For the year ended 31 December 2005

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 October 1992. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Group is located at Suite 3301, Tower I, Lippo Centre, 89 Queensway, Hong Kong.

The activities of its principal subsidiaries and associates are set out in note 19 and 20 to the financial statements, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared, except for deconsolidation of certain subsidiaries as explained in note 8, in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which also include the Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for the periodic remeasurement of investment properties and short term investments as further explained below.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The area involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

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

Adoption of new and revised HKFRSs

In 2005, the Group had adopted the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The 2004 comparative figures have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effect of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS – Int 15	Operating Leases – Incentives
HKAS – Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 27, 28, 33, 37, 38 and HKAS – Int 15 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

The adoption of HKAS 1 has affected the presentation of minority interest, which are now shown as equity, and share of net profit after tax of associates. These changes have been applied retrospectively.

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

Adoption of new and revised HKFRSs *(Continued)*

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

The impact of adopting the other HKFRSs is summariesed as follows:

(a) *HKAS 32 and HKAS 39 – Financial Instruments*

In prior years, the Group classified its investments in equity securities as long term investment and investment securities which were held for non-trading purposes and were stated at their cost less any impairment losses on an individual basis. Upon the adoption of HKAS 39, these long term investment and investment securities held by the Group at 1 January 2005 in the amount of HK$800,000 and HK$5,536,000, respectively, were designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

There are no material adjustments arising from the adoption of the new policies for unquoted equity investments not carried at fair value.

In prior years, the investment in listed securities were stated at costs less any provisions for impairment in values on an individual basis. Upon the adoption of HKAS 39, these investment securities held by the Group at 1 January 2005 in the amount of HK$3,731,000 were designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognized in the income statement.

The Group has applied HKAS 39 prospectively in accordance with the transitional provisions of HKAS 39.

(b) *HKAS 40 – Investment Property*

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

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. In accordance with the transitional provisions of HKAS 40, the opening balance of retained profits and the results for the comparative period have been restated to reflect this change retrospectively. The effects of the above change are summarised in note 3 to the financial statements.

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

Adoption of new and revised HKFRSs *(Continued)*

(c) HKFRS 2 – Share-based Payment

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

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

The adoption of HKFRS 2 has had no impact on the retained profits as at 31 December 2003 and at 31 December 2004. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the revised accounting policy.

The Group has taken advantage of the transitional provisions of HKFRS 2 under which the new recognition and measurement policies have not been applied to options granted after 7 November 2002 and vested before 31 December 2004.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstance indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

According to the transitional provisions of HKFRS 3, goodwill previously eliminated against the retained earnings remains eliminated against the retained earnings and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 3 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

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

Adoption of new and revised HKFRSs *(Continued)*

(e) HKFRS 5 – Non-current Assets Held for the Sale and Discontinued Operations

HKFRS 5 requires a component of the Group to be classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The Group has applied HKFRS 5 prospectively in accordance with the transitional provisions of HKFRS 5, which has resulted in a change in accounting policy on the recognition of a discontinued operation.

(f) HKAS-Int-21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets

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

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

The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

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

Impact of issued but not yet effective HKFRSs

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

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Explanation for the Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Special Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics

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

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

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HKFRS-Int 5 and HK(IFRIC)-Int 6 do not apply to the activities of the Group, HK(IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005, HK(IFRIC)-Int 7 shall be applied for annual periods beginning on or after 1 March 2006.

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005 excluding for Jafoon Limited and its wholly-owned subsidiaries as explained in note 8. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation. In the previous year, Jafoon Limited and its wholly-owned subsidiaries, have been consolidated.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

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

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment loss.

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

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's share of the fair values of the identifiable assets and liabilities acquired and contingent liabilities assumed as at the date of acquisition.

In prior years:

– positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

– positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there was indications of impairment; and

– negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 January 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortise positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e., an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the year ended 31 December 2005.

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

Impairment of assets

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

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

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

Property, plant and equipment

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

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

Property, plant and equipment *(Continued)*

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

Leasehold land and buildings	2% – 5%
Machinery and equipment	9% – 25%
Furniture and fixtures	9% – 25%
Motor vehicles	18% – 20%
Wine jugs	5%

Initial expenditure incurred for cockery, utensils, linens and uniforms is capitalised and no depreciation is provided thereon. The cost of subsequent replacement for these items is charged to the income statement as and when incured.

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

Investment properties

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

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

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

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

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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

Investment and other financial assets

Applicable to the year ended 31 December 2004:

The Group classified its equity investments, other than subsidiaries and assoicates as long term investments and investment securities.

Long term investments
Long term investments are non-trading investments in unlisted equity securities intended to be held on a long term basis.

Investment securities
Investment securities are investments in listed and unlisted securities, intended to be held for a long term purpose.

Listed and unlisted securities are stated at their cost less impairment losses on an individual investment basis.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement in the period in which the impairment arises.

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

Investment and other financial assets *(Continued)*

Applicable to the year ended 31 December 2005:

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

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

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

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

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

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

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

Investment and other financial assets *(Continued)*

Fair value

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

Impairment of financial assets

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

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

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

Derecognition of financial assets

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

– the rights to receive cash flows from the asset have expired;

– the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

– the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Investment and other financial assets *(Continued)*

Derecognition of financial assets *(Continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

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

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

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

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

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

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

Revenue recognition

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

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

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income is recognised when the right to receive payment is established.

Borrowing costs

Borrowing costs are charged to the income statement in the period in which they are incurred.

Foreign currencies

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

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

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

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

Employee benefits

Retirement schemes

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

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation.

In prior years, the financial impact of share option granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

With effect from 1 January 2005, in accordance with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a captial reserve with equity.

Where the participants are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If a participant chooses to exercise options, the related captial reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retaining earnings.

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

Cash and cash equivalents

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

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

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in accounting policies described in note 2 above on the results for the current year and prior year are as follows:

Analysis of increase/(decrease) in profit for the year by line items presented according to their function.

