Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

1. NATURE OF OPERATIONS

The principal activity of Haywood Investments Limited (the "Company") is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. The Group principally invests in listed and unlisted companies in Hong Kong and in other parts of the People's Republic of China, excluding Hong Kong (the "PRC") and investment property in Hong Kong.

The investment and acquisition of Summit Asset Holdings Limited ("Summit Asset") described in note 29 are in line with the Group's strategy to strengthen the investment portfolio of the Group.

2. GENERAL INFORMATION

The financial statements set out on pages 23 to 67 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands and, its principal place of business is Unit 2206, 22nd Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Hong Kong.

The financial statements for the year ended 31 December 2005 were approved by the board of directors on 18 April 2006.

3. ADOPTION OF NEW/REVISED HKFRS

From 1 January 2005, the Group has adopted the new/revised standards and interpretations of HKFRS, which are relevant to its operations. This includes the following new, revised and renamed standards:

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 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 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC) Int-12	Scope of HKAS-Int 12 Consolidation-Special Purpose Entities
HK(SIC) Int-15	Operating Leases-Incentives
HK(SIC) Int-21	Income Taxes-Recovery of Revalued Non-Depreciable Assets

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment. Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

Adoption of HKAS 32 and HKAS 39

Prior to the adoption of HKAS 39, non-trading securities are measured at fair value. Changes in fair value are dealt with in investment revaluation reserve until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in investment revaluation reserve is included in the income statement for that period.

3. ADOPTION OF NEW/REVISED HKFRS *(Continued)*

Adoption of HKAS 32 and HKAS 39 *(Continued)*

On the adoption of HKAS 39, the Group classified its investment into available-for sale and measured its financial assets at fair value.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, the reclassification is made on 1 January 2005 and the comparative figures have not been restated.

The effect of changes in the accounting policies as a result of adopting HKAS 32 and 39 on the consolidated balance sheet is set out below. There was no effect on the income statement in the current or prior year:

At 1 January 2005	HK$'000
(Decrease)/increase in assets	
Investments in securities	(9,464)
Available-for-sale financial assets	9,464
	–

Other standards adopted

The adoption of other HKASs did not result in significant alterations to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

New Standards or interpretations that have been issued but are not yet effective

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

3. ADOPTION OF NEW/REVISED HKFRS *(Continued)*

New Standards or interpretations that have been issued but are not yet effective *(Continued)*

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits-Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates-Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts-Financial Guarantee Contracts[2]
HKFRS 1& HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments-Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2006
3 Effective for annual periods beginning on or after 1 December 2005
4 Effective for annual periods beginning on or after 1 March 2006

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for the revaluation of investment properties and certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. All material inter-company transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

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

(d) Property, plant and equipment

(i) Depreciation

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

Leasehold improvements	50%
Furniture, fixtures and equipment	20%
Motor vehicles	50%

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

(ii) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets. When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

(e) Investment property

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by directors or external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in income statement.

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

(f) Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payments (the "initial value"), if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective or whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreement, ie depreciation methods and useful lives corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

All other leases are treated as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the terms of the lease. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

(g) Financial assets

In previous year, the Group classified its investments in non-trading securities other than subsidiaries as investment in securities and were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement. Where there is objective evidence that individual investments were impaired, the cumulative loss recorded in the revaluation reserve was taken to the income statement.

From 1 January 2005 onwards, the Group classifies its financial assets into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

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

(g) Financial assets *(Continued)*

All financial assets are recognised on their trade date. All financial assets that are not classified as fair value through profit or loss are initially recognised at fair value, plus transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets at fair value through profit or loss include financial assets that are either held for trading or are designated by the Group to be carried at fair value through profit or loss on initial recognition.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be re-classified.

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognised in equity, net of any effects arising from income taxes.

Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised. Impairment losses previously recognised in the income statement on equity instruments will not reverse through income statement in subsequent periods. Impairment losses previously recognised in income statement on debt securities are subsequently reversed through income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

(g) Financial assets *(Continued)*

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

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 receivables. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

Loans and receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

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

(h) Impairment of assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

(i) Income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

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

(i) Income tax *(Continued)*

Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

(j) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

(k) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the share premium, net of any related income tax benefits to the extent they are incremental costs directly attributable to the equity transaction.

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

(l) Pension obligations and short term employee benefits

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Short-term employee benefits are recognised for the number of paid leave days (usually holiday entitlement) remaining at the balance sheet date. They are included in other payables at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

(m) Financial liabilities

The Group's financial liabilities include bank borrowings, other payables, amounts due to directors and finance lease liabilities. They are included in balance sheet line items "Borrowings", "Other payables" and "Amounts due to directors".

Financial liabilities are recognised when the Group becomes a party to the contractual agreement of the instrument. All interest related charges are recognised as an expense in "finance cost" in the income statement.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

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

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

Other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

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

(n) Recognition of revenue

Interest income is accrued on a time basis by reference to the principal outstanding and the interest rates applicable.

Dividend income is recognised when the Group's right as a shareholder to receive payment is established.

(o) Foreign currencies

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement under "other income" or "other operating expenses", respectively.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into Hong Kong Dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rate.

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

(o) Foreign currencies *(Continued)*

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

(p) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that geographical segments be presented as the primary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, receivables, investment properties, financial assets at fair value through profit and loss and available-for-sale investments, and mainly exclude cash at banks. Segment liabilities comprise operating liabilities and exclude items such as amount due to directors.

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenues are based on the country in which the investment is located and total assets and capital expenditure are where the assets are located.

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

(q) 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 a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Investment properties

The investment property of the Group was stated at fair value in accordance with the accounting policy state in note 4(e). The fair value of the investment properties are determined by the directors as set out in note 15. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether an investment in available-for-sale financial assets is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the expected time span the Group will hold on to this investment.

5. SEGMENT INFORMATION

The Group makes investments in Hong Kong and in other parts of the PRC. These geographical markets are the basis on which the Group reports its primary segment information.

5. SEGMENT INFORMATION *(Continued)*

Segment information about these geographical markets is presented below:

	Hong Kong		PRC		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue – turnover	**177**	49	**–**	–	**177**	49
Results						
Segment results	**(352)**	(3,575)	**(2,043)**	(744)	**(2,395)**	(4,319)
Unallocated corporate expenses					**(2,828)**	(2,781)
Loss from operations					**(5,223)**	(7,100)
Finance costs					**(25)**	(7)
Loss before income tax					**(5,248)**	(7,107)
Income tax expense					**–**	–
Loss for the year					**(5,248)**	(7,107)
Assets						
Segment assets	**7,384**	3,564	**6,874**	8,917	**14,258**	12,481
Unallocated corporate assets					**52**	206
Total assets					**14,310**	12,687
Liabilities						
Segment liabilities	**(3,326)**	(66)	**–**	–	**(3,326)**	(66)
Unallocated corporate liabilities					**(500)**	(1,531)
Total liabilities					**(3,826)**	(1,597)
Other information						
Capital expenditure	**1,258**	284	**–**	–	**1,258**	284
Depreciation	**234**	35	**–**	–	**234**	35
Impairment loss recognised in income statement	**–**	3,064	**2,043**	744	**2,043**	3,808

No business segment analysis is presented as less than 10% of the Group's revenue and contribution to loss from operations is attributable to the investment property.

