NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The consolidated accounts of Softbank Investment International (Strategic) Limited (the "Company") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale investments, and financial assets at fair value through profit or loss.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in Note 3.

(a) Standards, amendments and interpretations effective in 2006

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but did not result in substantial changes to the Group's accounting policies:

— HKAS 19 (Amendment) – Employee Benefits

— HKAS 21 (Amendment) – New Investment in a Foreign Operation

— HKAS 39 (Amendment) – The Fair Value Option;

— HKAS 39 and HKIFRS 4 (Amendment) – Financial Guarantee Contracts;

— HK(IFRIC)-Int 4, Determining whether an Arrangement contains a Lease

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

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

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 that the Group has not early adopted:

HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures. The Group will apply HKFRS 7 from 1 January 2007, but it is not expected to have any impact on the Group's accounts.

— HK(IFRIC)-Int 8, Scope of IFRS/HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated accounts; and

— HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's accounts.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries and jointly controlled entities 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.

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. 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 profit and loss account (note 1.7).

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 impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Consolidation (continued)

(b) Transactions and 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 profit and loss account. 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) Associated companies

Associated companies 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 associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 1.7).

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit and loss account, 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 associated company equals or exceeds its interest in the associated company, including any other unsecured receivables which are provided as shareholder's loans or advances, 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 associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Consolidation (continued)

(d) Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's accounts. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entities that result from the Group's purchase of assets from the jointly controlled entities 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 impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

1.3 Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these accounts.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, available-for-sale investment securities, trading and non-trading securities, inventories, receivables, operating cash and other current assets. Segment liabilities comprise operating liabilities, and exclude items such as taxation payable and corporate borrowings. Inter-segment current accounts employed by the Group for capital allocation purposes are excluded from segment assets and liabilities; the associated interest on these balances are also excluded from segment revenue and results. Capital expenditure comprises additions to intangible assets and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries. Capital expenditure is allocated based on where the assets are located.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Segment reporting (continued)

In respect of geographical segment reporting, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts 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 accounts 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 profit and loss account.

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 investment revaluation reserve in equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 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 profit and loss account 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 are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account 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.

1.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

— Buildings	2.5% - 5.0%
— Leasehold improvements	20% - 33$^{1}/_{3}$%
— Plant and machinery	10% - 15%
— Furniture, fittings and equipment	10% - 20%
— Computer equipment	20% - 30%
— Motor vehicles	20% - 25%

The 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 1.8).

1.6 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 properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value assessed by professional valuers on the basis of open market value.

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 profit and loss account during the financial period in which they are incurred.

Any changes in fair value are reported directly in the profit and loss account. Deferred income tax is provided on revaluation surpluses of investment properties in accordance with HKAS-Int 21 ("Income Taxes – Recovery of Revalued Non-Depreciable Assets") on HKAS 12 "Income Taxes".

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Investment properties (continued)

If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of premises under HKAS 16 "Property, Plant and Equipment". However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

1.7 Intangible assets

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 / associated company / 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 associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

1.8 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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).

1.9 Investments

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 investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Investments (continued)

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

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

Financial assets so designated are recognised initially at fair value, and are subsequently remeasured at fair value. The fair value is determined by reference to the quoted bid price. Gains and losses from changes in fair value of such assets are recognised in the profit and loss account as they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in other receivables in the balance sheet which are carried at amortised cost using the effective interest method (note 1.11).

(c) Available-for-sale investments

Available-for-sale investments 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 twelve months of the balance sheet date. Available-for-sale investments are initially measured at cost (which include transaction costs). After initial recognition, the available-for-sale investments are subsequently re-measured at fair value. The fair value is determined by reference to the methods below (listed in order of preference):

— the published quoted price when the financial instrument is quoted in an active market.

— the price used in recent transactions of similar financial instruments with adjustment when the market conditions have changed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Investments (continued)

(c) Available-for-sale investments (continued)

— valuation techniques, including cash flow models.

— if fair value cannot be measured reliably, equity investments are recognised at cost less impairment.

Gains and losses arising from changes in the fair value of available-for-sale investments are recognised as they arise in investment revaluation reserves in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the profit and loss account as gains and losses arising from investment securities.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments 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.

Interest earned while holding investment securities is reported as interest income. Dividends received or receivable are included separately in dividend income.

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

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Inventories

(i) Stocks of garment products

Stock of garment products comprise stocks in trade and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises purchase cost of stocks in trade, materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(ii) Other inventories

Other inventories comprise stocks in trade, raw materials and work in progress, and are stated at the lower of cost and net realisable value. Cost, calculated on a first-in first-out basis, comprises purchase cost of stocks in trade, materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1.11 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 impairment losses An impairment loss 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 receivables. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the profit and loss account.

1.12 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.

1.13 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the equity reserve until either the note is converted or redeemed.

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

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

1.15 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 accounts. However, if the deferred income tax 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, it is not accounted for. 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.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Deferred income tax (continued)

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 utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, 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.

1.16 Employee benefits

(a) Short term employee benefits and contributions to defined contribution retirement schemes

(i) Salaries, annual bonuses and annual leave entitlements, are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, accruals are made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

(ii) Contributions to the defined contribution retirement scheme ("ORSO Schemes") and the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred. The assets of these schemes are held in separately administered funds. Under these schemes, both the Group and its eligible employees are respectively required to contribute 5% each of the employees' basic monthly salary which is capped at HK$1,000 per month. Forfeited contributions in relation to those employees who leave the ORSO Schemes prior to the full vesting of their contributions are used to reduce the existing level of contributions.

The Group also participates in the employee pension schemes of the respective municipal government in various places in PRC where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly payroll costs to these Schemes and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The Group's contributions to these PRC contribution schemes are expensed as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.16 Employee benefits (continued)

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of share options granted to employees is recognised as staff cost with a corresponding increase in the share option reserve. The fair value is measured at grant date using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is expensed over the vesting period, taking into account the probability that the options will vest.

At each balance sheet date, the Group revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to share option reserve over the remaining vesting period. If a grantee exercise share options, the respective amount in the share option reserve is transferred to share capital and share premium, together with the exercise price. If the share options lapse unexercised, the related share option reserve is transferred directly to retained earnings to reflect that the share options are no longer outstanding.

(c) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without a realistic possibility of withdrawal.

1.17 Provisions and contingent liabilities

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

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

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

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Revenue recognition

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

All transactions related to dealing in securities, derivatives financial instruments and futures and options contracts, and handling fee and commission income arising from these transactions are based on trade dates. Accordingly, only those transactions whose trade dates fall within the accounting period have been taken into account.

Proceeds from disposal of securities are recognised when a sale and purchase contract is entered into.

Corporate finance and advisory fee, management fee and other service income are recognised when the service is rendered, the income can be reliably estimated and it is probable that the revenue will be received.

Rental income is recognised on a straight-line basis over the lease term net of any incentive payments.

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

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 either as cash is collected or on a cost-recovery basis as conditions warrant.

1.19 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 profit and loss account on a straight-line basis over the period of the lease. The Group's interests in leasehold land and land use rights are also accounted as operating leases.

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest 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) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, and unlisted convertible debts under available-for-sale investment securities.

The Group has no significant concentrations of credit risk in respect of its trade receivables. It has policies in place to ensure that the sale of products, and provision of services and the provision of securities and futures brokerages are made to customers with an appropriate credit history.

In respect of the Group's loan receivables and unlisted convertible debts, the Group may obtain collaterals and guarantees where appropriate. The Group evaluates its receivables and advances for impairment on an ongoing basis. An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. During the year under review, an impairment loss of HK$1,560,000 was recognised in the profit and loss account in respect of its loan receivable (note 6).

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Given the diversification nature of the Group's underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient reserves of cash and readily realisable marketable securities and committed credit lines available.

(c) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and borrowings. Interest bearing financial assets are mainly comprise balances with banks which are all short term in nature, and debt securities which are repayable within 2 to 5 years.

NOTES TO THE ACCOUNTS

2. FINANCIAL RISK MANAGEMENT (continued)

2.1 Financial risk factors (continued)

(c) Cash flow and fair value interest rate risk (continued)

Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. At 31 December 2006, HK$68,630,000 (2005: HK$69,051,000) and HK$3,984,000 (2005: HK$3,846,000) of borrowings were at variable rates and fixed rates respectively.

(d) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk as a portion of its sales is denominated in currencies other than the functional currency of Hong Kong dollars. The currency giving rise to this risk is Renminbi ("RMB"). On 21 July 2005, the People's Bank of China announced reforms on the RMB exchange-rate formulating mechanism whereby the RMB to the US dollar pegging system was switched to one that referred to a basket of currencies. The appreciation of the RMB is expected to have a positive impact on the Group's turnover and net assets.

When seeking to optimise the returns on its funds available for investment, the Group may invest in non-Hong Kong dollars securities and foreign operations, which are exposed to foreign exchange risk. The Group's has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

In addition, the Group has borrowings from its former group companies. The borrowings are denominated in Japanese Yen, and the carrying amount of the borrowings at 31 December 2006 were HK$68,630,000 (2005: HK$69,051,000). The Group does not hedge the related foreign exchange risk as these borrowings do not have a fixed repayment term. Owing to this foreign exchange fluctuation, the Group recorded a HK$421,000 exchange gain in the profit and loss account for the year ended 31 December 2006 (2005: HK$10,510,000).