(a) Income statement items

	HKAS 1 HK$'000	HKAS 36 HK$'000	HKAS 40 HK$'000	Total Effect HK$'000
For the year ended 31 December 2005				
Impairment of losses of goodwill arising from acquisitions of subsidiaries	**–**	**(109,319)**	**–**	**(109,319)**
Valuation gain on investment properties	**–**	**–**	**280**	**280**
Increase/(decrease) in net profit for the year	**–**	**(109,319)**	**280**	**(109,039)**
For the year ended 31 December 2004				
Decrease in share of results of associates	(2,554)	–	–	(2,554)
Decrease in income tax expenses	2,554	–	–	2,554
Decrease in net profit for the year	–	–	–	–

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICES *(Continued)*

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised as below:

(b) Balance sheet items

	As at 31 December 2004 (Originally stated) HK$'000	Retrospective adjustment HKAS 1 HK$'000	As at 31 December 2004 (Restated) HK$'000	Adjusted on 1 January 2005 HKAS 40 HK$'000	As at 1 January 2005 (Restated) HK$'000
Investment properties	73,520	–	73,520	–	73,520
Deferred tax liabilities	(43)	–	(43)	–	(43)
Other net assets	106,979	–	106,979	–	106,979
Total assets and liabilities	180,456	–	180,456	–	180,456
Minority interests	(1,078)	1,078	–	–	–
	179,378	1,078	180,456	–	180,456
Share capital	130,018	–	130,018	–	130,018
Share premium	562,543	–	562,543	–	562,543
Accumulated profits/(losses)	(705,759)	–	(705,759)	3,484	(702,275)
Investment property revaluation reserve	3,484	–	3,484	(3,484)	–
Other reserves	189,092	–	189,092	–	189,092
Equity holders of the parent	179,378	–	179,378	–	179,378
Minority interest	–	1,078	1,078	–	1,078
Total equity	179,378	1,078	180,456	–	180,456

4. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise bank loans and overdrafts, other interest-bearing loans, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group does not have any written risk management policies and guidelines. The directors monitor the financial risk management of the Group and take such measures as considered necessary from time to time to minimise such financial risks.

The Group's activities are exposed to the following risks:

(a) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short term debt obligations with floating interest rates.

(b) Foreign currency risk

Most of the Group's monetary assets and liabilities are denominated in Hong Kong dollars, and the Group conducted its business transactions principally in Hong Kong dollars. The exchange rate risk of the Group is not significant.

(c) Credit risk

Trade debtors of the Group are managed in accordance with the credit policies. The credit risk of the Group is not significant.

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank overdrafts and bank loans.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

6. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

The Group was previously engaged in the manufacturing and trading of Shao Xing wine and such operations were disposed of during last year. The Group is currently organised into nine operating divisions, namely, property investment, skin and health care, trading of jewellery, trading of steel, trading of wine, artwork design, Japanese restaurant, trading of glass eel and trading of other products.

Intersegment sales and transfers are transacted through negotiations between the respective segments.

6. SEGMENT INFORMATION *(Continued)*

Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

2005
Group

	Continuing Operations									Discontinuing Operations		
	Property investment HK$'000	Skin and health care HK$'000	Trading of jewellery HK$'000	Trading of steel HK$'000	Trading of wine HK$'000	Artwork design HK$'000	Japanese restaurant HK$'000	Trading of glass eel HK$'000	Trading of other products HK$'000	Manufacturing and trading of Shao Xing wine HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue :												
Sales to external customers	–	258	3,652	–	2,336	1,092	10,064	8,383	28	–	–	25,813
Intersegment sales	–	–	–	–	–	–	–	–	–	–	–	–
Other revenue and gains	7,281	151	3	–	43	22	132	4	1,715	–	–	9,351
Total	7,281	409	3,655	–	2,379	1,114	10,196	8,387	1,743	–	–	35,164
Segment results	(1,278)	(43,597)	(40,185)	–	(874)	(26,021)	478	402	(8,919)	–	–	(119,994)
Unallocated income												5,585
Unallocated expenses												(32,637)
Loss from operating activities												(147,046)
Finance costs												(1,977)
Share of profit of associates												–
Loss before taxation												(149,023)
Taxation												(1,438)
Loss after taxation												(150,461)
Attributable to:												
Equity holders of parent												(150,640)
Minority interest												179
												(150,461)

6. SEGMENT INFORMATION *(Continued)*

Business segments (Continued)

2005

Group

	Continuing Operations									Discontinuing Operations		
	Property investment HK$'000	Skin and health care HK$'000	Trading of jewellery HK$'000	Trading of steel HK$'000	Trading of wine HK$'000	Artwork design HK$'000	Japanese restaurant HK$'000	Trading of glass eel HK$'000	Trading of other products HK$'000	Manufacturing and trading of Shao Xing wine HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	48,444	54	1,845	–	3,708	2,740	5,473	8,385	25	–	–	70,674
Unallocated assets												24,581
Total assets												95,255
Segment liabilities	16,577	10,631	9,996	–	1,897	5,020	2,296	591	9,798	–	–	56,806
Unallocated liabilities												3,040
Total liabilities												59,846
Other segment information :												
Depreciation and amortisation	1	–	124	–	8	1,413	502	26	–	–	–	2,074
Unallocated amounts												41
Total												2,115
Impairment of goodwill	3,525	42,459	28,685	–	–	23,835	–	–	10,815	–	–	109,319
Capital expenditure	–	–	–	–	4	–	6	186	–	–	–	196

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2004

Group

	Continuing Operations									Discontinuing Operations		
	Property investment HK$'000	Skin and health care HK$'000	Trading of jewellery HK$'000	Trading of steel HK$'000	Trading of wine HK$'000	Artwork design HK$'000	Japanese restaurant HK$'000	Trading of glass eel HK$'000	Trading of other products HK$'000	Manufacturing and trading of Shao Xing wine HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue :												
Sales to external customers	–	11,899	39,068	81,148	2,124	3,159	–	–	4,221	2,475	–	144,094
Intersegment sales	–	–	–	6,229	–	–	–	–	–	–	(6,229)	–
Other revenue and gains	11,648	398	720	271	141	1	–	–	6	–	–	13,185
Total	11,648	12,297	39,788	87,648	2,265	3,160	–	–	4,227	2,475	(6,229)	157,279
Segment results	6,916	(24,506)	(5,230)	(1,001)	(890)	(11,045)	–	–	(14,328)	(182)	–	(50,266)
Unallocated income												3,356
Unallocated expenses												(5,204)
Loss from operating activities												(52,114)
Finance costs												(4,068)
Share of profit of associates												6,266
Loss before taxation												(49,916)
Taxation												(663)
Loss after taxation												(50,579)
Attributable to :												
Equity holders of parent												(50,682)
Minority interest												103
												(50,579)

