Notes to the Financial Statements

1. GENERAL

Harmony Asset Limited is incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The principal place of business of the Company is Room 1101, St. George's Building, 2 Ice House Street, Central, Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in Note 14 to the financial statements.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

In the current year, the Group has adopted, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to its operations:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 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 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

2. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Except for the HKASs 32, 36, 39 and HKFRS 3, the adoption of other new or revised accounting standards did not result in substantial changes to the Group's accounting policies. In summary,

– HKASs 1, 8 and 28 affect certain disclosures of the financial statements.

– HKASs 7, 10, 12, 14, 16, 17, 18, 19, 21, 27, 33, 37 and HKFRS 2 do not have any material impact on the Group's accounting policies.

– HKAS 24 affects the identification of related parties and some other related party disclosures.

The changes in accounting policies in adoption of HKASs 32, 36, 39 and HKFRS 3 for the annual accounting period beginning of 1st January, 2005 have been made in accordance with the transitional provisions of the respective HKFRSs and are detailed as follows:

(a) Amortisation of positive goodwill (HKAS 36 and HKFRS 3)

In prior years, positive goodwill which arose on or after 1st January, 2001 was amortised on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment.

With effect from 1st January, 2005, in accordance with HKAS 36 and HKFRS 3, the Group no longer amortises 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.

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 1st January, 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the profit and loss account for the year. This has increased the Group's profit after taxation for the year ended 31st December, 2005 by HK$16,402.

Notes to the Financial Statements

2. **ADOPTION OF NEW ACCOUNTING STANDARDS** (continued)

(b) **Financial instruments (HKASs 32 and 39)**

– In prior years, investment in convertible notes, unlisted equity investments and loans to investee companies being held for long-term strategic purposes were classified as investment securities and stated at cost less any provision for impairment losses.

With effect from 1st January, 2005, and in accordance with HKASs 32 and 39,

(i) Investment in a convertible note comprises a non-derivative host contract and an embedded derivative i.e. the equity conversion option. An embedded derivative whose economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract and which meet the definition of a derivative, is separated from the host contract and accounted for as a derivative. A non-derivative host contract is accounted for under HKAS 39 or other accounting standards, if applicable. If the fair value of the embedded derivative cannot be reliably measured on the basis of its terms and conditions, the entire combined contract is treated as a financial asset and is held for trading.

The change in policies results in reclassification of the Group's investment in convertible notes as financial assets at fair value through profit or loss since the fair values of the embedded derivatives cannot be measured reliably. As the difference between the carrying values of the entire convertible notes and their corresponding fair values at 1st January, 2005 is not material, no adjustment on the opening balance of retained earnings is considered. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

Notes to the Financial Statements

2. **ADOPTION OF NEW ACCOUNTING STANDARDS** (continued)

(b) **Financial instruments (HKASs 32 and 39)** (continued)

(ii) Unlisted equity investments are classified as available-for-sale financial assets and carried at fair value, except that if investments in equity instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, the investments are measured at cost less any provision for impairment losses.

The change in policies is adopted by way of an adjustment in decreasing the opening balance of retained earnings as at 1st January, 2005 by HK$7,023,074. Comparative amounts have not been restated nor has the opening balance of the fair value reserve been restated as this is prohibited by the transitional arrangements in HKAS 39.

(iii) Loans to investee companies are classified as loans and receivables and measured at amortised cost using the effective interest method.

The change in policies has no effect on the financial statements as the difference between the carrying values of loans to investee companies and their corresponding amortised costs is not material. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

– In prior years, investment in club debentures and deposits for investments were classified as other assets and stated at cost less any provision for impairment losses. With effect from 1st January, 2005 and in accordance with HKASs 32 and 39, such assets are classified as available-for-sale financial assets and carried at fair value.

The change in policies has no effect on the financial statements as the difference between the carrying values of such assets and their corresponding fair values is not material. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

Notes to the Financial Statements

2. **ADOPTION OF NEW ACCOUNTING STANDARDS** (continued)

   (b) **Financial instruments (HKASs 32 and 39)** (continued)

   – In prior years, convertible bond issued by a subsidiary of the Company was classified as current liabilities and stated at cost. With effect from 1st January, 2005 and in accordance with HKASs 32 and 39, convertible bond issued is split into its liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amoritsed cost. The equity component is recognised in the capital reserve until the bond is either converted (in which case it is transferred to share premium) or the bond is redeemed (in which case it is released directly to retained earnings).

   The change in policies does not have material impact on the financial statements as the fair value of equity component of the convertible bond is not material. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

   The Group has not early adopted any accounting standards that have been issued but are not yet effective in the financial statements for the year ended 31st December, 2005. An assessment of the impact of these standards has already commenced but the Group is not yet in a position to state whether these standards would have a significant impact on its results of operations and financial position.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable accounting standards issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). They have been prepared under the historical cost convention, except that, as disclosed in the accounting policies below, available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value. A summary of the significant accounting policies adopted by the Group is set out below:

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31st December each year.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions and balances, and any unrealised profit arising from intra-group transactions, are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(b) Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from the activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses as set out in Note 3(f) below. The results of subsidiaries are accounted for by the Company to the extent of dividends received and receivables.

(c) Associates

An associate is an entity, in which the Group or Company has significant influence, but not control or joint control over its management, including participation in the financial and operating policy decisions.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associates (continued)

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit and loss account.

In the Company's balance sheet, its investments in associates are stated as cost less impairment losses as stated in Note 3(f) below. The results of associates are accounted for by the Company to the extent of dividends received and receivables.

(d) Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005:

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired associates and subsidiaries at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January, 2001 is capitalised and amortised using the straight-line basis over its estimated useful life of five years. Goodwill on acquisitions that occurred prior to 1st January, 2001 was eliminated against reserves. Any impairment, if any, arising on such goodwill is accounted for in the profit and loss account.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Goodwill (continued)

Goodwill arising on acquisitions from 1st January, 2005 and onwards:

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment as set out in Note 3(f) below. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit and loss account.

