
Right Max Development Limited	Hong Kong, limited liability company	Property development	1,000,000 ordinary shares of HK$1 each	—	75
Right Way Holdings Limited	Hong Kong, limited liability company	Property development	10 ordinary shares of HK$1 each	—	70
Sinojet Properties Limited	British Virgin Islands, limited liability company	Property development	1 ordinary share of US$1 each	—	100
Winslow Investment Management Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	—	100

Note:

(a) The non-voting deferred shares are not owned by the Group. These non-voting deferred shares carry no voting rights and holders are not entitled to participate in the profits of the Company.

19 INVESTMENTS IN SUBSIDIARIES (Continued)

The Company's principal subsidiaries listed above principally operate in Hong Kong. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of all other subsidiaries of the Company would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding as at 31 December 2006, or at any time during the year.

20 INTERESTS IN ASSOCIATES – GROUP

	2006	2005
	HK$'000	HK$'000
Beginning of the year	76,019	105,570
Share of associates' results	2,675	6,029
Effect of adoption of proportionate consolidation of a joint venture	—	(47,304)
Dividend received	—	(7,600)
Distribution in specie	(59,850)	—
Investments in an associate	4,564	19,446
Impairment loss on goodwill	(411)	—
Disposal of associates	(2,166)	—
Exchange difference	1,750	(122)
	22,581	76,019
Loans to associates	4,383	3,877
Loans from an associate	—	(1,063)
	4,383	2,814

The loans to associates are unsecured, interest free and have no fixed terms of repayment.

20 INTERESTS IN ASSOCIATES – GROUP (Continued)

The Group's interest in its principal associates, all of which are unlisted, were as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit/ (loss) HK$'000	% Interest held
2005							
Boxmore Limited *(Note a)*	2,807,972 Ordinary shares of US$1 each	British Virgin Islands	69,700	12,415	61,042	9,114	38
Right Venture Holdings Limited	449 Ordinary shares of US$1 each	British Virgin Islands	4,561	4,315	944	(122)	36
SBI E2-Capital Asia Holdings Pte. Ltd. *(Note b)*	4,164,000 Ordinary shares of SG$1 each	Singapore	20,865	4,590	235	(3,049)	69.4
City Greenite Co. Limited	5,000 Ordinary shares of HK$1 each	Hong Kong	5	—	—	—	50
SBI E2-Capital (HK) Limited	2,401,000 Ordinary shares of HK$1 each	Hong Kong	2,335	127	279	86	24
			97,466	21,447	62,500	6,029	

20 INTERESTS IN ASSOCIATES – GROUP (Continued)

Name	Particulars of issued shares held	Country of incorporation	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit/(loss) HK$'000	% Interest held
2006							
Boxmore Limited *(Note a)*	—	British Virgin Islands	—	—	20,781	2,566	—
Right Venture Holdings Limited	449 Ordinary shares of US$1 each	British Virgin Islands	3,146	3,146	797	(247)	36
SBI E2-Capital Asia Holdings Pte. Ltd. *(Note b)*	4,164,000 Ordinary shares of SG$1 each	Singapore	34,282	12,514	13,904	429	69.4
City Greenite Co. Limited	5,000 Ordinary shares of HK$1 each	Hong Kong	5	—	—	—	50
SBI E2-Capital (HK) Limited *(Note c)*	—	Hong Kong	—	—	505	(43)	—
Draco Investments Limited	24 Ordinary shares of HK$1 each	Hong Kong	911	103	1,079	(30)	24
			38,344	15,763	37,066	2,675	

Notes:

(a) Boxmore Limited has a financial accounting period of 31 March which is not coterminous with the Group. The Group's interest in Boxmore was distributed to the shareholders by way of dividend in specie in May 2006 and Boxmore ceased to be an associated company of the Group thereafter.

(b) The Group holds a 69.4% effective interest in SBI E2-Capital Asia Holdings Pte. Ltd, 40% of which was held directly by the Group whereas the remaining 29.4% was held indirectly through a 49% owned joint venture, SBI E2-Capital Limited and the investment was accounted for as an associate.