(ii) Price risk

The Group is exposed to equity and debt securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale investments and financial assets through profit or loss. The Group is not exposed to commodity price risk. The Group has a procedure to report the movements of securities price on a timely basis.

2. FINANCIAL RISK MANAGEMENT (continued)

2.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and 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 appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, certain unlisted securities) 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 are a reasonable approximation of their fair values.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its accounts. The accounting policies used in the preparation of the accounts are described in detail in “Note 1 to the Accounts”.

The estimates and assumptions that are deemed critical to the Group’s results and financial position, in terms of materiality, or which involve a high degree of judgement and estimation, are discussed below.

(a) Impairment of goodwill

The Group tests annually whether goodwill was suffered any impairment in accordance with the accounting policy stated in note 1.8.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of goodwill impairment for the year ended 31 December 2005 are set out in note 17 and note 19.

NOTES TO THE ACCOUNTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Impairment of available-for-sale investments

For available-for-sale equity investment securities, a significant or prolonged decline in fair value below cost is considered to be an objective evidence of impairment. This determination requires significant judgement. In making this judgement, the Group takes into account, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the expected time span the Group will hold on to this investment as well as the financial information and performance of the investee. Details of impairment of available-for-sale investments are set out in note 18.

(c) Impairment of trade and other receivables

The Group reviews its trade and other receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated profit and loss account, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows.

(d) Provision for liabilities

Determining provision is a possible obligation whose existence will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of the Group. The Group regularly and cautiously evaluates the potential clawback provision of fund performance fee in light of newly available information, and a provision is set up accordingly (note 29).

(e) Estimate of fair value of available-for-sale investment securities

For a number of available-for-sale investment securities, no quoted prices from an active market exist. The fair values for these available-for-sale investment securities are established by using valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of similar instruments and discounted cash flow analysis. The use of valuation techniques require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Investment in associated companies

The Group assesses annually if investments in associated companies have suffered any impairment in accordance with the accounting policy stated in note 1.8. The recoverable amount of the investment in one of the associated companies, CGC (Shanghai), is determined using discounted cash flows which require the use of estimated future cash flows, various assumptions and an appropriate discount rate. If future events do not correspond to such assumptions, the recoverable amount will need to be revised, and this may have an impact on the Group's results of operations or financial position.

NOTES TO THE ACCOUNTS

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

The Group and its jointly controlled entities are principally engaged in investment holding, financial services, the provision of media, consulting, marketing and technology services, garment manufacturing, and property holding. Turnover and other revenue recognised during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Turnover		
Sales of goods	**38,762**	30,100
Manufacturing processing services	**25,112**	23,398
Country club services	**5,845**	5,124
Brokerage commission from dealing in securities, equity options, futures and options contracts	**25,206**	13,643
Corporate finance, advisory and underwriting fee income	**7,274**	1,898
Commission from new issues and underwriting activities	**17,369**	6,480
Fund and other management fee income	**6,048**	6,254
Gross rental income from investment properties	**2,423**	2,139
Service income from provision of media, technology consulting and development services and related distribution income	**2,760**	20,088
Interest income derived from financial services	**3,339**	1,084
Dividend income from available-for-sale investment securities	**6,284**	2,197
	140,422	112,405
Other revenue		
Interest income	**2,388**	1,697
Other income	**12,770**	904
	15,158	2,601
Total revenues	**155,580**	115,006

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments

The Group is currently organised into five main business segments:

— Investment holding

— Financial services

— Media, consulting, marketing & technology services

— Garment manufacturing

— Property holding & others

Investment holding is one of the Group's segments, and accordingly the Group's investment securities and the corresponding income/expenses, were included in the segment assets and results, respectively.

NOTES TO THE ACCOUNTS

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Segment information about these businesses is presented below:

Profit And Loss Account

For the year ended 31 December 2006

	Investment holding HK$'000	Financial services HK$'000	Media, consulting, marketing & technology services HK$'000	Garment manufacturing HK$'000	Property holding & others HK$'000	Group total HK$'000
Turnover						
Segment turnover	4,156	59,172	2,822	64,209	7,933	138,292
Inter-segment	(4,092)	—	(62)	—	—	(4,154)
Total	64	59,172	2,760	64,209	7,933	134,138
Dividend income	6,284					6,284
						140,422
Segment results						
Segment total	(28,259)	15,031	908	1,430	5,347	(5,543)
Impairment losses of assets	(23,708)	—	—	—	—	(23,708)
Segment results	(51,967)	15,031	908	1,430	5,347	(29,251)
Dividend income	6,284					6,284
Unallocated income						2,686
Finance costs						(6,348)
Share of operating results of associated companies	50	(43)	(3,676)			(3,669)
Share of amortisation and impairment of intangible asset of an associated company	(51,000)					(51,000)
Share of results of associated companies	(50,950)	(43)	(3,676)			(54,669)
Loss before taxation						(81,298)
Taxation						(2,120)
Loss for the year						(83,418)
Attributable to:						
Shareholders of the Company						(83,006)
Minority interests						(412)
						(83,418)

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Balance Sheet

As at 31 December 2006

	Investment holding HK$'000	Financial services HK$'000	Media, consulting, marketing & technology services HK$'000	Garment manufacturing HK$'000	Property holding & others HK$'000	Group total HK$'000
ASSETS						
Segment assets	131,896	125,779	24,593	56,932	97,789	436,989
Interests in associated companies	10,065	—	14,764	—	—	24,829
Group total						461,818
LIABILITIES						
Segment liabilities	22,046	62,059	(22)	17,601	22,147	123,831
Unallocated liabilities	—	—	—	—	—	88,633
Group total						212,464

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Other information

For the year ended 31 December 2006

	Investment holding	Financial services	Media, consulting, marketing & technology services	Garment manufacturing	Property holding & others	Group total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Capital expenditure	47	360	—	1,936	117	2,460
Depreciation	220	686	64	2,059	784	3,813
Amortisation of prepaid operating lease payment	—	—	—	83	264	347
Impairment of available-for-sale investment securities recognised in profit and loss account	22,148	—	—	—	—	22,148
Impairment of loan receivable	1,560	—	—	—	—	1,560
Gain on revaluation of investment properties recognised in profit and loss account	—	—	—	—	5,460	5,460

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Profit And Loss Account

For the year ended 31 December 2005

	Investment holding HK$'000	Financial services HK$'000	Media, consulting, marketing & technology services HK$'000	Garment manufacturing HK$'000	Property holding & others HK$'000	Group total HK$'000
Turnover						
Segment turnover	4,482	29,064	20,156	53,679	7,086	114,467
Inter-segment	(4,192)	—	(67)	—	—	(4,259)
Total	290	29,064	20,089	53,679	7,086	110,208
Dividend income	2,197					2,197
						112,405
Segment results						
Segment total	(31,578)	2,643	1,475	1,206	3,230	(23,024)
Provision for clawback of fund performance fee income	—	(8,915)	—	—	—	(8,915)
Impairment losses of assets	(33,178)	(3,842)	—	—	—	(37,020)
Segment results	(64,756)	(10,114)	1,475	1,206	3,230	(68,959)
Dividend income	2,197					2,197
Unallocated income						12,142
Finance costs						(4,241)
Share of results of associated companies		87	(33,662)			(33,575)
Loss before taxation						(92,436)
Taxation						(802)
Loss for the year						(93,238)
Attributable to:						
Shareholders of the Company						(93,594)
Minority interests						356
						(93,238)

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Balance Sheet

As at 31 December 2005

	Investment holding	Financial services	Media, consulting, marketing & technology services	Garment manufacturing	Property holding & others	Group total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS						
Segment assets	135,112	102,922	28,842	47,546	86,114	400,536
Interests in associated companies	—	2,208	7,957	—	—	10,165
Group total						410,701
LIABILITIES						
Segment liabilities	17,670	43,750	1,814	10,465	16,713	90,412
Unallocated liabilities	—	—	—	—	—	99,141
Group total						189,553

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

Other information

For the year ended 31 December 2005

	Investment holding	Financial services	Media, consulting, marketing & technology services	Garment manufacturing	Property holding & others	Group total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Capital expenditure	45	1,354	1,330	526	16	3,271
Depreciation	728	706	460	2,117	1,172	5,183
Amortisation of prepaid operating lease payment	—	—	—	80	255	335
Impairment of available-for-sale investment securities recognised in profit and loss account	25,672	—	—	—	—	25,672
Impairment of goodwill	—	3,842	27,842	—	—	31,684
Impairment of loan receivable	7,506	—	—	—	—	7,506
Gain on revaluation of investment properties recognised in profit and loss account	—	—	—	—	3,580	3,580

NOTES TO THE ACCOUNTS

4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (continued)

Geographical segments

The Group's business segments are mainly managed and operated in the following geographical areas:

— Hong Kong

— Mainland China

— Other countries

Geographical segmental information is presented below:

For the year ended 31 December 2006

	Hong Kong	Mainland China	Other countries	Group total
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**59,202**	**70,054**	**11,166**	**140,422**
Other revenue	**2,721**	**11,501**	**936**	**15,158**
External revenue	**61,923**	**81,555**	**12,102**	**155,580**
Segment assets	**293,362**	**136,159**	**32,297**	**461,818**
Capital expenditure incurred during the year	**380**	**2,052**	**28**	**2,460**

For the year ended 31 December 2005

	Hong Kong	Mainland China	Other countries	Group total
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	42,688	59,124	10,593	112,405
Other revenue	2,526	75	—	2,601
External revenue	45,214	59,199	10,593	115,006
Segment assets	284,048	109,136	17,517	410,701
Capital expenditure incurred during the year	2,688	583	—	3,271

5. LOSS BEFORE TAXATION

Loss before taxation is stated after crediting and charging the following:

	2006	2005
	HK$'000	HK$'000
Crediting:		
Write back of impairment of doubtful debts and loan receivables	**14**	509
Net exchange gain	**1,812**	11,814
Gain on disposal of available-for-sale investment securities	**—**	277
Net realised and unrealised gain on financial assets at fair value through profit or loss	**—**	814
Gain on disposal of investment properties	**—**	3
Gain on disposal of associated companies	**397**	—
Dividend income from available-for-sale investment securities		
- Listed investments	**6,284**	2,197
Charging:		
Loss on disposal of property, plant and equipment	**14**	8
Outgoings in respect of investment properties	**768**	473
Auditors' remuneration	**3,169**	2,756
Staff costs (including directors' emoluments)		
- Retirement benefit costs (note b)	**2,045**	2,019
- Share option expenses	**9,609**	2,150
- Salaries, wages and other benefits	**44,616**	38,740
	56,270	42,909
Operating lease rentals in respect of land and buildings	**4,235**	4,091
Loss on partial disposal of a jointly controlled entity's subsidiary	**—**	734
Loss on partial disposal of a jointly controlled entity (note a)	**—**	3,244
Loss on disposal of available-for-sale investment securities	**1,910**	—
Amortisation of prepaid operating lease payment	**347**	335
Depreciation of owned property, plant and equipment	**3,813**	5,183
Cost of goods sold	**61,193**	54,858
Impairment of doubtful debts and other receivables	**245**	1,442
Net realised and unrealised loss on financial assets at fair value through profit or loss	**1,271**	—

NOTES TO THE ACCOUNTS

5. LOSS BEFORE TAXATION (continued)

Notes:

(a) In July 2005, the Group partially disposed 1,666 shares in iMediaHouse Asia Limited ("IMHA") (representing approximately 7.86% equity interest in IMHA) to the other venturer. The Group's interest in IMHA was reduced further to 39.32% from 47.18% and the Group recognised a loss of HK$3,244,000 in the profit and loss account for the year ended 31 December 2005. The Group reports its investment in IMHA in the consolidated accounts as interests in an associated company by using the equity method (note 17), following the partial disposal.

(b) The retirement benefit costs charged to the profit and loss represent gross contributions payable by the Group of HK$2,045,000 (2005:HK$2,019,000). As at 31 December 2006 and 2005, there were no forfeited voluntary contributions available to reduce the contributions payable by the Group in the future.

6. IMPAIRMENT LOSSES OF ASSETS

	2006	2005
	HK$'000	HK$'000
In respect of:		
Loans receivable (note 2.1(a))	**1,560**	7,506
Goodwill (note 19)	**—**	3,842
Available-for-sale investment securities (note 18)	**22,148**	25,672
	23,708	37,020

7. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**1,016**	293
Interest on client accounts and other loans wholly repayable within five years	**1,890**	619
Interest on loans from a former intermediate holding company and a former fellow subsidiary wholly repayable within five years (note 28)	**1,665**	1,824
Interest on Guaranteed Convertible Notes due within 5 years (note 25)	**1,777**	1,505
	6,348	4,241

8. TAXATION

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

The amount of taxation charged to the consolidated profit and loss account represents:

	2006	2005
	HK$'000	HK$'000
Current taxation		
Hong Kong profits tax	**101**	519
PRC taxation	**356**	315
Overprovision in prior period	**(104)**	(32)
Deferred taxation (note 30)	**1,767**	—
	2,120	802

Reconciliation between income tax expense and accounting loss at applicable tax rates

	2006	2005
	HK$'000	HK$'000
Loss before taxation	**(81,298)**	(92,436)
Tax credit at the domestic income tax rate of 17.5% (2005:17.5%)	**(14,227)**	(16,176)
Tax effect of unused tax losses not recognised	**5,614**	5,904
Tax effect of utilisation of tax losses not previously recognised	**(2,288)**	(209)
Tax effect of non-taxable revenue	**(7,053)**	(5,860)
Tax effect of non-deductible expenses	**18,286**	17,074
Effect of different tax rates of subsidiaries operating in other jurisdictions	**125**	101
Change in deferred tax	**1,767**	—
Overprovision in prior periods	**(104)**	(32)
Tax charge	**2,120**	802

NOTES TO THE ACCOUNTS

9. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

Directors' emoluments are analysed as follows:

	2006 HK$'000	2005 HK$'000
Fees	**400**	400
Salaries and other allowances	**8,314**	10,569
Bonus	**455**	303
Pensions	**48**	48
	9,217	11,320
Employee share-based compensation benefits (note)	**8,106**	—
	17,323	11,320

Fees to Independent Non-executive Directors amounted to HK$400,000 (2005: HK$400,000) for the year.

NOTES TO THE ACCOUNTS

9. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

(a) Directors' emoluments (continued)

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

Name of Director	Fees	Salary	Discretionary bonus	Other benefits	Employer's contribution to pension scheme	Employee share-based compensation benefits (note)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yu Kam Kee, Lawrence	—	2,880	—	62	12	1,113	4,067
Wong Sin Just	—	2,880	—	55	12	1,113	4,060
Wong Kean Li	—	1,597	330	—	12	1,113	3,052
Yu Chung Hang, Lucian	—	600	125	—	12	1,278	2,015
Fu Yan	—	240	—	—	—	2,600	2,840
Yu Kam Yuen, Lincoln	100	—	—	—	—	556	656
Lo Wing Yan, William	100	—	—	—	—	111	211
Chan Kai Yu, Rudy	100	—	—	—	—	111	211
Raja Datuk Karib Shah bin Shahrudin	100	—	—	—	—	111	211

Note:

During the year ended 31 December 2006, 244,400,000 share options were granted to the Directors under the share option scheme adopted at the annual general meeting of the Company on 30 October 2001 and no share option has been exercised by any of the Directors. Employee share-based compensation benefits represent fair value of share options issued (note 1.16(b)).

NOTES TO THE ACCOUNTS

9. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

(a) Directors' emoluments (continued)

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

Name of Director	Fees	Salary	Discretionary bonus	Other benefits	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yu Kam Kee, Lawrence	—	3,600	—	62	12	3,674
Wong Sin Just	—	3,600	—	55	12	3,667
Wong Kean Li	—	1,452	303	—	12	1,767
Wang Ruiping (resigned on 1 January 2006)	—	1,800	—	—	12	1,812
Yu Kam Yuen, Lincoln	100	—	—	—	—	100
Lo Wing Yan, William	100	—	—	—	—	100
Chan Kai Yu, Rudy	100	—	—	—	—	100
Raja Datuk Karib Shah bin Shahrudin	100	—	—	—	—	100

During the year ended 31 December 2005, no share option was granted to the Directors under the share option scheme adopted at the annual general meeting of the Company on 30 October 2001 and no share option has been exercised by any of the Directors.

9. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

(b) Employees' emoluments

The five highest paid individuals included five Directors (2005: four), details of whose emoluments are included in the amounts disclosed in (a) above. For the year ended 31 December 2005, the emoluments of the remaining one highest paid individual are as follows:

	2005
	HK$'000
Salaries and other allowances	720
Bonus	70
Pensions	12
	802

The employees' emoluments fell within the following bands:

Emoluments band	**Number of employees**
	2005
HK$ Nil - HK$1,000,000	1

10. DIVIDEND

The Directors have resolved not to pay any dividend in respect of the year ended 31 December 2006 (2005: Nil).

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders dealt with in the accounts of the Company is HK$134,516,000 (2005: HK$44,408,000).

12. LOSS PER SHARE

Basic loss per share was calculated based on the loss attributable to shareholders of HK$83,006,000 (2005: HK$93,594,000) and the weighted average number of 4,731,924,479 (2005: 4,303,598,120) ordinary shares in issue during the year.

The diluted loss per share for the year was not shown as the effect of the assumed conversion of the Group's outstanding convertible notes and the exercise of the share options granted by the Company would be regarded as anti-dilutive.