On disposal of a cash-generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

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(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses as stated in Note 3(f) below. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use.

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, over their estimated useful lives using the straight-line method. The annual rate used is 20%.

Notes to the Financial Statements

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(e) **Property, plant and equipment** (continued)

The useful life of an asset and its residual value, if any, are reviewed and adjusted, if appropriate, annually at each balance sheet date.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(f) **Impairment of assets**

At each balance sheet date, the Group assesses whether there is any indication that property, plant and equipment, goodwill, investments in subsidiaries and associates have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the fair value less costs to sell and value in use of an asset. The fair value less costs to sell is the amount that could be obtained from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less the costs of disposal, while value in use is the present value of the future cash flows expected to be derived from an asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset other than goodwill is increased to the revised estimate of its recoverable amount, which is restricted to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately. An impairment loss in respect of goodwill is not reversed.

Notes to the Financial Statements

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(g) **Investments**

From 1st January, 2004 to 31st December 31, 2004

The Group classified its investments other than investments in subsidiaries and associates as investment securities, other investments and other assets as follows:

(i) Investment securities

Investment securities, which are securities held for an identified long-term strategic purpose, are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-down or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Other investments

Other investments are measured at fair value with unrealised gains and losses included in net profit or loss for the year.

(iii) Other assets

Other assets are stated at cost less any provision for impairment losses.

The carrying amounts of other assets are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such asset will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account.

Notes to the Financial Statements

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(g) Investments (continued)

From 1st January, 2005 and onwards:

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) **Investments** (continued)

From 1st January, 2005 and onwards (continued):

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using generally accepted valuation techniques.

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

Notes to the Financial Statements

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(h) Accounts receivables

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses. An impairment loss of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the profit and loss account.

(i) Accounts payables

Accounts payables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit and loss account over the period of the borrowings using the effective interest method.

(k) Convertible bonds

From 1st January, 2004 to 31st December, 2004:

Convertible bond was classified as current liabilities and stated at cost.

From 1st January, 2005 and onwards:

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

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Convertible bonds (continued)

From 1st January, 2005 and onwards (continued):

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

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

(l) Income taxes

Income taxes for the year comprise current tax and movements in deferred tax assets and liabilities. Income taxes are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(l) **Income taxes** (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(l) **Income taxes** (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) **Translation of foreign currencies**

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

Foreign currency transactions during the year are translated into functional currency at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit and loss account.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into functional currency using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into functional currency using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into presentation currency at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into presentation currency at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(n) Provisions and contingencies

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(o) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

Introductory fee income and other services is recognised when the related services are rendered.

Dividend income is recognised when the shareholder's right to receive payment have been established.

Gains or losses on sale of investments are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when investments are delivered and title has passed.

(p) Operating leases

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual leave and other benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group has only one defined contribution plan and the assets of which are held in separate trustee – administered funds. The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

Notes to the Financial Statements

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(q) Employee benefits (continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using generally accepted option pricing models by taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed, any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(r) Related parties

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

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(s) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits with banks, and short-terms, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(t) **Segment reporting**

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

Notes to the Financial Statements

4. REVENUES AND TURNOVER

The Group principally invests in securities listed on the Stock Exchange and unlisted securities, including equity securities, convertible notes issued by corporate entities. Total revenues recognised during the year are as follows:

	2005 HK$	2004 HK$
Turnover:		
Interest income from		
– bank deposits	140,363	14,806
– loan receivables	1,687,112	2,910,884
– investment securities	–	298,572
– convertible notes	106,301	–
Arrangement fee income	–	187,500
Dividend income from		
– listed investments	510,426	1,004,738
– unlisted investments	1,700,000	750,000
	4,144,202	5,166,500
Other revenues:		
Commission income	–	70,045
Net realised gain on sale of available-for-sale financial assets	1,145,874	–
Net realised gain on sale of financial assets at fair value through profit or loss	2,549,622	–
Gain on sale of other investments	–	17,447,117
Net unrealised gain on other investments	–	3,255,061
Dividend forfeited	301,595	–
Introductory fee	41,277,880	–
Bad debts recovery	499,066	132,383
Sundry income	1,700,520	1,489,170
	47,474,557	22,393,776
Total revenues	51,618,759	27,560,276

No analysis of the Group's turnover and contribution to operating profit for the year set out by principal activities and geographical markets is provided as the Group has only one single business segment, investment holding, and less than 10% of the consolidated turnover, results and assets of the Group are attributable to markets outside Hong Kong.

Notes to the Financial Statements

5. OPERATING PROFIT

Operating profit has been arrived at after charging the following:

	2005 HK$	2004 HK$
Auditors' remuneration	300,000	238,000
Annual listing fee	145,000	175,000
Management fees *(Note 31)*	2,205,760	2,166,444
Incentive fee *(Note 31)*	1,400,508	911,185
Pension costs – contributions to defined contribution plan*	54,703	75,515
Travelling and entertainment expenses	549,960	486,507
Press announcements, printing and stationery expenses	144,420	143,378
Operating lease in respect of land and buildings	1,275,193	836,118
Other operating expenses	2,348,410	1,761,938

* There was no forfeited contribution in respect of the defined contribution plan available at the year-end to reduce future contributions (2004: Nil). There was no outstanding contributions to the plan at the year-end (2004: Nil).

6. FINANCE COSTS

	2005 HK$	2004 HK$
Bank charges	2,792	–
Interest on instalment loans	449,589	397,260
Interest on convertible bond	186,740	1,453,894
	639,121	1,851,154

Details of the instalment loans and convertible bond are set out in Notes 24 and 25 respectively to the financial statements.

7. INCOME TAXES

(a) No provision for income taxes has been made in the Group's financial statements as the Group had no assessable profit for the year (2004: Nil).

(b) No taxation charge is attributable to the associates of the Group (2004: Nil).