(c) SBI E2-Capital (HK) Limited ceased to be an associated company of the Group in December 2006 and the Group's share of its loss was up to November 2006.

21 INTEREST IN JOINT VENTURE – GROUP

On 1 January 2005, a contractual agreement was signed between the shareholders of SBI E2-Capital Limited ("SBI E2"), a former associated company of the Group, and SBI E2 became a 49% owned joint venture afterwards. SBI E2 is incorporated in Cayman Islands and is engaged in the provision of corporate finance services, securities and futures broking and margin financing. The Group adopted the proportionate consolidation method under HKAS 31 to account for its interest in SBI E2. The following amounts represent the Group's 49% share of the assets and liabilities, and sales and results of SBI E2 and are included in the consolidated balance sheet and income statement:

The Group's share of the results of SBI E2 which are included in the financial statements are as follows:

	2006	2005
	HK$'000	HK$'000
Assets		
Non-current assets	13,266	14,865
Current assets	95,404	83,683
	108,670	98,548
Liabilities		
Non-current liabilities	28	28
Current liabilities	51,182	45,811
	51,210	45,839
Net assets	57,460	52,709
Income	46,339	22,938
Expenses	(38,325)	(19,864)
Profit after income tax	8,014	3,074

Corporate guarantees were given to financial institutions for working capital facilities of SBI E2. None of these facilities were utilised by SBI E2 (Note 37).

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2006	2005
	HK$'000	HK$'000
Beginning of the year	50,854	—
Effect of adopting HKAS 39	—	53,189
Additions	18,584	—
Disposals	—	(2,335)
Fair value gain	3,816	—
End of the year	73,254	50,854
Less: non-current portion	(73,254)	(36,854)
Current portion	—	14,000

There were no impairment provisions on available-for-sale financial assets in 2006.

Available-for-sale financial assets include the following:

	2006	2005
	HK$'000	HK$'000
Unlisted securities		
– Debt securities – Hong Kong with fixed interest of 6% and maturity date of 2 February 2009	13,377	14,000
– Debt securities – Hong Kong with fixed interest of 5% and maturity date of 28 August 2008	4,728	5,000
– Debt securities – Hong Kong, non-interest bearing and with no fixed term of repayment	4,166	—
– Debt securities – overseas, non-interest bearing and with no fixed term of repayment	3,889	—
– Debt securities – Overseas with fixed interest of 8% and no fixed term of repayment	7,841	—
– Equity securities – Hong Kong	555	—
– Equity securities – Overseas	38,698	31,854
	73,254	50,854

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP (Continued)

Available-for-sale financial assets are denominated in the following currencies:

	2006	2005
	HK$'000	HK$'000
HK dollar	18,105	19,000
US dollar	55,149	31,854
	73,254	50,854

The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities (2006: 7.75%; 2005: 8%)

The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available for sale.

None of the financial assets are either past due or impaired.

At 31 December 2006, there is no significant concentration of interests which exceeded 10% of total assets of the Company and the Group.

23 MORTGAGE LOANS RECEIVABLE – GROUP

The mortgage loans receivable are as follows:

	2006	2005
	HK$'000	HK$'000
Due within one year	239	1,802
Due after one year	12,027	22,393
	12,266	24,195
Less: Provision for impairment of receivables	(1,350)	(1,500)
	10,916	22,695

The mortgage loans receivable are secured by sub-mortgages of second ranking on certain residential properties in Hong Kong and bear interest at Prime + 1% p.a..

The carrying value of the mortgage loans receivable approximates the fair values and is based on cash flows discounted using the effective interest rate of Prime + 1% p.a. (2005: Prime + 1% p.a.).

24 OTHER NON-CURRENT ASSETS

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Statutory and other deposits relating to the securities dealing businesses	2,385	2,066	—	—
Chinese antiques	2,017	2,017	2,017	2,017
Other deposits	125	125	—	—
	4,527	4,208	2,017	2,017

The statutory and other deposits relating to the securities dealing businesses were non-interest bearing.