NOTES TO THE ACCOUNTS

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Building	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At 1 January 2005 (restated)	65,179	2,233	34,989	15,818	2,901	6,046	127,166
Proportionate consolidation of a jointly controlled entity	—	780	—	1,740	1,389	—	3,909
Additions	—	521	281	123	2,101	245	3,271
Disposals	—	—	(1,099)	(70)	(77)	(281)	(1,527)
Reclassification of a jointly controlled entity as an associated company	—	(28)	—	(266)	(2,348)	—	(2,642)
Exchange adjustments	1,232	—	621	248	(4)	81	2,178
At 31 December 2005	66,411	3,506	34,792	17,593	3,962	6,091	132,355
Accumulated depreciation:							
At 1 January 2005 (restated)	19,297	1,598	31,096	13,647	1,145	3,511	70,294
Proportionate consolidation of a jointly controlled entity	—	461	—	1,283	973	—	2,717
Charge for the year	1,934	843	601	818	626	361	5,183
Disposals	—	—	(1,089)	(66)	(76)	(253)	(1,484)
Reclassification of a jointly controlled entity as an associated company	—	(7)	—	(176)	(279)	—	(462)
Exchange adjustments	351	—	493	215	—	66	1,125
At 31 December 2005	21,582	2,895	31,101	15,721	2,389	3,685	77,373
Net book value:							
At 31 December 2005	44,829	611	3,691	1,872	1,573	2,406	54,982

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Building	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At 1 January 2006	66,411	3,506	34,792	17,593	3,962	6,091	132,355
Additions	—	31	1,242	130	364	693	2,460
Disposals	—	—	(269)	(382)	(6)	—	(657)
Disposal of subsidiaries	—	(244)	—	(444)	(1,013)	—	(1,701)
Reclassified to investment properties	(375)	—	—	—	—	—	(375)
Revaluation (note 27)	235	—	—	—	—	—	235
Exchange adjustments	2,339	47	1,151	474	70	152	4,233
At 31 December 2006	68,610	3,340	36,916	17,371	3,377	6,936	136,550
Accumulated depreciation:							
At 1 January 2006	21,582	2,895	31,101	15,721	2,389	3,685	77,373
Charge for the year	2,002	169	534	290	492	326	3,813
Disposals	—	—	(228)	(378)	(2)	—	(608)
Disposal of subsidiaries	—	(178)	—	(368)	(569)	—	(1,115)
Reclassified to investment properties	(36)	—	—	—	—	—	(36)
Exchange adjustments	736	9	935	427	17	126	2,250
At 31 December 2006	24,284	2,895	32,342	15,692	2,327	4,137	81,677
Net book value:							
At 31 December 2006	44,326	445	4,574	1,679	1,050	2,799	54,873

At 31 December 2006, certain buildings with a total net book value of HK$5,176,000 (2005: HK$5,108,000) of the Group were pledged to secure banking facilities granted to the Group (note 28).

NOTES TO THE ACCOUNTS

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
Cost:					
At 1 January 2005	1,491	1,532	799	347	4,169
Additions	—	8	37	—	45
Disposals	—	(60)	(68)	—	(128)
At 31 December 2005	1,491	1,480	768	347	4,086
Accumulated depreciation:					
At 1 January 2005	994	1,315	660	72	3,041
Charge for the year	497	73	65	87	722
Disposals	—	(58)	(68)	—	(126)
At 31 December 2005	1,491	1,330	657	159	3,637
Net book value:					
At 31 December 2005	—	150	111	188	449
Cost:					
At 1 January 2006	**1,491**	**1,480**	**768**	**347**	**4,086**
Additions	**—**	**—**	**47**	**—**	**47**
Disposals	**—**	**(383)**	**—**	**—**	**(383)**
At 31 December 2006	**1,491**	**1,097**	**815**	**347**	**3,750**
Accumulated depreciation:					
At 1 January 2006	**1,491**	**1,330**	**657**	**159**	**3,637**
Charge for the year	**—**	**61**	**69**	**87**	**217**
Disposals	**—**	**(378)**	**—**	**—**	**(378)**
At 31 December 2006	**1,491**	**1,013**	**726**	**246**	**3,476**
Net book value:					
At 31 December 2006	**—**	**84**	**89**	**101**	**274**

NOTES TO THE ACCOUNTS

14. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 January	**40,320**	37,880
Disposals	**—**	(1,140)
Reclassification from other property and leasehold land	**450**	—
Fair value gains	**5,460**	3,580
At 31 December	**46,230**	40,320

The investment properties were revalued at 31 December 2006 by Colliers International (Hong Kong) Limited, independent professional qualified valuer. Valuations were based on current prices in an active market.

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

	Group	
	2006	2005
	HK$'000	HK$'000
Held in Hong Kong on:		
Leases between 10 to 50 years	**46,230**	40,320

NOTES TO THE ACCOUNTS

15. LEASEHOLD LAND AND LAND USE RIGHTS

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

	Group	
	2006	2005
	HK$'000	HK$'000
Held in Hong Kong on:		
Leases between 10 to 50 years	**—**	114
Held outside Hong Kong on:		
Leases between 10 to 50 years	**11,198**	11,143
	11,198	11,257

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 January	**11,257**	11,376
Amortisation of prepaid operating lease payment	**(347)**	(335)
Reclassified to investment properties	**(111)**	—
Exchange adjustment	**399**	216
At 31 December	**11,198**	11,257

At 31 December 2006, certain leasehold land and land use rights with a total net book value of HK$257,000 (2005: HK$255,000) of the Group were pledged to secure banking facilities granted to the Group (note 28).

16. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**82,398**	82,398
Amounts due from subsidiaries	**630,708**	546,730
Amounts due to subsidiaries	**(39,044)**	(36,592)
	674,062	592,536
Less: Impairment		
- Unlisted shares, at cost	**(75,522)**	(75,522)
- Amounts due from subsidiaries	**(422,810)**	(320,292)
	175,730	196,722

Amounts due from subsidiaries are unsecured, interest free and repayable on demand other than amount of HK$44,716,000 (2005: HK$40,736,000) which bears interest ranging from 4% to 8% (2005: 3.75% to 8%) per annum.

As at 31 December 2006 and 31 December 2005, amounts due to subsidiaries are unsecured, interest free and repayable on demand.

Details of principal subsidiaries are set out in note 35.

NOTES TO THE ACCOUNTS

17. INTERESTS IN ASSOCIATED COMPANIES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**—**	—	**—**	22,425
Impairment losses	**—**	—	**—**	(13,673)
Share of net assets	**22,116**	14,065	**—**	—
Goodwill (note b)	**6,598**	—	**—**	—
Amounts due from an associated company	**15**	—	**—**	—
Amounts due to an associated company (note a)	**(3,900)**	(3,900)	**—**	—
	24,829	10,165	**—**	8,752

Note a: The balance of HK$3,900,000 represents the Group's subscription payable in respect of its equity investment in an associated company.

17. INTERESTS IN ASSOCIATED COMPANIES (continued)

Note b: The movement in goodwill is as follows:

	Group 2006 HK$'000	2005 HK$'000
Cost		
At 1 January	**27,842**	19,533
Elimination of accumulated amortisation under HKFRS 3	**—**	(2,205)
Addition	**6,598**	—
Disposal	**—**	(2,882)
Adjustment of purchase consideration	**—**	(3,900)
Deconsolidation of IMHA (note 19 & 34(b))	**—**	17,296
At 31 December	**34,440**	27,842
Amortisation and impairment loss		
At 1 January	**27,842**	2,205
Elimination of accumulated amortisation under HKFRS 3	**—**	(2,205)
Impairment	**—**	27,842
At 31 December	**27,842**	27,842
Net book value		
At 31 December	**6,598**	—

In March 2006, the Group entered into an agreement to purchase 10% of the equity interest in China Gloria Consultants (Shanghai) Limited ("CGC (Shanghai)", formerly Noble World International Limited and thereafter China Gloria Consultants Limited) at a consideration of HK$15,000,000, to be satisfied by way of consideration shares issued by the Company (note 26a(i)). Subsequently in May 2006, the Group entered into a share subscription agreement whereby the Group agreed to subscribe for an additional 10% equity interest in CGC (Shanghai) at a cash consideration of HK$46,000,000.

NOTES TO THE ACCOUNTS

17. INTERESTS IN ASSOCIATED COMPANIES (continued)

CGC (Shanghai) is engaged in holding the right to earn consultancy and service fee income which equal to 1.5% of the gross lottery revenue in Shanghai as stipulated in the "Lottery Sales Agency Promotion and Strategic Cooperation Services Agreement" which is entered into between the Shanghai Welfare Lottery Issue Centre and China Gloria Investment & Management Co., Ltd ("CGIM"). The service period under this right shall be six years commencing on 1 September 2006. The fair value of the net assets of CGC (Shanghai) comprises primarily an intangible asset which gives the right to earn income under the legal contract. During the year under review, the Group incurred HK$50,950,000 as its share of the CGC (Shanghai) loss, mainly reflecting the amortisation and impairment charges in respect of its intangible right.