(c) Reconciliation between tax expense and the Group's accounting profit at applicable tax rates is set out below:

	2005 HK$	2004 HK$
Profit before taxation	22,416,899	8,119,191
Notional tax on profit before taxation, calculated at the applicable tax rate of 17.5% (2004: 17.5%)	3,922,957	1,420,858
Tax effect of income not taxable for tax purpose	(7,975,660)	(563,656)
Tax effect of expenses not deductible for tax purpose	2,467,060	2,507,560
Utilisation of tax losses previously not recognised	(175,532)	(2,466,488)
Tax effect of tax losses not recognised	393,911	292,426
Temporary differences not recognised	1,367,264	(1,190,700)
Actual tax expense	–	–

(d) At the balance sheet date, the Group had unused tax losses of HK$22,244,223 (2004: HK$20,996,343) available for offsetting against future profits. However, no deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the Financial Statements

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Fees HK$	Salaries, allowances and benefits in kind HK$	Contributions to pension scheme HK$	2005 Total HK$
Executive directors:				
Lee Fong Lit David	–	–	–	–
Chow Pok Yu Augustine	20,000	–	–	20,000
Lam Andy Siu Wing	–	500,000	21,000	521,000
Independent non-executive directors:				
Tong Kim Weng Kelly	20,000	–	–	20,000
Ho Man Kai Anthony	20,000	–	–	20,000
Wong Yun Kuen	20,000	–	–	20,000
	80,000	500,000	21,000	601,000

	Fees HK$	Salaries, allowances and benefits in kind HK$	Contributions to pension scheme HK$	2004 Total HK$
Executive directors:				
Lee Fong Lit David	–	–	–	–
Chow Pok Yu Augustine	20,000	–	–	20,000
Lam Andy Siu Wing*	–	350,000	15,750	365,750
Independent non-executive directors:				
Tong Kim Weng Kelly	20,000	–	–	20,000
Ho Man Kai Anthony	6,558	–	–	6,558
Wong Yun Kuen	6,557	–	–	6,557
Ong Hong Hoon *	20,000	–	–	20,000
	73,115	350,000	15,750	438,865

* Mr. Lam Andy Siu Wing, JP was appointed as an executive director on 23rd March, 2004 and Mr. Ong Hong Hoon was resigned as an independent non-executive director on 3rd September, 2004.

Notes to the Financial Statements

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows (continued):

Note:

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

(ii) In addition to the directors' emoluments disclosed above, Mr. Lee Fong Lit David received emoluments from a related company, namely Harmony Asset Management Limited, which amounted to HK$1,040,000 (2004: HK$1,040,000), in respect of his services provided to the Company and its subsidiaries.

(iii) Prior to the appointment of Mr. Lam Andy Siu Wing, JP as a director of the Company on 23rd March, 2004, he was a director of a subsidiary within the Group. His emoluments attributable to his services provided for the Group during the period that Mr. Lam was not a director of the Company were amounted to HK$110,250, in which the basic salaries, other allowances and benefits in kind were amounted to HK$105,000 and contributions to a pension scheme were amounted to HK$5,250. These figures were not reflected in the directors' remuneration for the year 2004.

(iv) No share option was granted to any director under the share option scheme for the year ended 31st December, 2005. Details of the share option scheme are set out in Note 26(c) to the financial statements.

Notes to the Financial Statements

8. **DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS** (continued)

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include one (2004: one) director whose emoluments are disclosed in Note 8(a) above. The emoluments payable to the remaining four (2004: four) individuals during the year are as follows:

	2005 HK$	2004 HK$
Basic salaries, other allowances and benefits in kind	1,078,900	1,074,000
Contributions to a pension scheme	50,478	49,965
	1,129,378	1,123,965

Note:

The emoluments of the four (2004: four) individuals with the highest emoluments are within the band from HK$Nil to HK$1,000,000.

9. **PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The consolidated profit attributable to shareholders includes a profit of HK$954,319 (2004: loss of HK$34,228,735) which has been dealt with in the financial statements of the Company.

10. **PROPOSED DIVIDEND**

	2005 HK$	2004 HK$
Proposed dividend of HK3 cents per share (2004: HK2 cents per share)	4,383,071	2,922,047

The Board of Directors (the "Board") has recommended a dividend out of the share premium account of the Company of HK3 cents per share (2004: HK2 cents per share) in respect of the year ended 31st December, 2005, totaling not less than HK$4,383,071 (2004: HK$2,922,047) which is subject to the approval of shareholders at the forthcoming annual general meeting to be held on 7th June, 2006 and compliance with the Companies Law of the Cayman Islands.

If approved, the said dividend will be paid on or about 14th June, 2006 to shareholders whose names appear on the register of members of the Company at the close of business on 7th June, 2006.

Notes to the Financial Statements

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$22,416,899 (2004: HK$8,119,191) and on the adjusted weighted average of 141,242,374 (2004: 121,800,581) ordinary shares in issue during the year.

No diluted earnings per share is presented as there is no dilutive potential ordinary share during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicle	Total
	HK$	HK$	HK$	HK$	HK$
Cost					
At 1st January, 2004	877,258	363,142	298,029	528,200	2,066,629
Additions	402,371	31,040	100,582	–	533,993
At 31st December, 2004	1,279,629	394,182	398,611	528,200	2,600,622
Additions	–	6,049	4,635	–	10,684
At 31st December, 2005	1,279,629	400,231	403,246	528,200	2,611,306
Accumulated depreciation					
At 1st January, 2004	548,725	321,773	297,213	184,870	1,352,581
Provided for the year	140,543	37,970	12,728	105,640	296,881
At 31st December, 2004	689,268	359,743	309,941	290,510	1,649,462
Provided for the year	170,074	11,912	21,043	105,640	308,669
At 31st December, 2005	859,342	371,655	330,984	396,150	1,958,131
Carrying amount					
At 31st December, 2005	420,287	28,576	72,262	132,050	653,175
At 31st December, 2004	590,361	34,439	88,670	237,690	951,160