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2004

Group

	Continuing Operations									Discontinuing Operations		
	Property investment HK$'000	Skin and health care HK$'000	Trading of jewellery HK$'000	Trading of steel HK$'000	Trading of wine HK$'000	Artwork design HK$'000	Japanese restaurant HK$'000	Trading of glass eel HK$'000	Trading of other products HK$'000	Manufacturing and trading of Shao Xing wine HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	101,169	45,704	40,770	50,368	4,910	27,986	–	–	11,272	–	–	282,179
Unallocated assets												25,939
Total assets												308,118
Segment liabilities	5,455	12,310	5,269	4,456	960	3,666	–	–	7,078	–	–	39,194
Unallocated liabilities												88,468
Total liabilities												127,662
Other segment information :												
Depreciation and amortisation	196	12,076	5,296	2,624	51	2,759	–	–	1,910	–	–	24,912
Unallocated amounts												25
Total												24,937
Capital expenditure	10,704	1,327	9	3	37	221	–	–	172	–	–	12,473

7. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of turnover, other revenue and gains is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Turnover		
– Continuing operations	**25,813**	141,619
– Discontinuing operations	**–**	2,475
	25,813	144,094
Other revenue and gains		
Other revenue		
Bank interest income	**23**	133
Dividend income	**160**	32
Other interest income	**–**	2,428
Reversal of impairment provision on property, plant and equipment	**–**	4,669
Rental income from leasing of property, plant and equipment	**929**	958
Others	**4,166**	1,270
	5,278	9,490
Gains		
Gain on disposal of property, plant and equipment	**–**	3,773
Gain on disposal of subsidiaries	**2,804**	3,278
Fair value gains on investment properties	**280**	–
Fair value gains on investment securities	**535**	–
Gain on disposal of investment properties	**6,074**	–
	9,693	7,051
	14,971	16,541

8. NET LOSS ON DECONSOLIDATION OF SUBSIDIARIES

The Group has an equity interest of 75% in the Jafoon Group which are engaged in the steel trading business. During the course of preparation of the interim results for the period ended 30 June 2005, we had received the unaudited management accounts of Jafoon Group for the interim results announcement purposes. The details of the income statement and financial position of Jafoon Group, as included in the unaudited interim results for the period ended 30 June 2005, were summarized as follow:

	HK$'000
Turnover	86,597
Profit after taxation	1,122
Total assets as at 30 June 2005	57,611
Total liabilities as at 30 June 2005	(52,022)

Since the commencement of the annual audit, a series of requests from the Group demanding for the submission of management accounts for audit purposes had been ignored by the Jafoon Group management. In mid April 2006, professional parties such as financial and legal advisors were engaged to investigate the case. They concluded that the financial records of Jafoon Group were incomplete and not satisfactory for audit purposes. And the Group was also suspicious that there might be changes in Jafoon Group management.

As the Group is unable to exercise its control of the Jafoon Group in particular its ability to exercise significant influence over the financial and operating policies and to obtain financial information. The Directors consider that the Group has lost the ability to exercise effective control over the Jafoon Group. For the sake of an appropriate presentation in order to allow the public to evaluate the performance of the Group, the Jafoon Group is excluded from the consolidation. The details of net loss on deconsolidation of subsidiaries are as follow:

	HK$'000
Share of net assets value as at 31 December 2004	3,229
Unamortised goodwill as at 31 December 2004	12,832
Net loss on deconsolidation of subsidiaries	16,061

9. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging:

	Group	
	2005	2004
	HK$'000	HK$'000
Cost of inventories sold	**16,772**	136,061
Auditors' remuneration	**968**	583
Depreciation	**2,115**	2,608
Employee benefits expenses (excluding directors' remuneration (note 11)):		
Wages and salaries	**9,275**	13,389
Pension scheme contributions	**424**	799
Provision for inventories	**–**	458
Minimum lease payments under operating leases on land and buildings	**3,550**	1,972
Exchange differences, net	**(45)**	33

10. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**1,622**	2,774
Interest on other borrowings wholly repayable within five years	**12**	247
Interest on bank borrowings wholly repayable after five years	**280**	948
Interest on finance leases	**63**	99
	1,977	4,068

11. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing Securities on the Stock Exchange ("Listing Rules") and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Fees	**285**	198
Other emoluments:		
Salaries, allowances and benefits in kind	**2,634**	2,900
Pension scheme contributions	**24**	25
	2,658	2,925
	2,943	3,123

11. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

	2005	2004
	HK$'000	HK$'000
Mr. Cheng Wing Keung, Raymond	**90**	16
Mr. Kwok Chi Sun, Vincent	**90**	60
Mr. Tso Hon Sai, Bosco	**90**	60
	270	136

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

(b) Executive directors and a non-executive director

2005	**Fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Pension scheme contributions HK$'000**	**Total remuneration HK$'000**
Executive directors:				
Mr. Kwok Ying Chuen	–	1,300	12	1,312
Mr. Wong Tak Chung, Andrew	–	34	–	34
Mr. Yu Won Kong, Dennis	–	1,300	12	1,312
	–	2,634	24	2,658
Non-executive director:				
Mr. Li Siu Lok, Albert	15	–	–	15
	15	2,634	24	2,673

11. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director *(Continued)*

2004	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Lee Tiong Hock	–	1,200	11	1,211
Mr. Kwok Ying Chuen	–	400	3	403
Mr. Yu Won Kong, Dennis	–	1,300	11	1,311
	–	2,900	25	2,925
Non-executive director:				
Mr. Li Siu Lok, Albert	62	–	–	62
	62	2,900	25	2,987

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

11. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

Five highest paid employees

Of the five highest paid employees during the year, two (2004: two) were executive directors of the Company whose remuneration are set out above. The remuneration of the remaining three (2004: three) highest paid individuals for the year are as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and other benefits	**2,198**	1,966
Retirement benefit scheme contributions	**33**	31
	2,231	1,997

The number of non-directors, highest paid employees whose remuneration fell within the bands is as follows:

	Number of employees	
	2005	2004
Nil – HK$1,000,000	**2**	3
HK$1,000,001 – HK$1,500,000	**1**	–
HK$4,000,001 – HK$4,500,000	**–**	–
	3	3

12. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2005	2004
	HK$'000	HK$'000
Provision for the year:		
Group		
Continuing operations		
Current – Hong Kong		
Charges for the year	**273**	903
Under provision in prior years	**(97)**	4
Deferred taxation *(note 30)*	**1,262**	(244)
	1,438	663
Discontinuing operations		
Current – Elsewhere	**–**	–
Taxation	**1,438**	663

There was no share of taxation attributable to associates for the year (2004: HK$2,554,000), which has been deducted from share of profit of associates as shown in the consolidated income statement.