During the year ended 31 December 2005, the Group accounted for the losses of the associated companies of HK$33,575,000 which comprise a goodwill impairment of HK$27,842,000 and share of the net loss of HK$5,733,000. In 2005, the Group reviewed and examined the operations of the associated companies and identified that the estimated discounted net future cash flows from the associated companies are less than the carrying amount. Based on the reassessment, the Group is of the view that the goodwill arising on the acquisition of the associated companies is not recoverable and accordingly an impairment loss of HK$27,842,000 was recognised in the profit and loss account for the year ended 31 December 2005.

On 15 July 2005, the Group partially disposed 1,666 shares in IMHA (representing approximately 7.86% of equity interest in IMHA) to the other venturer. Following the disposal, the Group's equity interest in IMHA has reduced to 39.32% from 47.18%. The Group therefore reclassified IMHA as an associated company of the Company on 15 July 2005 and its results have since been equity accounted for in the consolidated accounts. Prior to 15 July 2005, IMHA was a jointly controlled entity of the Company and its results had been proportionately consolidated.

17. INTERESTS IN ASSOCIATED COMPANIES (continued)

Details of the principal associated companies at 31 December 2006 are as follows. To give details of all other associated companies of the Group would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation and operation	Percentage of equity held by Company	Percentage of equity held by Group	Principal activities
China Gloria Consultants (Shanghai) Limited*	British Virgin Islands	—	20%	Provision of consultancy service for lottery business
Intelligent Edge Technologies Berhad*#	Malaysia	—	24.60%	Provision of consultancy, design and development of business application software solutions
SIIS Investment (No. 6) Limited*	British Virgin Islands	—	40%	Investment holding
iMediaHouse Asia Limited*	Hong Kong	—	39.32%	Provision of advertising services

Note:

As at 31 December 2006, the carrying amount and fair value of investment in Intelligent Edge Technologies Berhad amounted to HK$8,094,000 and HK$7,159,000 respectively.

* Associated companies not audited by PricewaterhouseCoopers, Hong Kong

NOTES TO THE ACCOUNTS

17. INTERESTS IN ASSOCIATED COMPANIES (continued)

The summarised financial information based on the unaudited management accounts of the associated companies as at 31 December was as follows:

	Aggregated		Group's attributable interest	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets	**83,266**	63,530	**22,241**	21,022
Liabilities	**(509)**	(21,877)	**(125)**	(6,957)
	82,757	41,653	**22,116**	14,065
Revenue	**16,723**	16,955	**5,665**	5,324
Loss before taxation	**(264,734)**	(18,218)	**(54,667)**	(5,733)
Taxation	**(6)**	—	**(2)**	—
	(264,740)	(18,218)	**(54,669)**	(5,733)
Impairment of goodwill			**—**	(27,842)
Share of results of associated companies			**(54,669)**	(33,575)

18. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Debt securities – at fair value				
- Unlisted	**24,182**	23,880	**—**	—
Equity securities – at fair value				
- Listed in Hong Kong	**24,028**	29,378	**21,568**	21,998
- Listed outside Hong Kong	**—**	17,516	**—**	—
- Unlisted	**62,564**	44,943	**22,604**	20,592
Total	**110,774**	115,717	**44,172**	42,590
Current portion	**(61,904)**	(25,540)	**(22,604)**	—
Non-current portion	**48,870**	90,177	**21,568**	42,590
Market value of listed securities				
- Listed in Hong Kong	**24,028**	29,378	**21,568**	21,998
- Listed outside Hong Kong	**—**	17,516	**—**	—
	24,028	46,894	**21,568**	21,998

In accordance with the Group's accounting policies on investments in securities, the directors have reviewed the Group's individual investments at 31 December 2006 in order to determine if their fair value have been impaired. Following the review, the directors concluded that an impairment loss of HK$22,148,000 (2005: HK$25,672,000) should be made in the consolidated profit and loss account for the year ended 31 December 2006.

NOTES TO THE ACCOUNTS

19. GOODWILL

	Group 2006 HK$'000	2005 HK$'000
Cost		
At 1 January	**3,842**	40,301
Elimination of accumulated amortisation under HKFRS 3	**—**	(17,218)
Adjustment of purchase consideration	**—**	(1,945)
Deconsolidation of IMHA (note 17 & 34(b))	**—**	(17,296)
At 31 December	**3,842**	3,842
Amortisation and impairment loss		
At 1 January	**3,842**	17,218
Elimination of accumulated amortisation under HKFRS 3	**—**	(17,218)
Impairment (note 6)	**—**	3,842
At 31 December	**3,842**	3,842
Net book value		
At 31 December	**—**	—
At 1 January	—	23,083

In 2005, the Group reviewed the carrying value of its goodwill in respect of a subsidiary and identified that its recoverable amount is less than the carrying value. Accordingly, an impairment loss of HK$3,842,000 was recognised in the profit and loss account for the year ended 31 December 2005.

20. INVENTORIES

	Group 2006 HK$'000	2005 HK$'000
Raw materials	**2,378**	1,730
Work in progress	**7,589**	4,423
Finished goods	**676**	1,205
Stocks in trade	**—**	667
	10,643	8,025

21. TRADE RECEIVABLES

	Group 2006 HK$'000	2005 HK$'000
Trade receivables arising from the ordinary course of business of dealing in securities, options and futures contracts (note a)	**33,306**	39,781
Trade receivables from securities margin clients (note b)	**819**	453
Trade receivables arising from garment manufacturing (note c)	**17,385**	12,136
Trade receivables arising from media, consulting, marketing and technology services (note d)	**10**	2,134
Other trade debtors	**1,832**	735
	53,352	55,239

NOTES TO THE ACCOUNTS

21. TRADE RECEIVABLES (continued)

Notes:

(a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities are two days after trade date, whereas the settlement terms for those arising from the ordinary course of business of dealing in options and futures contracts are one day after trade date.

(b) Trade receivables from securities margin clients are secured by clients' pledged securities, and are payable on demand and bear interest at commercial rates.

(c) The credit terms of trade receivables arising from garment manufacturing range from 30 days to 180 days.

(d) The credit terms of trade receivables arising from media, consulting, marketing and technology services range from 30 days to 60 days.

(e) The aging analysis of the trade receivables balance is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one month	**45,008**	47,484
Over one month but not exceeding three months	**5,776**	4,792
Over three months but not exceeding six months	**1,987**	2,560
Over six months	**581**	403
	53,352	55,239

(f) The carrying amounts of trade receivables approximated their fair values.

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

22. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Other financial assets at fair value through profit or loss comprise primarily investments in Hong Kong listed equity securities.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short-term bank deposits (note)	**29,751**	35,618	**8,022**	20,250
Cash at bank and in hand	**67,087**	47,515	**4,585**	8,948
Cash and cash equivalents in the balance sheet	**96,838**	83,133	**12,607**	29,198

Note:

Short-term bank deposits earn interests at floating rates based on bank deposit rate.

24. TRADE PAYABLES

	Group	
	2006	2005
	HK$'000	HK$'000
Trade payables arising from the ordinary course of business of dealing in securities, options and futures contracts	**33,521**	41,512
Trade payables arising from garment manufacturing and operation of a country club	**11,556**	5,715
Trade payables arising from media, consulting, marketing and technology services	**—**	410
Other trade creditors	**5**	50
	45,082	47,687

NOTES TO THE ACCOUNTS

24. TRADE PAYABLES (continued)

The aging analysis of the trade payables balance is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one month	**38,356**	45,436
Over one month but not exceeding three months	**5,701**	1,705
Over three months but not exceeding six months	**721**	182
Over six months	**304**	364
	45,082	47,687

The carrying amounts of trade payables approximated their fair values.

25. GUARANTEED CONVERTIBLE NOTES

On 28 August 2002, SIIS Treasury Limited, a wholly-owned subsidiary of the Company, issued HK$156,400,000 5% guaranteed convertible notes due in August 2005 (the "2005 Notes"). The 2005 Notes bear a fixed interest of 5% per annum. The 2005 Notes carry a right to convert at any time from 28 August 2002 to 29 August 2005 (both dates inclusive) into ordinary shares of the Company at an initial conversion price of HK$0.31 per share which has been adjusted to HK$0.11 per share on the second anniversary date of 28 August 2004.

In August 2005, the Group entered into a supplemental agreement with the noteholder of 2005 Notes whereby the maturity date of the outstanding 2005 Notes has been extended from 29 August 2005 to 28 August 2008 (the "2008 Notes"). Save as the extension of the maturity date, all other terms and conditions remain unchanged. As at 31 December 2006, the outstanding principal amounts of the 2008 Notes were HK$5,000,000 (2005: HK$5,000,000). During the year, there was no conversion of the 2008 Notes (2005: Nil).

On 2 February 2004 and 13 February 2004, SIIS Treasury Limited issued HK$33,200,000 and HK$14,800,000 5% guaranteed convertible notes (collectively the "2006 Notes") which are due on 2 February 2006 and 13 February 2006 respectively. The 2006 Notes bear a fixed interest of 5% per annum and carry a right to convert at any time from the date of issue to their respective maturity dates at a conversion price of HK$0.10 per share.