Notes to the Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Company				
	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicle	Total
	HK$	HK$	HK$	HK$	HK$
Cost					
At 1st January, 2004	459,125	329,737	298,029	528,200	1,615,091
Additions	402,371	31,040	100,582	–	533,993
At 31st December, 2004	861,496	360,777	398,611	528,200	2,149,084
Additions	–	6,049	4,635	–	10,684
At 31st December, 2005	861,496	366,826	403,246	528,200	2,159,768
Accumulated depreciation					
At 1st January, 2004	459,125	295,739	297,213	184,870	1,236,947
Provided for the year	50,943	31,290	12,728	105,640	200,601
At 31st December, 2004	510,068	327,029	309,941	290,510	1,437,548
Provided for the year	80,474	11,222	21,043	105,640	218,379
At 31st December, 2005	590,542	338,251	330,984	396,150	1,655,927
Carrying amount					
At 31st December, 2005	270,954	28,575	72,262	132,050	503,841
At 31st December, 2004	351,428	33,748	88,670	237,690	711,536

Notes to the Financial Statements

13. GOODWILL

	HK$
Cost	
At 1st January, 2004 and 31st December, 2004	82,012
At 1st January, 2005	82,012
Opening balance adjustment to eliminate accumulated amortisation *(Note a)*	(26,653)
At 1st January, 2005, as restated and 31st December, 2005	55,359
Accumulated amortisation and impairment losses	
At 1st January, 2004	10,251
Provided for the year *(Note b)*	16,402
At 31st December, 2004	26,653
At 1st January, 2005	26,653
Eliminated against cost at 1st January, 2005 *(Note a)*	(26,653)
At 1st January, 2005, as restated	–
Impairment losses *(Note c)*	55,359
At 31st December, 2005	55,359
Carrying amount	
At 31st December, 2005	–
At 31st December, 2004	55,359

Notes to the Financial Statements

13. GOODWILL (continued)

Note:

(a) As explained in Note 2(a), with effect from 1st January, 2005, the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1st January, 2005 has been eliminated against the cost of goodwill as at that date.

(b) In 2004, goodwill not already recognised directly in reserves was amortised on a straight-line basis over five years.

(c) Goodwill was wholly arised from the acquisition of IT Technology Centre Limited (formerly known as Incubation Centre at Cyberport Limited) which then becomes a wholly owned subsidiary of the Company in 2003. The subsidiary, which is solely engaged in operation of an incubation centre, is considered as the only cash-generating unit ("CGU") for the purpose of impairment testing on carrying value of goodwill. As at 31st December, 2005, in the opinion of the directors of the Company, the recoverable amount of the CGU is nil in view that the subsidiary is in net liability position and is not expected to derive any future cash inflows to the Group. As such, the entire carrying amount of goodwill is impaired and the resultant impairment loss is recognised in profit and loss account during the year.

14. INTERESTS IN SUBSIDIARIES

	2005 HK$	2004 HK$
Unlisted shares, at cost	16,718,590	16,718,590
Provision for impairment loss on investments in subsidiaries	(16,718,588)	(16,718,588)
	2	2
Amounts due from subsidiaries *(Note a)*	129,368,186	122,533,571
Amounts due to subsidiaries *(Note b)*	–	(12,844,858)
	129,368,188	109,688,715

Note:

(a) Included in amounts due from subsidiaries is an amount of HK$16,303,915 (2004: HK$14,200,000) advances to a subsidiary which are unsecured, interest-bearing at annual rates ranging from 1% to 10% (2004: 1% to 7%) and are not expected to be realised within one year from the balance sheet date. The remaining balances are unsecured, interest free and not expected to be realised within one year from the balance sheet date.

(b) The amounts due to subsidiaries are unsecured, interest free and not due to be settled within one year from balance sheet date.

Notes to the Financial Statements

14. INTERESTS IN SUBSIDIARIES (continued)

(c) The following is a list of subsidiaries at 31st December, 2005:

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Plowright Investments Limited ("PIL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%*
Powercell Limited ("PCL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%
Quickrise Limited ("QRL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%
Multiple Asset Limited ("MAL")	Hong Kong	Dormant	2 Ordinary shares of HK$1 each	100%*
Wingo Venture Limited ("WVL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%
IT Star Holdings Limited ("ITSH")	Cayman Islands	Investment holding in Hong Kong	1 Ordinary share of HK$0.1 each	100%*
IT Star Limited ("ITL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%
Wintech Limited ("WTL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%

Notes to the Financial Statements

14. **INTERESTS IN SUBSIDIARIES** (continued)

(c) The following is a list of subsidiaries at 31st December, 2005 (continued):

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Marrick Investments Limited ("MIL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%
Wayfairer Investments Limited ("WIL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%
Datacom Venture Limited ("DVL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%
Gwynneth Gold Limited ("GGL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%
Goal Vision Limited ("GVL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%
IT Technology Centre Limited (Formerly known as Incubation Centre at Cyberport Limited) ("ITCL")	Hong Kong	Operation of an incubation centre	2 Ordinary shares of HK$1 each	100%
Techlink Venture Limited ("TVL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1 each	100%

* Shares held directly by the Company

Notes to the Financial Statements

15. INTERESTS IN ASSOCIATES

	Group 2005 HK$	Group 2004 HK$
Share of net assets *(Note a)*	–	–
Loan to an associate *(Note b)*	–	5,705,210
	–	5,705,210

Note:

(a) Details of the associates at 31st December, 2005 are as follows:

Name of associate	Place of incorporation	Principal activities and place of operation	Particulars of issued share held	Interest held
Eclipse Investment Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	2,730,000 ordinary shares of HK$1 each	35%
Lastminute Limited	Hong Kong	Provision of travelling agency services in Hong Kong	10,000 ordinary shares of HK$1 each	35%

Summary of unaudited financial information on associates:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenues HK$'000	Profit (loss) for the year HK$'000
2005					
100 per cent	3,876	(6,240)	(2,364)	33,162	166
Group's effective interest	1,357	(2,184)	(827)	11,607	58
2004					
100 per cent	14,363	(16,956)	(2,593)	32,170	(465)
Group's effective interest	3,961	(4,862)	(901)	11,260	(162)

Notes to the Financial Statements

15. INTERESTS IN ASSOCIATES (continued)

Note (continued):

(b) The loan to an associate was unsecured, interest free and not due to be settled within one year after the balance sheet date.