25 INVENTORIES – GROUP

	2006	2005
	HK$'000	HK$'000
Finished goods	6,115	6,429

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$32,415,000 (2005: HK$14,643,000).

26 TRADE AND OTHER RECEIVABLES

The carrying amount of trade and other receivables are as follows:

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	7,269	7,841	—	—
Accounts receivable arising from the ordinary course of business of dealing in securities	43,573	51,924	—	—
Due from subsidiaries	—	—	804,792	753,400
Loan receivables	7,778	—	—	—
Other receivables, prepayments and deposits	27,630	22,966	1,582	8,246
	86,250	82,731	806,374	761,646

The carrying amount of trade and other receivables approximate fair value.

26 TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 61-90 days for trade debtors. As at 31 December 2006 and 31 December 2005, the ageing analysis of the trade receivables were as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0-60 days	3,703	3,130
61-90 days	578	1,048
Over 90 days	2,988	3,663
	7,269	7,841

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

27 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2006	2005
	HK$'000	HK$'000
Equity securities		
– Listed in Hong Kong	24,599	21,336
– Listed outside Hong Kong	16,360	10,040
Market value of listed securities	40,959	31,376
Unlisted equity securities	35,979	69,008
Unlisted debt securities	4,338	—
End of year	81,276	100,384
Less: non-current portion	(511)	—
	80,765	100,384

27 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

(Continued)

The carrying amount of the above financial assets are classified as follows:

	2006	2005
	HK$'000	HK$'000
Designated as fair value through profit or loss on initial recognition	81,276	100,384

Other financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (Note 36).

Changes in fair values of other financial assets at fair value through profit or loss are recorded in investment gains/(losses) in the income statement (Note 8).

28 BANK DEPOSITS UNDER CONDITIONS

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Other bank deposits (Note a)	63,425	57,988	63,425	57,988

Note:

(a) Pursuant to a letter of undertaking given by the Company to a bank, the Company covenanted to maintain deposits of not less than SGD12,500,000 (2005: SGD12,500,000) with a bank as one of the conditions precedent to a bank guarantee in favour of the Monetary Authority of Singapore on behalf of SBI E2-Capital Asia Securities Pte. Ltd. a subsidiary of SBI E2-Capital Ltd., which is 69.4% indirectly owned by the Company.

29 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and in hand	67,519	24,699	14,145	8,931
Short-term bank deposits	83,271	71,615	75,187	60,559
	150,790	96,314	89,332	69,490

The effective interest rate on short-term bank deposits was 7.5% (2005: 7.6%); these deposits have an average maturity of 7 days.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
HKD	106,453	59,903	71,008	38,630
RMB	401	475	384	440
USD	26,096	29,559	16,023	24,359
SGD	16,874	5,472	1,109	5,248
AUD	21	37	—	—
MOP	122	55	—	—
JPY	808	813	808	813
GBP	13	—	—	—
EUR	2	—	—	—
	150,790	96,314	89,332	69,490

30 SHARE CAPITAL

	No. of shares	Nominal value HK$'000
Authorised:		
At 31 December 2005 and 31 December 2006	750,000,000	750,000

	No. of shares	Nominal value HK$'000
Issued and fully paid:		
At 31 December 2005 and 31 December 2006	400,633,217	400,633

	2006 HK$'000	2005 HK$'000
Shown in the financial statements as	400,633	400,633

Share option scheme

No share option scheme has been adopted since the expiration of the previous share option scheme on 14 December 2002.