6. REVENUE AND TURNOVER

	2005	2004
	HK$'000	*HK$'000*
Interest income	**127**	49
Dividend income	**50**	–
	177	49

7. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENTS IN SECURITIES

	2005	2004
	HK$'000	*HK$'000*
Unlisted equity securities:		
– Tianjin Standard International Building Materials Industry Co., Ltd 天津標準國際建材工業有限公司 ("Tianjin Standard") (note 17(b)(i))	**2,043**	744
– Koffman Asset Holdings Limited ("Koffman Asset") (note 17(b)(iii))	**–**	3,064
	2,043	3,808

8. LOSS FROM OPERATIONS

	2005 ***HK$'000***	2004 *HK$'000*
Loss from operations is arrived at after charging/(crediting):		
Auditors' remuneration		
– current year	**123**	197
– overprovision in prior year	**(76)**	(12)
Depreciation		
– owned assets	**234**	24
– leased assets	**–**	11
Investment management fee	**369**	203
Financial assets at fair value through profit or loss		
– fair value loss	**150**	–
– fair value gain	**(36)**	–
Gain on disposal of financial assets at fair value through profit or loss	**(25)**	–
Loss on disposal of property, plant and equipment	**62**	10
Operating lease charges on office premises	**226**	446
Retirement benefits scheme contributions	**22**	43
Staff costs (including directors' remuneration (note 10(a)) but excluding retirement benefits scheme contributions)	**1,155**	1,018
Write off of other payables	**(240)**	(102)

9. FINANCE COSTS

	2005 ***HK$'000***	2004 *HK$'000*
Finance charges on finance leases	**25**	5
Interest charges on other loan	**–**	2
	25	7

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Remuneration of the directors for the year is as follows:

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2005				
Executive directors				
Mr. Tham Ming Yong (note (i))	50	–	–	50
Mr. Phang Yul Cher Yeow	312	–	8	320
Mr. Zhou Chao (note (ii))	280	–	–	280
Ms. Huang Song (note (iii))	60	–	–	60
Mr. Chu Kin Wang, Peleus (note (iv))	113	7	4	124
Mr. Tai Ah Lam, Michael (note (v))	–	–	–	–
Non-executive directors				
Mr. Wong Yao Dong (note (vi))	10	–	–	10
Mr. Fong Chi Hou (note (vi))	–	–	–	–
Independent non-executive directors				
Ms. Lam Lin Chu (note (vii))	45	–	–	45
Mr. Liu Wing Ting, Stephen (note (iii))	60	–	–	60
Ms. Tse Po Chu (note (iv))	35	–	–	35
Mr. Wong Wing Hang, Henry (note (viii))	30	–	–	30
	995	7	12	1,014

(i) resigned on 7 July 2005
(ii) appointed on 1 June 2005
(iii) appointed on 7 July 2005
(iv) appointed on 16 September 2005
(v) resigned on 16 September 2005
(vi) appointed on 1 November 2005
(vii) appointed on 4 April 2005
(viii) resigned on 31 March 2005

10. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(a) Remuneration of the directors for the year is as follows: *(Continued)*

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2004				
Executive directors				
Mr. Tham Ming Yong	36	58	3	97
Mr. Phang Yul Cher Yeow	–	182	5	187
Mr. Wong Fong Kim	–	–	–	–
Mr. Tai Ah Lam, Michael	–	–	–	–
Independent non-executive directors				
Mr. Chang Kin Man	49	–	–	49
Dr. Wong Yun Kuen, Edward	90	–	–	90
Mr. Wong Wing Hang, Henry	42	–	–	42
Mr. Hsieh Dominick	–	–	–	–
	217	240	8	465

No directors waived or agreed to waive any emoluments in respect of the year (2004: Nil).

No emoluments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2004: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2004: three) individual during the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**71**	344
Retirement benefits scheme contributions	**–**	10
	71	354

10. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments of all individuals were within the band ranging from Nil to HK$1,000,000 of the year (2004: Nil).

No emoluments were paid to the highest paid individual (2004: three) as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: Nil).

11. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the financial statements as the Group did not have any assessable profits during the year (2004: Nil).