(c) In January 2005, Waltin (HK) Limited ("Waltin"), a then 25% held associate of the Group increased its share capital by allotment of new shares. The Group's effective shareholdings in Waltin was thus diluted from 25% to 10% after the said allotment. Subsequently, the Group ceased to have any representations on the board of directors of Waltin. As a result, the carrying amount of investment in Waltin were transferred from investments in associates to available-for-sale financial assets.

(d) The Group has not recognised its associate's profit for current year of HK$58,000 (2004: loss of HK$162,000) approximately. The accumulated losses not recognised were HK$827,000 (2004: HK$901,000) approximately.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2005 HK$	2004 HK$	2005 HK$	2004 HK$
Unlisted equity securities *(Note a)*	14,885,160	–	–	–
Equity securities listed outside Hong Kong *(Note b)*	89,228	–	–	–
Deposit for investments *(Note c)*	20,861,024	–	15,540,124	–
Club debentures	1,930,000	–	1,930,000	–
	37,765,412	–	17,470,124	–
Market value of listed equity securities	89,228	–	–	–

Following the adoption of HKAS 39 in 2005, certain financial assets were redesignated as available-for-sale financial assets on 1st January, 2005. There were no such redesignation prior to 1st January, 2005 as retrospective application of HKAS 39 is not permitted.

Notes to the Financial Statements

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Note:

(a) As at 31st December, 2005, details of major available-for-sale financial assets are as follows:

Name of investee company	Place of incorporation	Proportion of investee's capital owned	Cost and advances thereto HK$'000	Fair value HK$'000	Dividend income received during the year HK$'000	Dividend cover %	Net assets attributable to the investment HK$'000	Unrealised gain (loss) taken in the accounts HK$'000	Principal activities and place of operation
Capital Venture Limited	Hong Kong	26%	16,785	16,265	–	–	–	(520)	Provision of property investment and financing services in Hong Kong
Chief Finance Limited	Hong Kong	26%	25,439	23,630	–	–	791	(1,809)	Provision of commercial financing services in Hong Kong
Fullpower Holdings Limited	British Virgin Islands	35%	9,222	8,261	–	–	789	(961)	Investment holding in Hong Kong
One.Tel Holdings Limited	British Virgin Islands	20%	4,000	2,380	–	–	2,380	(1,620)	Investment holding in Hong Kong
Waltin (HK) Limited	Hong Kong	10%	6,508	6,505	–	–	–	(3)	Investment holding in Hong Kong
Yeelong Enterprises Limited	Hong Kong	35%	4,274	2,929	–	–	2,929	(1,345)	Investment holding in Hong Kong

The equity investments in the above companies with interests held exceeding 20% are not classified as investments in associates as the Group does not participate in their operations and has no significant influence over their management.

(b) In the opinion of directors, the listed equity securities are not held for trading. Such investments are classified as available-for-sale financial assets and stated at fair value.

(c) The deposits for investments were interest free and placed with the agent or investee companies for conversion to respective unlisted equity interests in the near future.

17. LOANS AND RECEIVABLES

	2005 HK$	2004 HK$
Loans to investee companies	71,376,496	–
Less: Provision for impairment losses	(15,686,277)	–
	55,690,219	–

Following the adoption of HKAS 39 in 2005, loans to investee companies were redesignated as loans and receivables on 1st January, 2005. There was no such redesignation prior to 1st January, 2005 as retrospective application of HKAS 39 is not permited.

Loans to investee companies are unsecured, interest free and not expected to be realised within one year from the balance sheet date.

18. INVESTMENT SECURITIES

	2005 HK$	2004 HK$
Investment securities, at cost:		
Convertible notes	–	899,037
Unlisted equity securities	–	48,905,190
Loans to investee companies	–	73,080,921
	–	122,885,148
Less: Provision for impairment loss on investment securities	–	(39,339,216)
	–	83,545,932

Notes to the Financial Statements

18. INVESTMENT SECURITIES (continued)

In accordance with HKAS 39, investment securities were redesignated on 1st January, 2005 as various categories, details are set out below:

– Convertible notes were redesignated as financial assets at fair value through profit or loss as set out in Note 21 to the financial statements.

– Unlisted equity securities were redesignated as available-for-sale financial assets and stated at fair value as set out in Note 16 to the financial statements.

– Loans to investee companies were redesignated as loans and receivables and stated at amortised cost less impairment losses as set out in Note 17 to the financial statements.

19. OTHER ASSETS

	Group		Company	
	2005 HK$	2004 HK$	2005 HK$	2004 HK$
Deposits for investments, at cost	–	8,249,983	–	6,174,983
Club debentures, at cost	–	1,231,360	–	1,231,360
	–	9,481,343	–	7,406,343

In accordance with HKAS 39, deposits for investments and club debentures were redesignated as available-for-sale financial assets on 1st January, 2005 and are stated at fair value as set out in Note 16 to the financial statements.

Notes to the Financial Statements

20. ACCOUNTS RECEIVABLES

	Group		Company	
	2005 HK$	2004 HK$	2005 HK$	2004 HK$
Accounts receivable	43,322,685	9,657,500	1,215,360	1,357,500
Loan receivables *(Note a)*				
– secured	13,700,000	13,700,000	–	–
– unsecured	–	2,036,150	–	1,536,150
Interest receivable	678,498	334,490	–	–
Other receivables	249,589	58,000	–	58,000
Deposits	469,740	413,502	279,629	279,629
Prepayments	211,352	152,850	207,603	149,100
	58,631,864	26,352,492	1,702,592	3,380,379

Note:

(a) Both secured and unsecured loans are interest-bearing at annual rates ranging from 1% to 10% (2004: 1% to 7%) and are expected to be realised within one year from balance sheet date.