12. TAXATION *(Continued)*

A reconciliation of the tax expense applicable to the loss before taxation using statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates as follows:

	2005	2004
	HK$'000	HK$'000
		(Restated)
Loss before taxation	**(149,023)**	(49,916)
Taxation at the statutory rate of 17.5% (2004: 17.5%)	**(26,080)**	(8,289)
Higher taxation rates of other countries	**–**	1,009
Income not subject to taxation	**(7,849)**	(17,229)
Expenses not deductible for taxation	**24,396**	24,296
Tax attributable to associates	–	(2,554)
Tax losses not recognised	**10,034**	3,131
Tax losses utilised from previous period	**(50)**	(33)
Under provision of taxation	**987**	332
Tax charge at the Group's effective rate	**1,438**	663

At 31 December 2005, the Group has no significant potential deferred tax liabilities (2004: Nil) for which provision has not been made.

The Group has estimated tax losses arising in Hong Kong of approximately HK$127,132,000 (2004: HK$70,081,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset has not been recognised in respect of these loses as they have arisen in subsidiaries that have been loss-making for some time.

13. DISCONTINUING OPERATIONS

On 19 March 2004, the Company entered into a conditional agreement (and supplemented by a further agreement dated 29 March 2004) to dispose of its entire interest in the issued share capital of an indirect wholly-owned subsidiary, All Paramount International Limited ("All Paramount"), to an independent third party at a consideration of approximately HK$45 million (the "Disposal"). The principal asset of All Paramount was its 49% equity interest in Dong Feng Shao Xing Wine Co. Ltd. Included in All Paramount, there were also other borrowings of HK$80 million from an independent third party. A total amount of HK$62.2 million was utilised by a subsidiary of the Group for the granting of advances to two independent third parties. Details of the Disposal were set out in the Company's circular despatched to shareholders of the Company dated 15 April 2004. The Disposal resulted in the discontinuance of the manufacturing and trading of Shao Xing wine business, which formed a major part of the Group's manufacturing and trading of Shao Xing wine business segment in 2003. The Disposal was completed on 2 April 2004.

The turnover, other revenue, expenses and results of the manufacturing and trading of Shao Xing wine business for the two years ended 31 December 2005 and 2004 were as follows:

	2005	2004
	HK$'000	HK$'000
TURNOVER	–	2,475
Cost of sales	–	(1,569)
Gross profit	–	906
Administrative expenses	–	(1,088)
LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	–	(182)

The carrying amounts of the total assets, liabilities and minority interests relating to the discontinuing operations at 31 December are as follows:

	2005	2004
	HK$'000	HK$'000
Total assets	–	–
Total liabilities	–	–
Minority interests	–	–
Net assets	–	–

14. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss from ordinary activities attributable to equity holders of the parent for the year ended 31 December 2005 dealt with in the financial statements of the Company amounted to HK$164,963,000 (2004: HK$3,489,000) (note 33(b)).

15. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders of HK$150,640,000 (2004: HK$50,682,000) and the weighted average number of 13,209,763,431 ordinary shares (2004: 10,565,957,570) in issue during the year, as adjusted to reflect the rights issue completed during the year.

No diluted loss per share for the year ended 31 December 2005 has been presented because there is no outstanding share option as at 31 December 2005.

The diluted loss per share for the year ended 31 December 2004 has not been shown as the exercise prices of the outstanding share options of the Company were higher than the average market price of the Company's shares during the year and therefore the share options were not dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

2005
Group

	Land and buildings HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Crockery, utensils, linens and uniform HK$'000	Total HK$'000
Cost:						
1 January 2005	547	11,646	4,845	736	–	17,774
Additions	–	37	6	153	–	196
Acquisition of subsidiaries	–	1,126	2,732	–	238	4,096
Disposals and deconsolidation of subsidiaries	(547)	(4,556)	(3,331)	(468)	–	(8,902)
Disposals	–	(169)	(89)	(219)	–	(477)
31 December 2005	–	8,084	4,163	202	238	12,687
Accumulated depreciation:						
1 January 2005	547	6,849	4,372	580	–	12,348
Provided during the year	–	1,450	660	5	–	2,115
Acquisition of subsidiaries	–	643	1,974	–	–	2,617
Disposals and deconsolidation of subsidiaries	(547)	(3,704)	(3,319)	(310)	–	(7,880)
Disposals	–	(162)	(88)	(219)	–	(469)
31 Decemeber 2005	–	5,076	3,599	56	–	8,731
Net book value :						
31 December 2005	–	3,008	564	146	238	3,956

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

2004
Group

	Land and buildings HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Wine jugs HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:							
1 January 2004	151,111	79,194	6,232	5,595	34,213	102	276,447
Additions	–	698	1,071	–	–	–	1,769
Acquisition of subsidiaries	–	11,769	5,373	900	–	–	18,042
Disposals of subsidiaries	(150,564)	(76,330)	(2,930)	(5,188)	(34,213)	(102)	(269,327)
Disposals	–	(3,676)	(4,901)	(570)	–	–	(9,147)
Exchange realignment	–	(9)	–	(1)	–	–	(10)
31 December 2004	547	11,646	4,845	736	–	–	17,774
Accumulated depreciation:							
1 January 2004	44,716	42,632	6,035	4,453	3,547	–	101,383
Provided during the year	–	1,014	1,428	166	–	–	2,608
Acquisition of subsidiaries	–	5,909	2,248	447	–	–	8,604
Disposals of subsidiaries	(44,169)	(39,769)	(2,733)	(4,090)	(3,547)	–	(94,308)
Disposals	–	(2,928)	(2,606)	(395)	–	–	(5,929)
Exchange realignment	–	(9)	–	(1)	–	–	(10)
31 December 2004	547	6,849	4,372	580	–	–	12,348
Net book value:							
31 December 2004	–	4,797	473	156	–	–	5,426

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of machinery and equipment at 31 December 2005, amounted HK$2,167,000 (2004: HK$3,299,000).