31 OTHER RESERVES

(a) Group

	Contributed surplus	Other reserve	Revaluation reserve	Exchange reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005	82,445	3,369	—	(270)	85,544
Fair value gains on available-for-sale financial assets	—	—	5,622	—	5,622
Currency translation difference	—	—	—	(711)	(711)
At 31 December 2005	**82,445**	**3,369**	**5,622**	**(981)**	**90,455**
At 1 January 2006, as per above	82,445	3,369	5,622	(981)	90,455
Fair value gains on available-for-sale financial assets	—	—	3,816	—	3,816
Currency translation difference	—	—	—	3,435	3,435
At 31 December 2006	**82,445**	**3,369**	**9,438**	**2,454**	**97,706**

31 OTHER RESERVES (Continued)

(b) Company

	Contributed surplus	Other reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005	—	2,184	338,735	340,919
Loss for the year	—	—	(3,037)	(3,037)
Dividend	—	—	(30,048)	(30,048)
At 31 December 2005	**—**	**2,184**	**305,650**	**307,834**
At 1 January 2006	—	2,184	305,650	307,834
Profit for the year	—	—	7,564	7,564
Dividend	—	—	(20,032)	(20,032)
At 31 December 2006	**—**	**2,184**	**293,182**	**295,366**

32 BORROWINGS

The carrying amounts of the borrowings are as follows:

	2006 HK$'000	2005 HK$'000
Non-current		
Bank loans (secured)	172,440	172,440
Other loan (secured)	1,049	1,298
	173,489	173,738
Current		
Bank loans (secured)	1,018	1,102
Other loan (secured)	55	77
	1,073	1,179
Total borrowings	174,562	174,917

Bank loans are secured by the leasehold land and land use rights and properties for development/sale of the Group of HK$328,766,000 and HK$19,800,000 respectively (2005: HK$336,884,000 and HK$19,800,000). Other loan is secured by mortgage loans receivable of HK$1,425,000 (2005: HK$1,811,000).

No interest is capitalised to properties for development by the Group during the year.

32 BORROWINGS (Continued)

The Group's bank loans and other loan are repayable as follows:

	Bank loans		Other loan	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	1,018	1,102	55	77
In the second year	172,440	172,440	55	77
In the third to fifth year	—	—	165	231
After the fifth year	—	—	829	990
	173,458	173,542	1,104	1,375

The effective interest rate as at 31 December 2006 for bank loans repayable within one year is Prime + 0.5% p.a. (2005: Prime + 0.5% p.a.). The effective interest rate for bank loans repayable in the second year is HIBOR + 0.82% p.a..

Other loan is repayable by instalments from 1 January 2002 to 30 November 2018. Interest is charged on the outstanding balance at Prime + 1.5% p.a. (2005: Prime + 1.5% p.a.).

The carrying amounts of borrowings approximate their fair value.

The carrying amounts of borrowings are denominated in the following currency:

	2006	2005
	HK$'000	HK$'000
Hong Kong dollar	174,562	174,917

32 BORROWINGS (Continued)

The company and its subsidiaries have the following undrawn borrowing facilities:

	2006	2005
	HK$'000	HK$'000
Floating rate		
– expiring within one year	4,982	4,898
– expiring beyond one year	94,000	55,000
	98,982	59,898

The facilities expiring within one year are annual facilities subject to review at various dates during 2007.

33 DEFERRED INCOME TAXATION

	2006	2005
	HK$'000	HK$'000
Beginning of the year	28	—
Effect of adopting proportionate consolidation of a joint venture	—	51
Recognised in the income statement *(Note 10)*	—	(23)
End of the year	28	28

At 31 December 2006, the Group has estimated unused tax losses of HK$445,914,000 (2005: HK$425,200,000) available for set off against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Such losses can be carried forward indefinitely.

No deferred tax liability has been provided in respect of the accelerated tax depreciation of the Group's properties, plant and equipment as the amount involved is immaterial and also the Company and its operating subsidiaries have substantial accumulated tax losses which are available for set off against such deferred tax liability.

34 TRADE AND OTHER PAYABLES

The carrying amount of trade and other payables are as follows:

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	2,478	2,524	—	—
Accounts payable arising from the ordinary course of business of dealing in securities	26,668	38,202	—	—
Due to subsidiaries	—	—	1,482,486	1,396,891
Other accounts payables and accruals	39,706	19,561	2,261	2,564
	68,852	60,287	1,484,747	1,399,455

The carrying amount of trade and other payables approximate fair value.