(b) The ageing analysis of accounts receivables are as follows:

	Group		Company	
	2005 HK$	2004 HK$	2005 HK$	2004 HK$
Current	42,879,738	2,058,829	429,503	1,925,000
30 – 60 days	63,389	10,718	8,000	900
61 – 90 days	62,846	15,839	–	5,580
Over 90 days	15,625,891	24,267,106	1,265,089	1,448,899
	58,631,864	26,352,492	1,702,592	3,380,379

Notes to the Financial Statements

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2005 HK$	2004 HK$	2005 HK$	2004 HK$
Non-current assets:				
Investment in a convertible note *(Note a)*	2,000,000	–	–	–
Current assets:				
Equity securities *(Notes b and c)*				
– Listed in Hong Kong	16,702,160	–	7,259,760	–
– Listed outside Hong Kong	2,553,946	–	–	–
	19,256,106	–	7,259,760	–
Total	21,256,106	–	7,259,760	–
Market value of listed equity securities	19,256,106	–	7,259,760	–

Following the adoption of HKAS 39 in 2005, investments in convertible notes and other investments were redesignated as financial assets at fair value through profit or loss on 1st January, 2005. There was no such redesignation prior to 1st January, 2005 as retrospective application of HKAS 39 is not permitted.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note:

(a) Investment in a convertible note comprises a non-derivative host contract and an embedded derivative i.e. the equity conversion option. An embedded derivative whose economic characteristics and risks are not closely related to the economic characteristics and risk of the host contract and which meet the definition of a derivative, is separated from the host contract and accounted for as a derivative. A non-derivative host contract is accounted for under HKAS 39 or other accounting standards, if applicable. If the fair value of the embedded derivative cannot be reliably measured on the basis of its terms and conditions, the entire combined contract is treated as a financial asset and is held for trading.

The Group's investment in a convertible note is classified as financial assets at fair value through profit or loss since the fair values of the embedded derivatives cannot be measured reliably.

Details of the convertible note at 31st December, 2005 are as follows:

Name of issuer	Security	Nature of business	Principal amount HK$	Maturity date	Interest rate
Rich Creations Holding Limited	Secured	Investment holding	2,000,000	22nd June, 2007	5% per annum

Notes to the Financial Statements

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note (continued):

(b) Listed equity securities

As 31st December, 2005, details of major financial assets at fair value through profit or loss are as follows:

Name of investee company	Place of incorporation	Proportion of investee's capital owned	Cost HK$'000	Market value HK$'000	Dividend income received during the year HK$'000	Dividend cover	Net assets attributable to the investment HK$'000	Unrealised gain (loss) taken in the accounts HK$'000
Listed in Hong Kong:								
EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil") *(Note (i))*	Cayman Islands	0.4%	9,376	9,442	307	35.8%	8,274	66
Upbest Group Limited ("Upbest") *(Note (ii))*	Cayman Islands	0.3%	1,249	2,760	99	36.8%	1,458	1,511
Tysan Holdings Limited ("Tysan") *(Note (iii))*	Bermuda	1.3%	7,255	2,400	–	–	17,463	(4,855)
Listed outside Hong Kong:								
Celsion Corporation ("Celsion") *(Note (iv))*	Delaware	0.8%	3,631	2,554	–	–	320	(1,077)

Note:

(i) EganaGoldpfeil is principally engaged in design, assembly, manufacturing and distribution of timepieces, jewellery and leather products; licensing or assignment of brand names to third parties; and trading of timepiece components, jewellery and consumer electronic products. Its place of operation is mainly in Hong Kong.

(ii) Upbest is principally engaged in provision of a wide range of financial services including, securities broking, futures broking, margin financing, money lending, corporate finance advisory and asset management; and property investment. Its place of operation is mainly in Hong Kong.

(iii) Tysan is principally engaged in foundation piling, machinery trading and leasing; property investment and development, electric and mechanic engineering and building construction. Its place of operation is mainly in Hong Kong.

(iv) Celsion is principally engaged in furthering the development and commercialisation of treatment systems for cancer and other diseases using focused heat energy in combination with other therapeutic devices, heat-activated drugs or heat-activated genes. Its place of operation is mainly in United States of Amercia.

Notes to the Financial Statements

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note (continued):

(c) Under an agreement entered into between the Group and a bank, the Group can pledge its listed securities with total market value of HK$2,400,000 (2004: HK$7,211,600 included in other investments as set out in Note 22 to the financial statements) to the bank for banking facilities to the extent of not exceeded 20% (2004: 20%) of the total market value of these shares.

22. OTHER INVESTMENTS

	Group		Company	
	2005 HK$	2004 HK$	2005 HK$	2004 HK$
Equity securities, at fair value				
– Listed in Hong Kong	–	26,968,660	–	18,577,123
– Listed outside Hong Kong	–	2,445,300	–	–
	–	29,413,960	–	18,577,123
Market value of listed equity securities	–	29,413,960	–	18,577,123

In accordance with HKAS 39 in 2005, all other investments were redesignated as financial assets at fair value through profit or loss and are stated at fair value as set out in Note 21 to the financial statements.

Notes to the Financial Statements

23. ACCOUNTS PAYABLES

	Group		Company	
	2005 HK$	2004 HK$	2005 HK$	2004 HK$
Accruals	1,712,487	2,115,625	1,663,487	1,512,326
Interest payable	228,937	593,789	–	–
	1,941,424	2,709,414	1,663,487	1,512,326

The ageing analysis of accounts payables are as follow:

	Group		Company	
	2005 HK$	2004 HK$	2005 HK$	2004 HK$
Current	1,724,381	1,312,875	1,641,408	1,162,299
30 – 60 days	42,777	89,785	9,900	–
61 – 90 days	43,872	106,421	9,900	–
Over 90 days	130,394	1,200,333	2,279	350,027
	1,941,424	2,709,414	1,663,487	1,512,326

24. INTEREST-BEARING BORROWINGS

	2005 HK$	2004 HK$
Repayable within one year:		
– loan *(Note a)*	2,500,000	–
– instalment loan *(Note b)*	5,000,000	10,000,000
	7,500,000	10,000,000

Note:

(a) During the year, under a deed of agreement entered into between a subsidiary of the Company and a bondholder, a convertible bond as set out in Note 25 to the financial statements of remaining balance of HK$2,500,000 has been converted as unsecured loan advanced to the subsidiary at a fixed interest rate of 6% per annum.