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

2005
Company

	Furniture and fixtures HK$'000
Cost:	
1 January 2005	8
Additions	–
31 December 2005	8
Accumulated depreciation:	
1 January 2005	1
Provided during the year	2
31 December 2005	3
Net book value:	
31 December 2005	5

2004
Company

	Furniture and fixtures HK$'000
Cost:	
1 January 2004	–
Additions	8
31 December 2004	8
Accumulated depreciation:	
1 January 2004	–
Provided during the year	1
31 December 2004	1
Net book value:	
31 December 2004	7

17. INVESTMENT PROPERTIES

	Group 2005 HK$'000	Group 2004 HK$'000
Beginning of the year	**73,520**	–
Additions	**–**	10,704
Acquisition of subsidiaries	**–**	74,299
Disposal and deconsolidation of subsidiaries	**(8,600)**	–
Disposals	**(32,030)**	(22,392)
Fair value gains	**280**	10,909
End of the year	**33,170**	73,520

(a) The Group's investment properties are all situated in Hong Kong and are held under medium term leases.

(b) Investment properties were revalued on 31 December 2005 by an independent firm of surveyors, Dudley Surveyors Limited, on an open market value basis.

(c) Certain of the Group's investment properties with net book value of HK$21,970,000 as at 31 December 2005 were pledged to secure general banking facilities granted to the Group.

18. GOODWILL

The amounts of the goodwill capitalised as an asset arising from the acquisition of subsidiaries, are as follows:

2005
Group

	HK$'000
Cost:	
1 January 2005	146,755
Acquisition of subsidiaries (note 34(a))	455
31 December 2005	147,210
Accumulated amortisation and impairment:	
1 January 2005	22,329
Deconsolidation and disposal of subsidiaries	15,107
Impairment during the year	109,319
31 December 2005	146,755
Net book value:	
31 December 2005	**455**

2004
Group

	HK$'000
Cost:	
1 January 2004	–
Acquisition of subsidiaries (note 34(a))	146,755
31 December 2004	146,755
Accumulated amortisation:	
1 January 2004	–
Amortisation provided during the year	22,329
31 December 2004	22,329
Net book value:	
31 December 2004	**124,426**

19. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted shares, at cost	**69,312**	69,312
Due from subsidiaries	**470,750**	506,045
	540,062	575,357
Provision for impairment	**(519,729)**	(392,766)
	20,333	182,591

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Firstone Corporate Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Trading of wine and other food products
Firstone Enterprises Limited	British Virgin Islands	HK$67,349,601 ordinary shares	100	–	Investment holding
Ostrindo Holdings Limited	British Virgin Islands	US$1,000 ordinary shares	–	100	Investment holding
Preciseworth Investments Limited	British Virgin Islands/ Hong Kong	US$1 ordinary share	100	–	Securities trading

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sky Path Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Glory Hero Corporation Limited	Hong Kong	HK$2 ordinary shares	–	100	Property holding
Main Benefit Limited	Hong Kong	HK$2 ordinary shares	–	100	Property holding
Excel Harvest Corporation Limited	Hong Kong	HK$1,000,000 ordinary shares	–	100	Trading of jewellery
Excellent Venture Enterprises Limited	Hong Kong	HK$2 ordinary shares	–	100	Property investment
Dragon Mount Corporation Limited	Hong Kong	HK$2 ordinary shares	–	100	Property investment
Profit Legend Corporation Limited	Hong Kong	HK$2 ordinary shares	–	100	Property investment
Profit Team Consultants Limited	British Virgin Islands/ Hong Kong	US$300 ordinary shares	–	100	Investment holding
Seventh Corporation Limited	Hong Kong	HK$1,520 ordinary shares	–	100	Management and administrative support
Best Future Holdings Limited	Hong Kong	HK$400 ordinary shares	–	100	Investment holding

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Green House & Spa Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Trading of beauty products
Sengo Limited	Hong Kong	HK$2 ordinary shares	–	100	Trading of beauty products
Smart Symbol Limited	Hong Kong	HK$2 ordinary shares	–	100	Trading of beauty products
Silver Dragons Limited	Hong Kong	HK$1,000,000 ordinary shares	–	80	Investment holding
International Physique & Aesthetic Education Limited	Hong Kong	HK$10 ordinary shares	–	72	Dormant
Everich International Group Limited	Hong Kong	HK$10 ordinary shares	–	72	General trading and property investment
Happy Smart Limited	Hong Kong	HK$10 ordinary shares	–	72	Advertising and public relations
Creative Centre Limited	Hong Kong	HK$10 ordinary shares	–	72	General trading and property investment
Daiwah Company Limited	British Virgin Islands/ Hong Kong	US$100 ordinary shares	–	100	Investment holding
Lei Pong Silkscreen & Inkjet Printing Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Artwork production and graphic design

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Screenyard 8 Colours Production (HK) Limited	Hong Kong	HK$20,408 ordinary shares	–	100	Artwork production and graphic design
Grafixpro Limited	Hong Kong	HK$500,000 ordinary shares	–	100	Artwork production and graphic design
Right Choice Exhibition Display (HK) Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Rental of exhibition display equipment
Jafoon Limited	Hong Kong	HK$1,000 ordinary shares	–	75	Trading of steel
Full Land Limited	Hong Kong	HK$2 ordinary shares	–	75	Property investment
Golden View Limited	Hong Kong	HK$2 ordinary shares	–	75	Property investment
Pacific Glory Holdings Limited	British Virgin Islands	US$100 ordinary shares	75	–	Investment holding
Suishaya Japanese Restaurant (Kowloon) Limited	Hong Kong	HK$2 ordinary shares	–	75	Operating a Japanese restaurant
Royal Best Investment Limited	Hong Kong	HK$3,000,000 ordinary shares	–	75	Dormant
Cheerford Corporation Limited	Hong Kong	HK$2 ordinary shares	–	75	Tenancy agreement signing agent of fellow subsidiary
Grand Allied Profits Limited	British Virgin Islands	US$1 ordinary shares	100	–	Investment holding

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Fisherton Holdings Limited	Hong Kong	HK$2 ordinary shares	–	100	Tenancy agreement signing agent of fellow subsidiary
Diamond Faith Company Limited	Hong Kong	HK$2 ordinary shares	–	100	Trading of glass eel
Team Profit International Limited	Hong Kong	HK$1 ordinary share	100	–	Property investment

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

In last year, the Company acquired equity interests in certain subsidiaries from respective vendors who had agreed to pay certain multiples of guaranteed profits and other income ("Profit Multiples") for the businesses they sold to the Company. The Company has consolidated the results of these subsidiaries from the respective dates the control of the subsidiaries was transferred to the Company. As of 31 December 2004 and 2005, the Company has not yet reflected the Profit Multiples in the financial statements. The Directors are of the opinion that the Company would apply the Profit Multiples, if any, to reduce the investment costs in the Company's financial statements (and the amount of goodwill on consolidation) relating to the businesses so acquired, when all the conditions (including the final amount and the collectability of the Profit Multiples are established, etc.) for recording the Profit Multiples are met.

20. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**–**	–
Amounts due from associates	**52,070**	52,070
Provision against amounts due from associates	**(52,070)**	(52,070)
	–	–

The balances with associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, they will not be repayable within twelve months from the balance sheet date and accordingly, the amounts have been classified as non-current assets.

Particulars of the Group's associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Centra Intertraco Limited	Corporate	Hong Kong	35	Investment holding
Shenzhen Capstone Food and Beverage Co., Ltd.	Corporate	PRC/Mainland China	24.5	Dormant
Shaoguan Quan Tong Industrial Ltd.	Corporate	PRC/Mainland China	25	Dormant

21. LONG TERM INVESTMENT

	Group and Company	
	2005	2004
	HK$'000	HK$'000
Unlisted equity investment, at cost	**156,514**	156,514
Due from investee	**518**	518
Provision for impairment	**(157,032)**	(156,232)
	–	800

The long term investment represents an unlisted investment (11.14% equity interest) in a company incorporated in the British Virgin Islands which owns a group of subsidiaries, the operations of which were terminated in prior years.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2005	2004
	HK$'000	HK$'000
Unlisted equity securities, at cost	**–**	5,536

23. INVENTORIES

	Group	
	2005	2004
	HK$'000	HK$'000
Finished goods	**859**	8,485

At 31 December 2005, no inventory items were carried at net realisable value (2004: Nil).

24. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 days, except for certain well-established customers where the credit terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In view of the aforementioned and that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivable are non-interest bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, and net of provisions, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current to 3 months	**3,781**	5,210
3 to 6 months	**72**	82
Over 6 months	**107**	7,276
	3,960	12,568

25. SHORT TERM INVESTMENTS

	Group	
	2005	2004
	HK$'000	HK$'000
Securities listed in Hong Kong		
At fair value	**759**	–
At cost	**–**	3,731
	759	3,731

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**41,764**	40,088	**19,150**	14,317
Time deposits, which are not restricted as to use	**–**	426	**–**	–
	41,764	40,514	**19,150**	14,317

27. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current to 3 months	**1,003**	8,888
3 to 6 months	**439**	714
Over 6 months	**5,841**	6,824
	7,283	16,426

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2005	2004
	HK$'000	HK$'000
Bank overdrafts, secured	**1,600**	11,208
Bank borrowings, secured	**16,514**	49,958
Trust receipt loans, secured	**–**	21,912
Other borrowings, secured	**–**	1,237
Other borrowings, unsecured	**–**	412
	18,114	84,727
Interest-bearing bank and other borrowings are repayable as follows:		
Within one year or on demand	**4,547**	41,846
In the second year	**1,638**	2,750
In the third to fifth years, inclusive	**3,613**	7,982
Beyond five years	**8,316**	32,149
	18,114	84,727
Portion classified as current liabilities	**(4,547)**	(41,846)
Long term portion	**13,567**	42,881

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

(a) first legal charges over certain investment properties of the Group with an aggregate net book value of HK$21,970,000 (2004: 55,260,000);

(b) the pledge of certain time deposits and investment securities of the Group amounting to HK$Nil (2004: HK$ 3,009,000) and HK$Nil (2004: 3,198,000) respectively;

(c) first legal charges over properties of certain independent third parties;

(d) corporate guarantee executed by certain independent third parties; and

(e) personal guarantee executed by certain directors of the Group's subsidiaries.

29. FINANCE LEASE PAYABLES

The Group leases certain of its machinery and equipment for its operations. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

At 31 December 2005, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2005 HK$'000	Minimum lease payments 2004 HK$'000	**Present value of minimum lease 2005 HK$'000**	Present value of minimum lease 2004 HK$'000
Amounts payable:				
Within one year	**1,090**	1,929	**1,053**	1,836
In the second year	**–**	320	**–**	313
Total minimum finance lease payments	**1,090**	2,249	**1,053**	2,149
Future finance charges	**(37)**	(100)		
Total net finance lease payables	**1,053**	2,149		
Portion classified as current liabilities	**(1,053)**	(1,836)		
Long term portion	**–**	313		

30. DEFERRED TAXATION

The movements in deferred tax liabilities/(assets) during the year are as follows:

Deferred tax assets

2005

Group

	Revaluation of investment properties HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
1 January 2005	739	(696)	43
Disposal and deconsolidation of subsidiary	(537)	(293)	(830)
Deferred tax charged to the income statement during the year	50	1,212	1,262
31 December 2005	252	223	475

2004

Group

	Revaluation of investment properties HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
1 January 2004	–	–	–
Acquisition of subsidiaries	–	(452)	(452)
Deferred tax charged to the income statement during the year	–	(244)	(244)
Deferred tax debited to investment property revaluation reserve during the year	739	–	739
31 December 2004	739	(696)	43

31. SHARE CAPITAL

	Company	
	2005	2004
	HK$'000	HK$'000
Authorised:		
25,000,000,000 (2004: 25,000,000,000) ordinary shares of HK$0.01 each	**250,000**	250,000
50 (2004: 50) convertible preference shares of HK$1,000,000 each	**50,000**	50,000
Issued and fully paid:		
13,601,818,226 (2004: 13,001,818,226) ordinary shares of HK$0.01 each	**136,018**	130,018

(a) On 7 January 2005, 100,000,000 ordinary shares were issued at the price of HK$0.0198 per share for a total cash consideration of HK$1,980,000 upon the exercise of share options granted to staff and business partners of the Group.

(b) On 13 October 2005, 500,000,000 ordinary shares were issued at the price of HK$ 0.0112 per share for a total cash consideration of HK$5,600,000 upon the exercise of share options granted to business partners of the Group.