25. GUARANTEED CONVERTIBLE NOTES (continued)

As at 31 December 2005, the outstanding principal amounts of the 2006 Notes were HK$15,000,000. On 2 February 2006, the Group entered into a new subscription agreement with a noteholder under which the Group agreed to the issuance of HK$14,000,000 6% guaranteed new convertible notes due on 2 February 2009 to the noteholder (the "2009 Notes") to replace the 2006 Notes in the principal amount of HK$14,000,000. The remaining 2006 Notes in the principal amount of HK$1,000,000 was fully redeemed on 13 February 2006. During the year, there was no conversion of the 2006 Notes and the 2009 Notes (2005: a principal amount of HK$2,300,000 of the 2006 Notes were converted into 23,000,000 new ordinary shares of the Company).

Pursuant to the terms of the above mentioned guaranteed convertible notes, the due and punctual discharge of all obligations of SIIS Treasury Limited under the guaranteed convertible notes will be unconditionally and irrevocably guaranteed by the Company.

The fair values of the liability component and the equity conversion component were determined at issuance of the convertible notes.

The fair value of the liability component, included in current and non-current liabilities, was calculated using a market interest rate for a similar non-convertible note. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible notes – equity component reserves (note 27).

The fair value of the liability component of the 2009 Notes and 2008 Notes at 31 December 2006 amounted to HK$12,787,000 and HK$4,677,000 respectively. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate 10.75% and 9.75% respectively. Interest expenses on the 2009 Notes and the 2008 Notes are calculated using the effective interest method by applying the effective interest rates of 10.75% and 9.75% to the liability component.

NOTES TO THE ACCOUNTS

26. SHARE CAPITAL

Authorised:

	Ordinary shares of HK$0.10 each	
	No. of shares	HK$'000
At 31 December 2006 and 31 December 2005	10,000,000,000	1,000,000

Issued and fully paid:

	2006		2005	
	No. of shares	**HK$'000**	No. of shares	HK$'000
At 1 January	**4,311,384,885**	**431,138**	4,253,834,038	425,383
Issue of shares (note a)	**650,000,000**	**65,000**	33,050,847	3,305
Exercise of options (note c)	**14,906,000**	**1,491**	1,500,000	150
Issue of shares upon conversion of convertible notes (note b)	**—**	**—**	23,000,000	2,300
At 31 December	**4,976,290,885**	**497,629**	4,311,384,885	431,138

Notes:

(a) (i) During the year ended 31 December 2006, the Company issued:

— 150,000,000 ordinary shares at HK$0.10 per share as consideration for the acquisition of 10% equity interest in CGC (Shanghai); and

— 500,000,000 ordinary shares at HK$0.10 per share for cash amounting to HK$50,000,000, of which HK$46,000,000 was used to acquire an additional 10% equity interest in CGC (Shanghai).

(ii) During the year ended 31 December 2005, the Company issued 33,050,847 ordinary shares at HK$0.118 each as partial consideration for the Group's equity investment in a former jointly controlled entity.

(b) During the year ended 31 December 2005, the convertible notes due 2006 with principal amounts of HK$2,300,000 were converted into 23,000,000 ordinary shares at a conversion price of HK$0.10 per share.

26. SHARE CAPITAL (continued)

(c) The Company operates a share option scheme under which options on the Company's shares are granted. During the year, an aggregate of 431,138,000 share options (2005: 24,000,000 share options) were granted under the scheme, 14,906,000 share options (2005: 1,500,000 share options) were exercised to subscribe for 14,906,000 ordinary shares (2005: 1,500,000 ordinary shares) of the Company and 4,500,000 share options were lapsed (2005: 4,376,000 share options). The total cash proceeds received by the Company was HK$1,490,600 (2005: HK$150,000). These shares rank pari passu with the existing shares. As at 31 December 2006, the number of the share options outstanding was as follows:

Exercise price per share	Date of grant	Exercisable period	Number of outstanding options 2006	2005
HK$				
0.28	21-02-2002	21-02-2002 to 20-02-2012	**83,604,000**	83,604,000
0.10	03-11-2003	03-11-2003 to 02-11-2013	**213,280,000**	219,386,000
0.12	26-01-2004	26-01-2004 to 25-01-2014	**5,000,000**	5,000,000
0.10	24-05-2004	24-05-2004 to 23-05-2014	**317,028,000**	330,328,000
0.10	29-03-2005	29-03-2005 to 28-03-2015	**24,000,000**	24,000,000
0.10	10-04-2006	10-04-2006 to 09-04-2016	**393,672,000**	—
0.104	28-04-2006	28-04-2006 to 27-04-2016	**37,466,000**	—
			1,074,050,000	662,318,000

Further details of the share options granted by the Company are disclosed under the paragraph "Options granted under the share option scheme" in the Report of Directors.

NOTES TO THE ACCOUNTS

27. RESERVES

Group

	Share premium	Capital redemption reserve	Investment revaluation reserve	Exchange translation reserve	Share option reserve	Convertible note-equity component	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2005 - as previously reported as equity	646,991	1,899	(23,083)	(6,534)	—	—	(805,764)	(186,491)
Expensing of share options	—	—	—	—	3,973	—	(3,973)	—
Effect of initial adoption of HKAS 39	—	—	(483)	—	—	1,169	—	686
Effect of initial adoption of HKAS 31	—	—	—	7	—	—	—	7
Balance at 1 January 2005 (restated)	646,991	1,899	(23,566)	(6,527)	3,973	1,169	(809,737)	(185,798)
Share issue expenses	(31)	—	—	—	—	—	—	(31)
Fair value gains(net) – available-for-sale investment securities	—	—	4,946	—	—	—	—	4,946
Investment revaluation reserve transferred to consolidated profit and loss account upon impairment	—	—	25,672	—	—	—	—	25,672
Investment revaluation reserve transferred to consolidated profit and loss account upon disposal	—	—	106	—	—	—	—	106
Released upon maturity of convertible notes	—	—	—	—	—	(391)	—	(391)
Extension of convertible notes	—	—	—	—	—	581	—	581
Loss for the year attributable to shareholders of the Company	—	—	—	—	—	—	(93,594)	(93,594)
Expensing of share options	—	—	—	—	4,038	—	—	4,038
Lapse of share options	—	—	—	—	(99)	—	99	—
Currency translation difference	—	—	—	653	—	—	—	653
Balance at 31 December 2005	646,960	1,899	7,158	(5,874)	7,912	1,359	(903,232)	(243,818)

27. RESERVES (continued)

Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Other properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange translation reserve HK$'000	Share option reserve HK$'000	Convertible note-equity component HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2006	646,960	1,899	–	7,158	(5,874)	7,912	1,359	(903,232)	(243,818)
Share issue expenses	(845)	–	–	–	–	–	–	–	(845)
Fair value gains – other properties	–	–	235	–	–	–	–	–	235
Fair value gains(net) – available-for-sale investment securities	–	–	–	4,219	–	–	–	–	4,219
Investment revaluation reserve transferred to consolidated profit and loss account upon impairment	–	–	–	22,148	–	–	–	–	22,148
Investment revaluation reserve transferred to consolidated profit and loss account upon disposal	–	–	–	1,910	–	–	–	–	1,910
Release of investment revaluation reserve upon reclassification of an available-for-sale investment security to an associated company	–	–	–	2,816	–	–	–	–	2,816
Released of investment revaluation reserve upon maturity of convertible notes issued by an investee	–	–	–	5	–	–	–	–	5
Released upon maturity of convertible notes	–	–	–	–	–	–	(779)	779	–
Extension of convertible notes	–	–	–	–	–	–	1,668	–	1,668
Loss for the year attributable to shareholders of the Company	–	–	–	–	–	–	–	(83,006)	(83,006)
Fair value of share option credited to share option reserve	–	–	–	–	–	12,077	–	–	12,077
Exercise of share options	207	–	–	–	–	(207)	–	–	–
Lapse of share options	–	–	–	–	–	(197)	–	197	–
Currency translation difference	–	–	–	–	2,109	–	–	–	2,109
Balance at 31 December 2006	646,322	1,899	235	38,256	(3,765)	19,585	2,248	(985,262)	(280,482)

27. RESERVES (continued)

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Convertible note-equity component HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2005							
- as previously reported							
as equity	646,991	1,899	(14,891)	—	—	(833,331)	(199,332)
Expensing of share options	—	—	—	3,973	—	(3,973)	—
Effect of initial adoption							
of HKAS 39	—	—	—	—	1,169	—	1,169
Balance at 1 January 2005							
(restated)	646,991	1,899	(14,891)	3,973	1,169	(837,304)	(198,163)
Share issue expenses	(31)	—	—	—	—	—	(31)
Fair value gains(net)							
– available-for-sale							
investment securities	—	—	(9,529)	—	—	—	(9,529)
Investment revaluation reserve							
transferred to profit and loss							
account upon impairment	—	—	12,286	—	—	—	12,286
Investment revaluation reserve							
transferred to profit and loss							
account upon disposal	—	—	101	—	—	—	101
Released upon maturity of							
convertible notes	—	—	—	—	(391)	—	(391)
Extension of convertible notes	—	—	—	—	581	—	581
Loss for the year	—	—	—	—	—	(44,408)	(44,408)
Expensing of share options	—	—	—	4,038	—	—	4,038
Lapse of share options	—	—	—	(99)	—	99	—
Balance at 31 December 2005	646,960	1,899	(12,033)	7,912	1,359	(881,613)	(235,516)