(b) The instalment loan is unsecured and interest-bearing at 5% per annum.

Notes to the Financial Statements

25. CONVERTIBLE BOND

	2005 HK$	2004 HK$
Convertible bond		
– Repayable within one year	–	9,900,000

As at 31st December, 2004, the maturity date for a convertible bond with a principal amount of HK$9.9 million has been extended to 8th March, 2005. The convertible bond carried fixed interest of 6% per annum. The bondholder was entitled to convert the full principal amount of the bond into a pre-determined number of ordinary shares of ITSH on occurrence of certain conversion events at any time prior to the maturity date. However, upon the extended maturity date, no shares were converted. Partial principal were repaid whereas the unpaid principal of convertible bond were converted to unsecured loan as set out in Note 24(a) to the financial statements.

26. SHARE CAPITAL

	Number of shares	Amount HK$
Ordinary shares of HK$0.2 each		
Authorised:		
At 1st January, 2004 and 31st December, 2004 and 2005	500,000,000	100,000,000
Issued and fully paid:		
At 1st January, 2004	121,798,528	24,359,706
Exercise of warrants *(Note a)*	3,846	769
At 31st December, 2004	121,802,374	24,360,475
Issue of shares *(Note b)*	24,300,000	4,860,000
At 31st December, 2005	146,102,374	29,220,475

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the Financial Statements

26. SHARE CAPITAL (continued)

Note:

(a) Warrants

Prior to the expiration of the 2004 warrants on 30th June, 2004, 3,846 of the 2004 warrants were exercised and 3,846 ordinary shares of HK$0.2 each were issued at a cash consideration of HK$1 per ordinary share. These new shares ranked pari passu with the existing shares of the Company.

(b) Share placement

Pursuant to a placing agreement with a placing agent dated 1st March, 2005, the Company agreed to place through the placing agent an aggregate of 24,300,000 placing shares, on a fully underwritten basis, to not fewer than six placees, at a price of HK$0.35 per share. On 15th March, 2005, such placing shares were issued and fully paid.

(c) Share option scheme

The Company has adopted a share option scheme (the "Share Option Scheme") at its annual general meeting held on 28th June, 2005. The purposes of the Share Option Scheme are to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

All directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Company and its subsidiaries and consultants, advisors, agents, customers, service providers, contractors, business partners of any member of the Group or any member of it has a shareholding interest, in the sole discretion of the Board, has contributed to the Group or any member of it are eligible to participate in the Share Option Scheme.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 14,610,237 shares of the Company, being 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme and 10% of issued share capital at the date of the annual report.

Notes to the Financial Statements

26. SHARE CAPITAL (continued)

Note (continued):

(c) Share option scheme (continued)

The total number of shares issued and to be issued upon exercise of options granted to each eligible participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any twelve-month period must not exceed 1% of the issued shares of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any twelve-month period up to the date of grant should not exceed 0.1% of the issued shares of the Company or an aggregate value of HK$5,000,000.

An option may be exercised at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof.

Unless otherwise determined by the Board at its sole discretion, the Share Option Scheme does not require a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised.

Upon acceptance of the options, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

The subscription price for the shares of the Company the subject of an option shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceeding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the Board at the time the option is offered to the relevant participant.

The Share Option Scheme will remain in force for a period of ten years from 28th June, 2005.

No option was granted, exercised, lapsed or cancelled during the year or remained outstanding as at 31st December, 2005.

Notes to the Financial Statements

27. RESERVES

Group

	Share premium HK$	Fair value reserve HK$	Proposed dividend HK$	Accumulated losses HK$	Total HK$
At 1st January, 2005	148,900,601	–	2,922,047	(27,370,669)	124,451,979
Opening adjustment for adoption of HKAS 39 *(Note 2b)*	–	–	–	(7,023,074)	(7,023,074)
At 1st January, 2005, as restated	148,900,601	–	2,922,047	(34,393,743)	117,428,905
Issue of shares	3,645,000	–	–	–	3,645,000
Share issue expenses	(262,625)	–	–	–	(262,625)
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	–	–	(2,922,047)	–	(2,922,047)
Profit for the year	–	–	–	22,416,899	22,416,899
Unrealised gain on available-for-sale financial assets recognised in equity	–	132,799	–	–	132,799
Proposed dividend	(4,383,071)	–	4,383,071	–	–
At 31st December, 2005	147,899,905	132,799	4,383,071	(11,976,844)	140,438,931
At 1st January, 2004	151,819,571	–	–	(35,489,860)	116,329,711
Issue of shares	3,077	–	–	–	3,077
Profit for the year	–	–	–	8,119,191	8,119,191
Proposed dividend	(2,922,047)	–	2,922,047	–	–
At 31st December, 2004	148,900,601	–	2,922,047	(27,370,669)	124,451,979

Notes to the Financial Statements

27. RESERVES (continued)

Company

	Share premium HK$	Fair value reserve HK$	Proposed dividend HK$	Accumulated losses HK$	Total HK$
At 1st January, 2005	148,900,601	–	2,922,047	(23,570,173)	128,252,475
Issue of shares	3,645,000	–	–	–	3,645,000
Share issue expenses	(262,625)	–	–	–	(262,625)
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	–	–	(2,922,047)	–	(2,922,047)
Profit for the year	–	–	–	954,319	954,319
Unrealised gain on available-for-sale financial assets recognised in equity	–	698,640	–	–	698,640
Proposed dividend	(4,383,071)	–	4,383,071	–	–
At 31st December, 2005	147,899,905	698,640	4,383,071	(22,615,854)	130,365,762
At 1st January, 2004	151,819,571	–	–	10,658,562	162,478,133
Issue of shares	3,077	–	–	–	3,077
Loss for the year	–	–	–	(34,228,735)	(34,228,735)
Proposed dividend	(2,922,047)	–	2,922,047	–	–
At 31st December, 2004	148,900,601	–	2,922,047	(23,570,173)	128,252,475