Reconciliation between accounting loss and tax expense at applicable tax rates is as follows:

	2005 ***HK$'000***	2004 *HK$'000*
Loss before income tax	**(5,248)**	(7,107)
Tax at applicable rate of 17.5%	**(918)**	(1,244)
Tax effect of non-deductible expenses	**468**	709
Tax losses not recognised as deferred tax asset	**450**	535
Income tax expense	**–**	–

At 31 December 2005, a deferred tax asset of approximately HK$2,686,000 (2004: HK$2,236,000) in respect of tax losses available to offset future profits was not recognised in the financial statements as it is not certain that the Group will generate future taxable profits to enable it to utilise such tax losses. This tax loss has no expiry date.

12. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss for the year of HK$5,248,000 (2004: HK$7,107,000), a loss of HK$4,171,000 (2004: HK$7,084,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the consolidated loss for the year attributable to the equity holders of the Company of HK$5,248,000 (2004: HK$7,107,000) and on the weighted average number of 136,547,945 (2004: 70,809,180, restated) shares in issue during the year as adjusted for the share consolidation on the basis of every five ordinary shares of the Company of HK$0.01 each into two ordinary shares of HK$0.025 each (note 21(c)).

Diluted loss per share amounts have not been presented because there were no dilutive potential shares.

14. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2004				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Net book amount	–	–	–	–
Year ended 31 December 2004				
At 1 January 2004	–	–	–	–
Additions	29	255	–	284
Disposals	–	(22)	–	(22)
Depreciation	(7)	(28)	–	(35)
At 31 December 2004	22	205	–	227
At 31 December 2004				
Cost	29	231	–	260
Accumulated depreciation	(7)	(26)	–	(33)
Net book amount	22	205	–	227
Year ended 31 December 2005				
At 1 January 2005	22	205	–	227
Additions	321	97	840	1,258
Disposals	(34)	(262)	(736)	(1,032)
Depreciation	(107)	(23)	(104)	(234)
At 31 December 2005	**202**	**17**	**–**	**219**
At 31 December 2005				
Cost	302	20	–	322
Accumulated depreciation	(100)	(3)	–	(103)
Net book amount	**202**	**17**	**–**	**219**

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

(b) Company

	Leasehold improvements *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Total** *HK$'000*
At 1 January 2004			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Year ended 31 December 2004			
At 1 January 2004	–	–	–
Additions	29	255	284
Disposals	–	(22)	(22)
Depreciation	(7)	(28)	(35)
At 31 December 2004	22	205	227
At 31 December 2004			
Cost	29	231	260
Accumulated depreciation	(7)	(26)	(33)
Net book amount	22	205	227
Year ended 31 December 2005			
At 1 January 2005	22	205	227
Additions	302	20	322
Disposals	(22)	(205)	(227)
Depreciation	(100)	(3)	(103)
At 31 December 2005	**202**	**17**	**219**
At 31 December 2005			
Cost	302	20	322
Accumulated depreciation	(100)	(3)	(103)
Net book amount	**202**	**17**	**219**

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

(c) At 31 December 2004, the cost of property, plant and equipment included an amount of HK$80,000 in respect of assets held under finance leases and the related accumulated depreciation amounted to HK$11,000. The finance lease liabilities were fully repaid during the year.

15. INVESTMENT PROPERTY – GROUP

	2005	2004
	HK$'000	*HK$'000*
Carrying amount as at 1 January	**–**	–
Additions	**3,860**	–
Carrying amount as at 31 December	**3,860**	–

In the opinion of the directors, the property interests held under operating leases are classified as investment property due to the potential of earning rentals or for capital appreciation or both, rather than for (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business and are measured using the fair value model.

Investment property was revalued on 28 December 2005 by an independent, professionally qualified valuer, Centraline Surveyors. The valuation ("professional valuation") was based on current prices in an active market. At 31 December 2005, investment property was stated at valuation estimated by the directors of the Company with reference to the professional valuation. Investment property is located in Hong Kong and held under a medium term lease.

The investment property has been pledged as security for certain bank borrowings as set out in note 19.

No outgoings was incurred since the acquisition of this investment property.