27. RESERVES (continued)

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Convertible note-equity component HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2006	646,960	1,899	(12,033)	7,912	1,359	(881,613)	(235,516)
Share issue expenses	(845)	—	—	—	—	—	(845)
Fair value loss (net) – available-for-sale investment securities	—	—	(7,170)	—	—	—	(7,170)
Investment revaluation reserve transferred to profit and loss account upon impairment	—	—	18,010	—	—	—	18,010
Released upon maturity of convertible notes	—	—	—	—	(779)	779	—
Extension of convertible notes	—	—	—	—	1,668	—	1,668
Loss for the year	—	—	—	—	—	(134,516)	(134,516)
Fair value of share option credited to share option reserve	—	—	—	12,077	—	—	12,077
Exercise of share options	207	—	—	(207)	—	—	—
Lapse of share options	—	—	—	(197)	—	197	—
Balance at 31 December 2006	646,322	1,899	(1,193)	19,585	2,248	(1,015,153)	(346,292)

NOTES TO THE ACCOUNTS

27. RESERVES (continued)

Nature and purpose of reserves

(a) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve are governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(b) Other properties revaluation reserve

The other properties revaluation reserve represents the difference between the carrying amount and the fair value of an item of premises at the time when such item becomes an investment property. The reserve is dealt with in accordance with the accounting policies set out in note 1.6.

(c) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments securities held at the balance sheet date and is dealt with in accordance with the accounting policies in note 1.9.

(d) Exchange translation reserve

The exchange translation reserve comprises all foreign exchange differences arising from the translation of accounts of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1.4(c).

(e) Share option reserve

Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments as set out in note 1.16(b).

(f) Convertible note-equity component

It represents the value of the unexercised equity component of convertible notes issued by the Group recognised in accordance with the accounting policy adopted for convertible notes in note 1.14.

28. BORROWINGS

	Group 2006 HK$'000	Group 2005 HK$'000	Company 2006 HK$'000	Company 2005 HK$'000
Non-Current				
- Loan from a former intermediate holding company (note a)	**9,860**	9,921	**9,860**	9,921
- Loan from a former fellow subsidiary (note b)	**58,770**	59,130	**58,770**	59,130
	68,630	69,051	**68,630**	69,051
Current				
- Secured bank loans (note c)	**3,984**	3,846	**—**	—
	72,614	72,897	**68,630**	69,051

The maturity of the borrowings is as follows:

	Group 2006 HK$'000	Group 2005 HK$'000	Company 2006 HK$'000	Company 2005 HK$'000
Within one year	**3,984**	3,846	**—**	—
Between two and five years	**68,630**	69,051	**68,630**	69,051
	72,614	72,897	**68,630**	69,051

Notes:

(a) The balance represents a loan due to a former intermediate holding company of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum and subordinated to the convertible notes (note 25).

(b) The balance represents a loan due to a former fellow subsidiary. The loan, denominated in Japanese Yen, is unsecured, interest bearing at the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum and subordinated to the convertible notes (note 25).

(c) Bank loans are secured by the leasehold land and land use rights and buildings of the Group of HK$5,433,000 (2005: HK$5,363,000). The effective interest rate as at 31 December 2006 for secured bank loans as at 31 December 2006 was 7.66% per annum.

(d) The carrying amounts of borrowings approximated their fair value.

NOTES TO THE ACCOUNTS

29. PROVISION FOR LIABILITIES

The amount represents a provision for clawback of fund performance fee income which was received by the Group in 2004. The Group received the income of approximately HK$8,915,000, which was calculated based on the net realised gain on disposal of investments by the fund, which is subject to a clawback provision. Under the clawback provision, the Group is required to restore the fund for any deficit amount that would have been occurred upon the termination of the fund in August 2007. The income was fully recognised by the Group for the year ended 31 December 2004 as the Group considered that the income was earned in recognition of the services performed and measured reliably with reference to the above net gain, and it is unlikely that the clawback provision will take place based on the then relevant circumstances.

For the preparation of 2005 accounts, the Group reassessed the estimates in light of the newly available information including the fund value and financial position of the fund as at 31 December 2005. Reflecting the results of a number of its key investments, coupled with the fund not proceeding with certain potential investments after considering their risks and return in 2005, the Group was of the view that it is unlikely for the fund to recoup its previous accumulated losses. In consequence, the Group made a full provision of HK$8,915,000 for the year ended 31 December 2005.

The Group is still of the view that it is unlikely for the fund to recoup its previous accumulated losses before the termination of the fund in August 2007, and as a result, as at 31 December 2006, the amount of HK$8,915,000 was included in the balance sheet as other payables under current liabilities.

30. DEFERRED INCOME TAX LIABILITIES

At 31 December 2006,

(a) Deferred income tax liabilities amounting to HK$1,767,000 (2005: nil) were provided in respect of the changes in fair value of investment properties; and

(b) The Group had estimated unused tax losses of HK$175,339,000 (31 December 2005: HK$141,550,000) 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 have no expiry date.

31. CONTINGENT LIABILITIES

In 2004, E2-Capital (Holdings) Limited ("E2-Capital"), a related party, has provided a guarantee to a bank for a maximum amount of HK$143,000,000 in relation to banking facilities granted by the bank to certain subsidiaries of SBI E2, a jointly controlled entity. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of HK$49,049,000, representing the Group's 34.3% shareholding in these companies as at the date of the banking facilities. As at 31 December 2006 and 31 December 2005, there was no utilisation of such banking facilities.

In August 2005, E2-Capital has provided a corporate guarantee to a bank for a maximum amount of S$25,000,000 (equivalent to approximately HK$126,850,000) plus any overdue interest and expense incurred by the bank in enforcing the corporate guarantee under a guarantee to be provided by the bank in favor of The Monetary Authority of Singapore ("MAS") for SBI E2-Capital Asia Securities Pte. Ltd. ("SECA Securities") to comply with regulatory requirement of the MAS. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of S$7,350,000 (equivalent to approximately HK$37,293,900), representing the Group's 29.4% shareholding in SECA Securities as at the date of the counter-indemnity, plus 29.4% of any interest and expenses actually incurred on or paid by E2-Capital in respect of the corporate guarantee. Subsequently in January 2007, such counter-indemnity has been replaced by a new counter-indemnity for a lower limit of approximately S$3,716,000 (equivalent to approximately HK$18,855,000).

32. COMMITMENTS

(a) Capital commitments

As at 31 December 2006, the Company and its subsidiaries had the capital commitments as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted but not provided for - in respect of subscription of new shares issued by an associated company	**70,000**	—	**—**	—
	70,000	—	**—**	—

NOTES TO THE ACCOUNTS

32. COMMITMENTS (continued)

(b) Operating leases commitments

(i) As a lessee

At 31 December 2006, the Company and its subsidiaries had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as a leasee as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**2,794**	3,267	**2,794**	2,794
Later than one year and not later than five years	**1,593**	3,424	**1,593**	3,187
	4,387	6,691	**4,387**	5,981

(ii) As a lessor

At 31 December 2006, the Company and its subsidiaries had contracted with tenants for the following future minimum lease receipts, which fall due:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**2,152**	1,929	**—**	—
Later than one year and not later than five years	**2,509**	1,180	**—**	—
	4,661	3,109	**—**	—

NOTES TO THE ACCOUNTS

33. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group undertook the following significant related party transactions in the normal course of business:

(a) Rental payments to a related party

	2006	2005
	HK$'000	HK$'000
Rental payments to Fung Choi Properties Limited ("Fung Choi") (note)	**1,594**	1,668

Note:

On 29 August 2002, the Company entered into a tenancy agreement with Fung Choi, whereby the Company agreed to lease from Fung Choi the premise as its headquarter office for a term of three years commencing from 1 January 2003 to 31 December 2005 at a monthly rental of HK$156,255. Fung Choi is a company with 60.4% interest owned indirectly by Mr Yu Kam Kee, Lawrence, an Executive Director of the Company, while the remaining 39.6% shareholdings are benefically owned equally by his two brothers, one of them is also a Non-executive Director of the Company, Mr Yu Kam Yuen, Lincoln.

In December 2005, the Company entered into a new tenancy agreement with Fung Choi to renew the existing tenancy agreement (except for the 2nd Floor of SBI Centre) for a term of three years commencing from 1 January 2006 to 31 December 2008 at a monthly rental of HK$132,804. During the year, the rental charged to consolidated profit and loss account amounted to HK$1,594,000 (2005: HK$1,668,000).

NOTES TO THE ACCOUNTS

33. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) (i) Convertible notes held by and interest payments to related parties (note 25)

	2006 HK$'000	2005 HK$'000
Carrying value of the convertible notes held by the subsidiaries of E2-Capital (note)		
- 2006 Notes	—	15,325
- 2008 Notes	4,677	4,567
- 2009 Notes	12,787	—

	2006 HK$'000	2005 HK$'000
Interest payments to the subsidiaries of E2-Capital	1,019	950

(ii) Investment in related parties

As at 31 December 2006, the Group had investment in E2-Capital which was included in available-for-sale investment securities at a carrying amount of HK$19,338,000 (2005: HK$19,565,000).