Notes to the Financial Statements

27. RESERVES (continued)

Note:

(a) Nature and purpose of reserves

Share premium represents the amount by which the issue price of shares exceeds the par value of those shares and is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Fair value reserve comprises the cumulative net change in fair value of available-for-sale financial assets held at the balance sheet date and is dealt with in accordance with the accounting policies in Note 3(g) to the financial statements.

(b) Distributability of reserves

Distributable reserves of the Company at 31st December, 2005 according to the Company's Articles of Association amounted to HK$130,365,762 (2004: HK$128,252,475).

28. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of HK$169,659,406 (2004: HK$148,812,454) and the 146,102,374 (2004: 121,802,374) ordinary shares in issue as at 31st December, 2005.

Notes to the Financial Statements

29. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to cash (used in) generated from operations:

	2005 HK$	2004 HK$
Operating activities		
Profit before taxation	22,416,899	8,119,191
Loss on disposal of investment securities	–	1,193,400
Interest income	(1,933,776)	(3,224,262)
Finance costs	639,121	1,851,154
Dividend income from investment securities	–	(750,000)
Dividend income from available-for-sale financial assets	(1,700,000)	–
Depreciation of owned property, plant and equipment	308,669	296,881
Gain on disposal of available-for-sale financial assets	(1,145,875)	–
Net unrealised loss on financial assets at fair value through profit or loss	4,654,492	–
Provision for impairment loss on accounts receivables	10,403,915	–
Provision for impairment loss on investment securities	–	5,565,486
Provision for impairment loss on loans and receivables	1,353,120	–
Loss on disposal of an associate	–	1,972,213
Impairment loss on goodwill	55,359	–
Amortisation of goodwill	–	16,402
Profit before working capital changes	35,051,924	15,040,465
Increase in other assets	–	(3,958,920)
Decrease in financial assets at fair value through profit or loss	5,503,363	–
Decrease in other investments	–	2,491,020
(Increase) Decrease in accounts receivables	(40,285,364)	161,948
(Decrease) Increase in accounts payables	(403,991)	1,080,654
Cash (used in) generated from operations	(134,068)	14,815,167

Notes to the Financial Statements

30. MAJOR NON-CASH TRANSACTIONS

During the year, investments in convertible notes held by a subsidiary with the carrying value of HK$2,103,915 was converted as a secured loan advanced to the notes issuer upon maturity date of such notes. The said loan has been included in accounts receivables in consolidated balance sheet.

31. MANAGEMENT CONTRACTS

	2005 HK$	2004 HK$
Management fees		
– Harmony Asset Management Limited	2,205,760	2,166,444
Incentive fee		
– Harmony Asset Management Limited	1,400,508	911,185

The Company has entered into an investment management agreement with Harmony Asset Management Limited ("HAML"), a company which is wholly owned by Dr. Chow Pok Yu Augustine. Under the agreement, HAML has agreed to assist the Board with the day-to-day management of the Group until 31st May, 2007. In accordance with the investment management agreement, HAML is entitled to a monthly fee calculated at 1.5% per annum on the net asset value of the Company of the preceding month and an incentive fee at 10% of the surplus in the net asset value over a financial year. Dr. Chow Pok Yu Augustine, being a beneficial shareholder, was interested in these contracts in 2005 and 2004.

32. COMMITMENTS

(a) Commitments under operating leases

At 31st December, 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2005 HK$	2004 HK$
Within one year	1,601,805	1,037,990
In the second to fifth years inclusive	1,494,609	1,121,890
	3,096,414	2,159,880

The Group leases an office and an incubation centre under operating leases. The leases typically run from an initial period of three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

(b) Capital commitments

Capital commitments in respect of capital contributions to investment projects outstanding at 31st December, 2005 not provided for in the financial statements are as follows:

	2005 HK$	2004 HK$
Contracted for	1,000,000	–

Notes to the Financial Statements

33. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

– Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollar and US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Since HK dollar is pegged to US dollar, the directors consider that the Group's foreign exchange risk is not significant.

– Price risk

The Group is exposed to price risk of equity securities and embedded derivatives which are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. Such investments are susceptible to market price risk arising from uncertainties about their future prices. Such risk is managed through diversification of investment portfolio.

(ii) Credit risk

The Group has no significant concentrations of credit risk. Derivative counterparties and cash transactions are limited to high-credit-quality debtors. The Group has policies that limit the amount of credit exposure to any debtors. The Group regards the maximum credit risk exposure limited to available-for-sale financial assets, financial assets at fair value through profit or loss, loans and receivables and accounts receivables.

Notes to the Financial Statements

33. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its investment commitments.

(iv) Interest rate risk

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

The Group's interest rate risk arises from the interest-bearing borrowings. The borrowings are interest-bearing at 5% to 6% per annum. As such, the Group considers that their exposure to interest rate risk is minimal.

(b) Fair value

All the financial instruments are carried at amounts not materially different from their fair values.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is current bid price.

Fair value of financial assets and liabilities which do not have quoted market price in an active market is estimated by reference to generally accepted valuation techniques.

34. SUBSEQUENT EVENT

On 17th January, 2006, the Board has approved the grant of options to certain directors and employees of the Company to subscribe for an aggregate of 50,800,000 shares of HK$0.20 each in the capital of the Company with an exercise price of HK$0.55 per share under the Share Option Scheme of the Company adopted on 28th June, 2005 as set out in Note 26(c) to the financial statements.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 25th April, 2006.