16. INTERESTS IN SUBSIDIARIES – COMPANY

	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10**	–
Amounts due from subsidiaries	**53,774**	51,204
Less: Impairment loss	**(42,086)**	(40,089)
	11,698	11,115

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, no part of the amount will be repayable within one year from the balance sheet date and the balances are therefore shown as non-current.

16. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Particulars of subsidiaries at 31 December 2005 are as follows:

Name	Place of incorporation/ operations	Particulars of issued capital	Percentage of issued capital held by the Company Directly	Percentage of issued capital held by the Company Indirectly	Principal activities
Double Dragon Profits Limited*	Hong Kong	2 ordinary shares of HK$1 each	100%	–	Provision of management services
Gold Canal International Limited ("Gold Canal")	British Virgin Islands ("BVI")	10 ordinary shares of US$1 each	–	100%	Investment holding
Good Place Investments Limited*	Hong Kong	2 ordinary shares of HK$1 each	100%	–	Inactive
Mega Way *	Hong Kong	10,000 ordinary shares of HK$1 each	100%	–	Investment in Hong Kong listed shares
New Portfolio Limited	BVI	1 ordinary share of US$1 each	100%	–	Investment holding
Speedy Zone Limited	BVI	1 ordinary shares of US$1 each	100%	–	Inactive
Summit Asset*	Hong Kong	10 ordinary shares of HK$1 each	100%	–	Properties investment

* Not audited by Grant Thornton or other Grant Thornton International member firms.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENTS IN SECURITIES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities listed in Hong Kong (Note 17(a))	**–**	47	**–**	47
Unlisted equity securities (Note 17(b))	**6,874**	9,417	**–**	–
	6,874	9,464	**–**	47

Particulars of available-for-sale financial assets at 31 December 2005 are as follows:

(a) Securities listed on the Stock Exchange – Group and Company

Name of investee company	**Place of Incorporation**	**Number of shares held**	**Cost**	**Market value/ Fair value**
			HK$'000	*HK$'000*
At 31 December 2004				
Riche Multi-Media Holding Limited	Bermuda	220,000	–	47

The Group's interest in this company is less than 1% as at 31 December 2004 and was disposed of during the current year.

(b) Unlisted securities – Group

Name of investee company	Note	Place of incorporation	Cost		Accumulated impairment losses		Carrying value	
			2005	2004	**2005**	2004	**2005**	2004
			HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Tianjin Standard	(i)	PRC	**17,461**	17,461	**(10,587)**	(8,544)	**6,874**	8,917
Standard Supplies Limited ("Standard Supplies")	(ii)	Hong Kong	**–**	500	**–**	–	**–**	500
Koffman Asset	(iii)	BVI	**3,064**	3,064	**(3,064)**	(3,064)	**–**	–
			20,525	21,025	**(13,651)**	(11,608)	**6,874**	9,417

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENTS IN SECURITIES *(Continued)*

(b) Unlisted securities *(Continued)*

(i) Pursuant to various agreements entered into in December 2000, the Group acquired all the issued share capital of Gold Canal for a nominal value, changed the terms of the convertible loan note such that it has become interest-free and has neither fixed repayment terms nor the right to conversion. Gold Canal's sole asset is a 21% equity interest in Tianjin Standard, which is principally engaged in the manufacture and trading of building materials and the provision of related consultancy services. In the opinion of the directors, since the acquisition of Gold Canal by the Group, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Tianjin Standard due to the lack of representation on the board of directors in Tianjin Standard. Accordingly, Tianjin Standard is accounted for as an unlisted equity security. Based on Tianjin Standard's audited PRC financial statements for the year ended 31 December 2005, the company continued to make losses and therefore, an additional impairment charge of HK$2,043,000 (2004: HK$744,000) was made for the year after taking into account the investee's current year's results.

At 31 December 2005, the carrying amount of interests in Tianjin Standard exceeded 10% of total assets of the Group.