At 31 December, the ageing analysis of trade payables for the Group was as follows:

	2006	2005
	HK$'000	HK$'000
0-60 days	1,449	1,639
61-90 days	223	276
Over 90 days	806	609
	2,478	2,524

35 LOANS FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The loans from a minority shareholder of a subsidiary are unsecured and non-interest bearing. The carrying amounts of loans from minority shareholder of a subsidiary appromixate the fair values.

36 CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations:

	2006	2005
	HK$'000	HK$'000
Profit for the year	53,784	49,523
Adjustments for:		
– Interest income	(9,850)	(6,294)
– Interest expenses	11,073	2,179
– Exchange difference	1,675	(662)
– Tax *(Note 10)*	78	2
– Share of profits of associates *(Note 20)*	(2,675)	(6,029)
– Depreciation *(Note 14)*	855	1,515
– Amortisation *(Note 16)*	8,118	4,727
– Dividend income from associated companies *(Note 20)*	—	7,600
– Write back of provision for impairment of leasehold land and land use rights *(Note 16)*	—	(27,711)
– Write back of provision for impairment of properties for development/sale *(Note 17)*	—	(17,433)
– Write back of provision for impairment loss on mortgage loan receivable	(150)	—
– Unrealised loss on other financial assets at fair value through profit or loss (net)	(9,646)	436
– Fair value gains on investment property *(Note 15)*	(722)	(5,500)
– Gain on disposal of property, plant and equipment	(2,056)	(28,616)
– Impairment loss on investment deposit	5,000	—
– Impairment loss on goodwill	411	—
– Provision for loans receivables	105	3,795
– Loss on partial disposal of a joint venture's subsidiary	—	734
– Loss on disposal of an associated company	2,166	—
– Excess of fair value of net assets acquired over the cost of acquisition of a joint venture's subsidiary	(780)	—
Changes in working capital:		
– Inventories	314	1,405
– Trade and other receivables	(8,299)	13,060
– Loans to associates	(506)	—
– Trade and other payables	7,039	5,604
– Loans from associates	(1,063)	—
– Loans from a joint venture	311	—
Cash generated from/(used in) operations	55,182	(1,665)

36 CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year:

	Share capital and other reserve		Bank loans and other loan		Minority interests	
	2006	2005	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	404,002	404,002	214,623	29,787	1,135	1,126
New loans raised	—	—	—	185,950	—	—
Minority interests in share of losses	—	—	—	—	(202)	(988)
Increase in minority interests upon incorporation /disposal of subsidiaries	—	—	—	—	—	997
Repayment during the year	—	—	(2,858)	(1,114)	—	—
At 31 December	404,002	404,002	211,765	214,623	933	1,135

36 CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of a joint venture's subsidiary:

	2006
	HK$'000
The Group's interest of net assets acquired:	
Other non-current assets	13
Trade and other receivables	325
Cash and cash equivalents	1,968
Trade and other payables	(1,526)
	780
Consideration	—
Excess of fair value of net assets acquired over the cost	780
Analysis of the net inflow in respect of the acquisition of a joint venture's subsidiary:	
Cash consideration	—
Cash and cash equivalents acquired	1,968
	1,968

37 CONTINGENT LIABILITIES

(a) Corporate guarantees were given to financial institutions for working capital facilities of an associated company and a jointly controlled entity in addition to collateral provided by these companies. The aggregate amount of such facilities utilised by these companies, together with the corporate guarantees given by the Company to its subsidiary companies, at 31 December 2006 were as follows:

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Guarantees given to banks for loans to:				
Subsidiary companies	—	—	136,396	136,480
Associates	131,831	120,779	131,831	120,779
Jointly controlled entity	—	5,000	—	5,000
Third party	—	—	—	—
	131,831	125,779	268,227	262,259

(b) For the purpose of the banking facilities of the SBI E2-Capital Group, the Company provided a guarantee to a bank limited to HK$143 million.

38 OPERATING LEASE COMMITMENTS

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 31 December 2006, the Company and its subsidiaries had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2006 Land and buildings	2005 Land and buildings
	HK$'000	HK$'000
Not later than one year	444	155
Later than one year and not later than five years	61	—
	505	155

The Company did not have any other commitments at 31 December 2006 (2005: Nil).