32. SHARE OPTION SCHEME

A previous share option scheme was adopted by the Company on 16 September 1992 and expired on 15 September 2002. On 28 January 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest ("Invested Entity"). Eligible participants of the New Scheme include mainly the directors, employees, suppliers of goods or services, customers, shareholders, business partners and professional advisers of the Company or any Invested Entity. The New Scheme became effective on 29 January 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the New Scheme is 1,310,181,822 shares, being an amount equivalent, upon their exercise, to 10% of the shares in issue of the Company at 8 June 2005, being the date of the shareholders of the Company approving the refreshment of the limit in respect of the granting of share options under the New Scheme. The maximum number of shares issuable under the share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share option may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and the period commences on the date of which the offer is made and ends on a date which is not later than 10 years from the date of the offer of the share options subject to any provisions of the New Scheme determining the rights of the grantees.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer and (iii) the nominal value of a share of the Company.

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

32. SHARE OPTION SCHEME *(Continued)*

Share option granted during the period 1 January 2005 to 31 December 2005

Participant	Number of share options									Price of Company's shares***		
	At 1 January 2005	Grant during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	At 31 December 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	At grant date of options	Immediately before the exercise date	At exercise date of options
									HK$	HK$	HK$	HK$
Employee												
Lu Siu Bo	70,000,000	–	(70,000,000)	–	–	–	11-Feb-04	11-Feb-04 to 10-Feb-05	0.0198	0.0200	0.0770	0.0770
Business partners												
Ng Po Hing	30,000,000	–	(30,000,000)	–	–	–	11-Feb-04	11-Feb-04 to 10-Feb-05	0.0198	0.0200	0.0770	0.0770
Kwong Man Kei	–	100,000,000	(100,000,000)	–	–	–	10-Oct-05	10-Oct-05 to 9-Oct-06	0.0112	0.0120	0.0100	0.0100
Lam Chok Fai	–	100,000,000	(100,000,000)	–	–	–	10-Oct-05	10-Oct-05 to 9-Oct-06	0.0112	0.0120	0.0100	0.0100
Poon Wai Man	–	100,000,000	(100,000,000)	–	–	–	10-Oct-05	10-Oct-05 to 9-Oct-06	0.0112	0.0120	0.0100	0.0100
Wang Yun Tse	–	100,000,000	(100,000,000)	–	–	–	10-Oct-05	10-Oct-05 to 9-Oct-06	0.0112	0.0120	0.0100	0.0100
Sacklin Raymond Montague	–	100,000,000	(100,000,000)	–	–	–	7-Oct-05	7-Oct-05 to 6-Oct-06	0.0112	0.0110	0.0100	0.0100
	30,000,000	500,000,000	(530,000,000)	–	–	–						
	100,000,000	500,000,000	(600,000,000)	–	–	–						

32. SHARE OPTION SCHEME *(Continued)*

Notes to the reconciliation of share options outstanding during the year:

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

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

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

The Board considered that the disclosure of value of the 500,000,000 share options granted during the year is not appropriate as the assumptions used to estimate the value of the options are volatile and subjective which renders the value uncertain.

The 600,000,000 share options exercised during the year resulted in the issue of 600,000,000 ordinary shares of the Company and new share capital of HK$6,000,000 and share premium of HK$1,580,000 (before issue expenses).

33. RESERVES

(a) Group

The contributed surplus of the Group represents:

(i) the excess of the nominal value of the subsidiary's shares acquired over the nominal value of the Company's shares issued in exchange at the time of the group re-organisation prior to the listing of the Company's shares in 1992; and

(ii) the credit arising from the reduction of the nominal value of the shares of the Company from HK$0.10 each to HK$0.01 each in a prior year.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004	540,934	192,083	(684,565)	48,452
Issue of shares	22,326	–	–	22,326
Share issue expenses	(717)	–	–	(717)
Net loss for the period	–	–	(3,489)	(3,489)
As 31 December 2004	562,543	192,083	(688,054)	66,572
At 1 January 2005	562,543	192,083	(688,054)	66,572
Exercise of share options	1,580	–	–	1,580
Minority interest movement	–	–	–	–
Net loss for the period	–	–	(164,963)	(164,963)
At 31 December 2005	564,123	192,083	(853,017)	(96,811)

* Pursuant to the relevant laws and regulations for Sino-Foreign joint venture enterprises, a portion of the profits of the Company's subsidiaries in Mainland China has been appropriated to PRC statutory reserves which are restricted as to use. The amount of the appropriation is at the discretion of the respective boards of directors.

The Company's contributed surplus represents the excess of the nominal value of the share capital of the subsidiaries at the date on which they were acquired by the Company over the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1992, less dividends paid out and an amount utilised on a redemption of shares in a prior year, and the credit arising from the reduction in nominal value of HK$0.09 of the Company's shares detailed above.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

On 25 April 2005, the Group acquired 75% of the issued share capital of Pacific Glory Limited for cash consideration of HK$2,700,000 and on 18 October 2005, the Group acquired 100% of the issued share capital of Grand Allied Profit Limited for consideration of HK$340,000.

The net assets acquired in these transactions, and the goodwill arising, are as follows:

	2005 Fair value/ carrying amount HK$'000	2004 Fair value/ carrying amount HK$'000
Net assets acquired of		
Property, plant and equipment	1,479	83,739
Investment securities	–	3,198
Deferred taxation	–	452
Inventories	139	14,990
Trade receivables	135	77,243
Prepayment and other debtors	924	48,086
Tax refundable	–	180
Pledged bank deposits	–	10,733
Cash and cash equivalents	2,505	365
Trade payables	(1,213)	(29,146)
Accrued liabilities and other payabales	(634)	(7,481)
Bank overdrafts	–	(20,840)
Interest-bearing bank and other borrowings	–	(176,844)
Finance lease payables	–	(3,183)
Minority interests	(750)	(951)
	2,585	541
Goodwill	455	146,755
	3,040	147,296
Total consideration, satisafied by:		
Cash	3,040	116,286
Issue of share	–	31,010
	3,040	147,296

Net cash outflow arising on acquisition is as follow:

	2005 HK$'000	2004 HK$'000
Cash consideration	(3,040)	(116,286)
Cash and bank balances acquired	2,505	365
Bank overdrafts acquired	–	(20,840)
	(535)	(136,761)

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries

	2005 HK$'000	2004 HK$'000
Net assets disposed of:		
Property, plant and equipment	**7,105**	175,019
Intangible assets	**2,274**	13,247
Inventories	**70**	149,842
Trade receivables	**–**	29,036
Prepayment, deposits and other receivables	**175**	92,515
Cash and cash equivalents	**4**	22,287
Trade payables	**(2,142)**	(14,887)
Accrued liabilities and other payables	**(2,401)**	(63,550)
Tax payable	**10**	(5,958)
Deferred tax	**(5)**	–
Interest-bearing bank and other borrowings	**–**	(235,463)
Minority interests	**–**	(113,829)
Revaluation reserve	**(910)**	–
Translation reserve	**(178)**	(6,238)
	4,002	42,021
Gain on disposal of subsidiaries	**2,804**	3,278
	6,806	45,299
Satisfied by :		
Cash	**6,806**	17,000
Prepayment, deposits and other receivables	**–**	28,299
	6,806	45,299