(iii) Provision of counter-indemnity to related parties

The Company has provided two counter indemnities to E2-Capital, the details of which are set out in note 31.

(iv) Disposal of an associated company to a related party

The Group entered into a sale and purchase agreement with a subsidiary of E2-Capital whereby the Group agreed to sell its 19.2% effective interest in Sun-Tech International Group Limited at a consideration of approximately HK$1,250,000. A capital gain of HK$397,000 was recognised by the Group in the profit and loss account for the year ended 31 December 2006.

Note:

E2-Capital is a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. An Executive Director of the Company, Dato' Wong Sin Just, is also an executive director and a substantial shareholder of E2-Capital.

33. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Amounts due from/(to) and interest payment to related parties

	2006 HK$'000	2005 HK$'000
Amount due from:		
- an associated company (note i)	**15**	—
Amount due to:		
- an associated company (note i)	**(3,900)**	(3,900)
- a jointly controlled entity (note ii)	**(14,676)**	(14,258)

Notes:

(i) The amounts due from/(to) an associated company are unsecured, interest free and have no fixed repayment terms.

(ii) The balances represent amounts due to SBI E2. Except for an amount of HK$5,307,000, which bears interest at prime rate plus 1.5% per annum and is repayable on demand, the remaining balance is interest free and has no fixed repayment terms.

(d) Key management compensation

	2006 HK$'000	2005 HK$'000
Salaries and other short term employee benefits (note 9)	**17,323**	11,320

NOTES TO THE ACCOUNTS

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a jointly controlled entity's subsidiary

	2006
	HK$'000
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 jointly controlled entity's subsidiary:	
Cash consideration	—
Cash and cash equivalent acquired	1,968
	1,968

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Partial disposal of a jointly controlled entity (note 5(a))

	2005
	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,180
Trade and other receivables	1,439
Amounts due from the Company	1,838
Cash and cash equivalents	2,542
Trade and other payables	(1,646)
Net identifiable assets	6,353
Attributable goodwill	17,296
Reclassified as interest in an associated company	(20,405)
Loss on disposal	3,244
Analysis of cash outflow in respect of the partial disposal of a jointly controlled entity:	
Cash and cash equivalents disposed of	(2,542)

NOTES TO THE ACCOUNTS

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of a jointly controlled entity's subsidiary

	2005
	HK$'000
Net assets disposed of:	
Other non-current assets	25
Trade and other receivables	1,546
Cash and cash equivalents	2,958
Trade and other payables	(133)
Tax payable	(67)
Net identifiable assets	4,329
Reclassified as interest in an associated company	(2,121)
Loss on disposal	(734)
Cash consideration	1,474
Analysis of net cash outflow in respect of the disposal of a jointly controlled entity's subsidiary:	
Cash consideration received	1,474
Cash and cash equivalents disposed of	(2,958)
	(1,484)

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of subsidiaries

	2006 HK$'000
Net assets disposed of:	
Property, plant and equipment	586
Inventories	444
Trade and other receivables	1,920
Cash and cash equivalents	1,620
Trade and other payables	(1,443)
Tax payable	(49)
Minority interests	(2,278)
Net identifiable assets	800
Reclassified as interest in an associated company	(800)
	—
Analysis of cash outflow in respect of the disposal of subsidiaries:	
Cash and cash equivalents disposed of	(1,620)

NOTES TO THE ACCOUNTS

35. PRINCIPAL SUBSIDIARIES

The following list contains particulars of subsidiaries of the Group which in the opinion of the directors, materially affect the results and assets of the Group. To give details of other subsidiaries would, in the opinion of directors, result in particulars of excessive length.

Name of company	Place of incorporation/ registration and operations (note c)	Issued/ registered share capital/ paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Cheung Wah Properties Limited	Hong Kong	HK$2	100%	—	Property investment
Dragon Lion Limited	Hong Kong	HK$2	100%	—	Investment holding
ebizal (Holdings) Limited	British Virgin Islands	US$1	100%	—	Investment holding
Ebizal Net-Trans Limited	Hong Kong	HK$2	—	100%	Provision of consulting services
Fine Score Investments Limited	Hong Kong	HK$2	100%	—	Property investment
Foshan Chande Knitting Enterprise Company, Limited#	PRC	Paid up capital US$7,100,000 (note a)	—	51%	Fabric dyeing, knitting and garment manufacturing
Gesway Investment Limited	Hong Kong	HK$2	100%	—	Investment holding
Layet Company, Limited	Hong Kong	Ordinary HK$1,000 Deferred HK$10,000 (note b)	100%	—	Property investment

35. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations (note c)	Issued/ registered share capital/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Maniway Properties Limited	Hong Kong	HK$2	100%	—	Property investment
Nicken Limited	Hong Kong	HK$2	100%	—	Property investment
Peach Garden Country Club (Foshan Nanhai) Co., Limited#	PRC	Paid up capital US$4,368,000 (note a)	—	57.89%	Country club operation
Rearden Limited	Hong Kong	HK$10,000	100%	—	Property investment
SIIS Capital Holdings Limited	British Virgin Islands	US$1	100%	—	Investment holding
SIIS Investment Holdings Limited	British Virgin Islands	US$1	—	100%	Investment holding
SIIS Investment Management Limited	Hong Kong	HK$3,875,002	—	100%	Provision of management and advisory services in private equity
SIIS Strategic Holdings Limited	British Virgin Islands	US$100	100%	—	Investment holding
SIIS (Nominees) Limited	Hong Kong	HK$2	100%	—	Provision of nominee services

NOTES TO THE ACCOUNTS

35. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations (note c)	Issued/ registered share capital/ paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
SIIS Treasury Limited	British Virgin Islands/ Hong Kong	US$1	100%	—	Provision of finance for group companies
Tak Wah Ho Company Limited	Hong Kong	Ordinary HK$1,000 Deferred HK$1,200,100 (note b)	100%	—	Property investment

\# Subsidiaries not audited by PricewaterhouseCoopers, Hong Kong

Notes:

(a) Both companies are sino-foreign cooperative joint ventures established in the PRC.

(b) The deferred shares carry no rights to dividends, to receive notice of or attend or vote at any general meeting of the respective subsidiary. The right to participation in distribution on winding up is also restricted.

(c) Unless otherwise stated, the principal place of operation of each subsidiary is the same as its place of incorporation.

36. INTERESTS IN JOINTLY CONTROLLED ENTITIES

Details of the principal jointly controlled entities as at 31 December 2006 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Softech Investment Management Company Limited*	Hong Kong	HK$5,020	50%	—	50%	Joint managementt of The Applied Research Fund established by Hong Kong SAR Government
Softbank SZVC Venture Capital Management Company Limited*	PRC	paid up capital US$2,000,000	50%	—	50%	Fund management
SBI E2-Capital Limited	Cayman Islands	HK$300	49%	—	49%	Holding company of financial services group

* Jointly controlled entities not audited by PricewaterhouseCoopers, Hong Kong

Summarised aggregate financial information based on the unaudited management accounts of the jointly controlled entities:

The Group's share of:

	2006 **HK$'000**	2005 HK$'000
Non-current assets	**4,861**	6,784
Current assets	**119,786**	97,477
Current liabilities	**67,958**	54,844
Income	**57,114**	27,991
Expenses	**48,728**	30,999

NOTES TO THE ACCOUNTS

37. SUBSEQUENT EVENTS

(a) In January 2007, the Group reassessed the investment progress in China Gloria Consultants (Chongqing) Limited ("CGC (Chongqing)"), China Gloria Consultants (Haikou) Limited ("CGC (Haikou)"), China Gloria Consultants (Heilongjiang) Limited ("CGC (Heilongjiang)"), and China Gloria Consultants (Online) Limited ("CGC (Online)"). Having considered the scale of the investments and the unexpectedly prolonged fundraising process, the Group has decided to indefinitely postpone the exercise of the right under the relevant Investment Agreements to invest in CGC (Chongqing), CGC (Haikou), CGC (Heilongjiang) and CGC (Online) and hence such investments will not be completed until and unless each of CGC (Chongqing), CGC (Haikou), CGC (Heilongjiang) and CGC (Online) reaches agreement with CGIM for the resumption of cooperation in the future.

(b) In March 2007, the Group entered into a placing agreement with its jointly controlled entity, SBI E2-Capital Securities Limited, for the issuance of convertible notes due March 2009 for an aggregate principal amount of HK$89,500,000. Completion took place on 23 March 2007 and the amount of net proceeds from the issuance of the convertible notes was approximately HK$85,912,000.

(c) On 10 April 2007, the Company entered into a non-legally binding memorandum of understanding with an independent third party in relation to the possible acquisition of the entire issued share capital of a target company which is principally engaged in the management and operation of a network of medical centres specialising in the diagnosis and treatment of tumour/cancer in a number of major PRC cities, including Shanghai and Beijing.

38. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 18 April 2007.