(ii) The Group subscribed for 425,000 class "A" shares and 75,000 class "B" shares of Standard Supplies at the consideration of HK$500,000 on 19 October 2004. The Group owned 25% of Standard Supplies' shareholding after subscription which is principally involved in the trading of flooring materials in Hong Kong and PRC. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Standard Supplies. Accordingly, Standard Supplies is accounted for as an unlisted equity security. On 29 July 2005, the Group disposed its entire interest in this investment to a third party at a consideration of HK$500,000.

(iii) Pursuant to the subscription agreement dated 5 May 2004, the Group subscribed for 10 new shares of Koffman Asset at the consideration of approximately HK$3,064,000 representing a 9.1% equity interest in that company. The consideration was satisfied by setting off the same against the amount of loan owed by Koffman Professional Insurance Brokerage Limited, a subsidiary of Koffman Asset. Koffman Asset is a company principally involved in an insurance brokerage business which operated in Hong Kong. In 2004, Koffman Asset encountered financial difficulties and ceased operations, and accordingly an impairment charge was made against the full investment cost in 2004.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Company	
		2005	2004	**2005**	2004
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Securities listed in Hong Kong	(a)	**2,710**	–	**110**	–
Unlisted security	(b)	**386**	–	**386**	–
		3,096	–	**496**	–

(a) Securities listed in Hong Kong

Name of investee company		**Place of incorporation/ registration**	**Number of units/ shares held**	**Cost**	**Market value/Fair value**
	Note			*HK$'000*	*HK$'000*
At 31 December 2005					
Debt security					
The Link REIT	(i)	Hong Kong Unit Trust authorised under section 104 of the Securities and Futures Ordinance	7,500 units	74	110
Equity security					
Midland Holdings Limited	(ii)	Bermuda	650,000 shares	2,750	2,600
				2,824	**2,710**

(i) Securities directly held by the Company.

(ii) At 31 December 2005, the carrying amount of interests in this company exceeded 10% of total assets of the Group.

(iii) The Group's interests in these investments were less than 1% as at 31 December 2005.

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

(b) Unlisted security

		Group and Company	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Designated as financial assets at fair value through profit or loss on initial recognition			
Investment in Rise Profits Holdings Limited ("Rise Profits")	(i)	–	–
Loan to Rise Profits	(ii)	**386**	–
		386	–

Note:

(i) The Group subscribed for 3 ordinary shares of Rise Profits of HK$1 per ordinary share on 21 July 2005 which represents 30% equity interest in that company. Rise Profits is principally involved in the investment holding of a taxi and its licence in Hong Kong. In the opinion of the directors, Rise Profits is intended to be held temporarily and the directors are actively seeking a buyer to dispose of its entire interest in Rise Profits. In this connection, the investment in Rise Profits is accounted for as an unlisted equity security rather than investment in an associate. With reference to the market price of a taxi and its license quoted by a taxi agent as at 31 December 2005, the directors considered that the carrying value of this investment approximated its fair value at that date.

(ii) The amount due is unsecured, interest free and has no fixed terms of repayment.

19. BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Bank borrowings, secured	**2,565**	–	**–**	–
Finance lease liabilities	**–**	52	**–**	52
	2,565	52	**–**	52
Current				
Bank borrowings, secured	**121**	–	**–**	–
Finance lease liabilities	**–**	14	**–**	14
	121	14	**–**	14
Total borrowings	**2,686**	66	**–**	66

Bank borrowings are denominated in Hong Kong Dollar, secured by the investment property of the Group (Note 15) and joint and several guarantee by Mr. Zhou Chao and Ms. Huang Song, directors of the Company, which is at nil consideration, and bear interest at variable interest rate.

Finance lease liabilities are effectively secured as the rights to the leased asset which will revert to the lessor in the event of default.