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2005 HK$'000	2004 HK$'000
Cash consideration	**6,806**	17,000
Cash and bank balances disposed of	**(4)**	(22,287)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**6,802**	(5,287)

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Deconsolidation of subsidiaries

	2005 HK$'000	2004 HK$'000
Net assets deconsolidated:		
Property, plant and equipment	2,515	–
Goodwill	12,832	–
Inventories	7,295	–
Trade receivables	4,850	–
Prepayment, deposits and other receivables	21,342	–
Pledge time deposit	3,009	–
Trade payables	(3,440)	–
Accrued liabilities and other payables	(1,616)	–
Tax payable	(690)	–
Bank overdraft	(3,334)	–
Interest-bearing bank and other borrowings	(25,325)	–
Deferred tax	(299)	–
Minority interests	(1,078)	–
	16,061	–
Loss on deconsolidation of subsidiaries	(16,061)	–
	–	–

An analysis of the net outflow of cash and cash equivalents in respect of the deconsolidation of subsidiaries is as follows:

	2005 HK$'000	2004 HK$'000
Bank overdraft in respect of deconsolidated subsidiaries	3,334	–

35. PENDING LITIGATIONS

As at the balance sheet date, there were claims for payments of printing charges, finance lease payments, rental payments and commission with an aggregate amount of approximately HK$1,910,000 brought by various parties against certain subsidiaries of the Group. In the opinion of Directors, adequate provision had been made by the Group in respect of all the above claims in the Group's financial statements.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits.

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**288**	63
In the second to fifth years, inclusive	**7**	57
	295	120

(b) As lessee

The Group leases certain properties under operating lease arrangements. These leases are negotiated for terms ranging from one to two years.

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**725**	1,009	**–**	–
In the second to fifth years, inclusive	**–**	–	**–**	–
	725	1,009	**–**	–

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following commitments at the balance sheet date:

	Group	
	2005	2004
	HK$'000	HK$'000
Capital commitments, contracted for acquisition of investment property	**3,700**	–
Capital commitments, contracted for acquisition of subsidiaries	**100,000**	–
	103,700	–

The Company had no significant commitments at the balance sheet date (2004: Nil).

38. POST BALANCE SHEET EVENTS

(a) On 16 November 2005, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire an investment property situated in Hong Kong at a cash consideration of HK$4.1 million. This transaction was completed on 16 February 2006.

(b) On 29 December 2005, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of an investment property situated in Hong Kong for a cash consideration of HK$1.9 million. A formal agreement was subsequently entered into between the parties on 10 January 2006.

(c) On 11 January 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose certain printing machine and equipment at a cash consideration of HK$1.05 million.

(d) On 23 December 2005, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "State Empire Vendor") for the acquisition of the entire issued share capital of State Empire Limited (the "State Empire") and the shareholder's loan due from State Empire to the State Empire Vendor at a consideration of approximately HK$101 million (the "State Empire Acquisition"). State Empire, via its subsidiary, held the entire interest in Right Emperor Commercial Building. Right Emperor Commercial Building is a 24-storey commercial building situated in Central, Hong Kong with a total gross floor area of approximately 41,950 sq. ft. The consideration for the State Empire Acquisition is arrived at after arm's length negotiation between the Group and the State Empire Vendor and with reference to the valuation of Right Emperor Commercial Building issued by an independent professional valuer. The State Empire Acquisition constituted a major transaction of the Company under the Listing Rules and the details of which are set out in the Company's circular dated 9 February, 2006. The State Empire Acquisition has yet to be completed.

38. POST BALANCE SHEET EVENTS *(Continued)*

(e) By a special resolution passed by the shareholders of the Company on 20 March 2006, the share capital of the Company reorganised as follows with effect from 20 March 2006:

(i) cancelling paid up capital to the extent of HK$0.0099 on each ordinary share of the Company so that the nominal value of each issued share will be reduced from HK$0.01 to HK$0.0001 and each issued share in the capital of the Company shall be treated as one fully paid up ordinary share of HK$0.0001 each in the capital of the Company ("Capital Reduction");

(ii) subdivide each of the authorised but unissued share of HK$0.01 into 100 ordinary shares of nominal value of HK$0.0001 each;

(iii) subdivide each of the authorised but unissued convertible preference share of the Company of HK$1,000,000 each into 100 convertible preference shares of nominal value of HK$10,000 each;

(iv) cancelling the entire amount standing to the credit of the share premium account of the Company as at 20 March 2006 ("Share Premium Reduction");

(v) the transfer of the credit arising from the Share Premium Reduction and the Capital Reduction to the contributed surplus account of the Company and the application of the amount therein to set off against the entire accumulated losses of the Company as from time to time and be dealt with in accordance with the applicable laws, including the laws of Bermuda and the bye-laws of the Company.

(f) By an ordinary resolution passed by the shareholders of the Company on 20 March 2006, every 10 of the ordinary shares of the Company (both issued and unissued) of HK$0.0001 each be consolidated into one new share of HK$0.001 each and every 10 of the convertible preference shares of the Company of HK$10,000 each be consolidated into one new convertible perference share of HK$100,000 each ("Share Consolidation").

(g) Upon the Capital Reduction and Share Consolidation as stated in point (e) and (f) above respectively became effective and upon the conditions of the open offer of the Company become unconditional, the Company would issue by way of open offer 2,720,363,644 ordinary shares of HK$0.001 each at a subscription price of HK$0.01 per share.

39. RELATED PARTY TRANSACTIONS

On 24 June 2005, Everich International Group Limited ("Everich"), a non-wholly owned subsidiary of the Company entered into a provisional agreement with Mr. Ng Po Mo ("Mr. Ng"), a director of a wholly owned subsidiary of the Company to sell a residential premises at a consideration of HK$8.8 million. The consideration of such transaction was determined after arm's length negotiation between Everich and Mr. Ng with reference to the valuation carried out by an independent valuer on an open market value basis. Subsequently this transaction was completed on 30 July 2005.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 April 2006.