39 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2006, the Company and its subsidiaries had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year	60	348
Later than one year and not later than five years	139	58
	199	406

40 RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

(i) Sales of services

	2006	2005
	HK$'000	HK$'000
Management fees received (net) *(Note (a))*	940	73
Service fees paid *(Note (b))*	—	84
Management fees received *(Note (c))*	—	2
Financial advisory fees paid *(Note (d))*	—	30
Advisory fees paid *(Note (e))*	293	1,652

Notes:

(a) The Group and SBI E2-Capital Group in which the Group has a 49% interest as at 31 December 2006 performed certain administrative services for each other. Management fees were calculated on pre-agreed terms.

(b) The Group paid service fees to Softbank Investment International (Strategic) Ltd ("Softbank") for IT support and maintenance services on pre-agreed terms.

(c) The Group performed certain administrative services for SBI E2-Capital (HK) Ltd in which the Group had a 24% interest as at 31 December 2005. Management fees were calculated on pre-agreed terms.

(d) The Group paid financial advisory fees to SBI Crosby Ltd, a 50% jointly controlled entity of SBI E2-Capital Group, for financial advisory services provided at agreed rates in accordance with the agreements entered into between the Group and SBI Crosby Ltd.

(e) The Group paid advisory fees to SBI E2-Capital Asia Securities Pte Ltd in which the Group has a 69.4% effective interest as at 31 December 2006. Advisory fees were calculated on pre-agreed terms.

(ii) Key management compensation

	2006	2005
	HK$'000	HK$'000
Salaries and other short-term employee benefits	22,583	6,146

40 RELATED PARTY TRANSACTIONS (Continued)

(iii) Year end balances receivables from related parties

	2006	2005
	HK$'000	HK$'000
Associated companies (net) *(Note (a))*	4,383	2,814
Related company with common director *(Note (b))*	7,221	7,019
Related party *(Note (c))*	36,598	36,598

Notes:

(a) The balances are unsecured, interest-free and have no fixed terms of repayment.

(b) The balances are unsecured and repayable on demand. Except for a loan of HK$3.8 million which bears interest at Hong Kong Dollar Prime Rate plus 1.5% per annum, the remaining balances are interest free.

(c) On 29 July 2005, Oceanpass Holdings Limited, a subsidiary of the Company which is incorporated with limited liability in the British Virgin Islands, entered into an Agreement with Apex Strategy Limited, a company wholly owned by Mr. Yu Kam Kee Lawrence in respect of the subscription of a 25% equity interest by Apex Strategy Limited in Oceanpass for the consideration of US$250 together with the provision of a non interest bearing unsecured shareholder's loan from Apex Strategy Limited in the sum of HK$36.6 million and the assumption of the liabilities by Mr. Yu and/or Apex Strategy Limited in respect of the banking facilities granted to Oceanpass group in the amount of HK$36.6 million.

On 20 June 2006, Goodwill Investment (BVI) Limited, a wholly owned subsidiary of the Company, entered into a Sale and Purchase Agreement with ebizal (Holdings) Limited, a wholly owned subsidiary of Softbank Investment International (Strategic) Limited which one of the Executive Directors of the Company namely Dato' Wong Sin Just is an Executive Director and Vice Chairman, regarding the purchase of 24% interest in Draco Investments Limited for a consideration of about HK$1.25 million. The subscription was completed in June 2006.

As of 31 December 2006, the Group had investments in Softbank Investment International (Strategic) Ltd, a shareholder of a jointly controlled entity of the Group, which were included in other financial assets at fair value through profit or loss of HK$13,477,000 and available-for-sale financial assets of HK$18,105,000.

41 SUBSEQUENT EVENTS

In line with our corporate strategy to transform the Company into an integrated investment firm and to allocate our resources in a more efficient and rewarding manner, the management has decided to wind down the business of sourcing and distribution of digital consumer products in 2007.