At 31 December 2005, the Group's bank borrowings (excluding finance lease liabilities) were repayable as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**121**	–
In the second year	**128**	–
In the third to fifth year	**446**	–
Wholly repayable within 5 years	**695**	–
After the fifth year	**1,991**	–
	2,686	–

19. BORROWINGS *(Continued)*

The analysis of the finance lease liabilities is as follows:

	Group and Company	
	2005	2004
	HK$'000	*HK$'000*
Due within one year	–	20
Due in the second to fifth years	–	59
	–	79
Future finance charges on finance leases	–	(13)
Present value of finance lease liabilities	–	66
The present value of finance lease liabilities is as follows:		
Due within one year	–	14
Due in the second to fifth years	–	52
	–	66
Less: Portion due within one year included under current liabilities	–	(14)
Non-current portion included under non-current liabilities	–	52

20. AMOUNTS DUE TO DIRECTORS

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

21. SHARE CAPITAL

	2005		2004	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each at 1 January	**200,000,000**	**2,000**	200,000,000	2,000
Increase in ordinary shares of HK$0.01 each on 17 March 2005 (Note 21(c))	**800,000,000**	**8,000**	–	–
Consolidation of five ordinary shares of HK$0.01 each to two ordinary shares of HK$0.025 each on 17 March 2005 (Note 21(c))	**(600,000,000)**	**–**	–	–
Ordinary shares of HK$0.025 each (2004: HK$0.01) at 31 December	**400,000,000**	**10,000**	200,000,000	2,000

	Number of shares	**HK$'000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 January 2004	144,000,000	1,440
Shares issued on 29 March 2004 (Note 21(a))	28,800,000	288
Shares issued on 4 August 2004 (Note 21(b))	27,200,000	272
Ordinary shares of HK$0.01 each at 31 December 2004 and 1 January 2005	200,000,000	2,000
Consolidation of five ordinary shares of HK$0.01 each to two ordinary shares of HK$0.025 each on 17 March 2005 (Note 21(c))	(120,000,000)	–
Issue of ordinary shares of HK$0.025 each on 18 April 2005 (Note 21(d))	80,000,000	2,000
Ordinary shares of HK$0.025 each at 31 December 2005	160,000,000	4,000

21. SHARE CAPITAL *(Continued)*

(a) On 10 March 2004, the Company entered into a placing agreement for the placing of 28,800,000 new shares ("Placing Shares") at a price of HK$0.124 per Placing Share (the "Placement"). The Placing Shares rank pari passu in all respects with the existing issued share capital of the Company.

(b) On 10 June 2004, the Company entered into a subscription agreement to allot and issue 27,200,000 new shares ("Subscription Shares") to a subscriber in cash at a subscription price of HK$0.10 per Subscription Share. The Subscription Shares rank pari passu in all respects with the existing issued share capital of the Company.

(c) Pursuant to the shareholders' approval at the extraordinary general meeting held on 17 March 2005, the authorised share capital of the Company was increased from HK$2,000,000 divided into 200,000,000 shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each by creation of an additional 800,000,000 unissued shares of HK$0.01 each. On the same date, a share consolidation of every five existing ordinary shares of HK$0.01 par value each into two new ordinary shares of HK$0.025 par value each ("New Shares") was approved. The New Shares rank pari passu in all respects with the then issued share capital of the Company.

(d) On 28 January 2005, the Company entered into an underwriting agreement for the open offer of 80,000,000 new shares at HK$0.065 per share ("Offer Share") on the basis of one offer share for every New Share held on record date ("Open Offer"). An ordinary resolution in respect of the Open Offer was passed at the extraordinary general meeting held on 17 March 2005. The Offer Shares rank pari passu in all respects with the existing share capital of the Company. The Open Offer was completed on 18 April 2005.

22. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 23 May 2002. The directors may, at their absolute discretion, make an offer to any participant to take up options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer being duly signed by the grantee and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

22. SHARE OPTION SCHEME *(Continued)*

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 12,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted or to be granted to each participant under the Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The Scheme will remain in force for a period of 10 years from 23 May 2002.

No options have been granted since the adoption of the Scheme.

23. RESERVES – GROUP

	2005	2004
	HK$'000	*HK$'000*
Share premium	**109,115**	106,426
Investment revaluation reserve	**–**	47
Accumulated losses	**(102,631)**	(97,383)
	6,484	9,090

Movements in the Group's reserves during the year are set out in the consolidated statement of changes in equity of the financial statements.

Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for distributions or paying dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

The investment revaluation reserve represents the net unrealised gain on revaluation of available-for-sale financial assets/investments in securities at the balance sheet date.

24. RESERVES – COMPANY

	Share premium HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004	101,127	53	(90,272)	10,908
Unrealised loss arising on revaluation of investments – net expense recognised directly in equity	–	(6)	–	(6)
Loss for the year	–	–	(7,084)	(7,084)
Total recognised expenses for the year	–	(6)	(7,084)	(7,090)
Shares issued at premium (note 21(a) and (b))	5,731	–	–	5,731
Share issue expenses	(432)	–	–	(432)
At 31 December 2004 and 1 January 2005	106,426	47	(97,356)	9,117
Transfer to income statement on disposal of available-for-sale financial assets – net expense recognised directly in equity	–	(47)	–	(47)
Loss for the year	–	–	(4,171)	(4,171)
Total recognised expenses for the year	–	(47)	(4,171)	(4,218)
Shares issued at premium (note 21(d))	3,200	–	–	3,200
Share issue expenses	(511)	–	–	(511)
At 31 December 2005	**109,115**	**–**	**(101,527)**	**7,588**

Details of the share premium account and investment revaluation reserve of the Company are set out in note 23 above.

25. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2005 of HK$10,484,000 (2004: HK$11,090,000) and 160,000,000 (2004: 80,000,000, restated) ordinary shares in issue as at that date after adjusting for the effect of the share consolidation as set out in note 21(c).

26. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable by the Group and the Company as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**476**	–	**368**	–
In the second to fifth years	**130**	–	**125**	–
	606	–	**493**	–

The Group leases a number of properties under operating leases. The leases run for an initial period of one to two years, without an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

27. RELATED PARTY TRANSACTIONS

During the year, the Company had the following related party transactions:

	2005	2004
	HK$'000	*HK$'000*
Management fee expenses		
Haywood Investment Management Limited (note 27(a))	**–**	103
Altus Capital Limited ("Altus") (note 27(b))	**–**	100
Hua Yu Investment Management Limited ("Hua Yu") (note 27(c))	**369**	–

Note:

(a) The management fee was charged in accordance with the management agreement dated 6 July 1988 (the "Agreement"). Management fees and incentive fees were calculated at 1.5% per annum of the net asset value of the Company at each preceding month end as defined in the Agreement and 10% of the surplus in the net asset value (with appropriate adjustment) over the preceding financial year, respectively, in accordance with the Agreement. The Group entered into an agreement with Haywood Investment Management Limited on 4 March 2004, whereby both parties had conditionally agreed to terminate the above mentioned agreement.

Haywood Investment Management Limited is a company in which Mr. Wong Fong Kim, a former director of the Company, has a 9% beneficial interest.

27. RELATED PARTY TRANSACTIONS *(Continued)*

Note: *(Continued)*

(b) The Group entered into an agreement with Altus on 4 March 2004, whereby Altus had agreed to provide investment management services to the Company for a period from the effective date of its appointment until 30 December 2005.

The investment management fee was calculated at the higher of 1.5% per annum of the net asset value as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days or an amount of not less than HK$30,000 per month,

The Group entered into an agreement with Altus during the year, whereby both parties had conditionally agreed to terminate the above mentioned agreement effective on 1 January 2005.

(c) On 12 May 2005, the Company entered into new investment management agreement with Hua Yu with effect from 20 May 2005 to replace Altus.

Investment management fees to Hua Yu are calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 per three months.

28. CONTINGENT LIABILITIES

At 31 December 2005, both the Group and the Company had no material contingent liabilities (2004: Nil).

29. BUSINESS COMBINATIONS

On 27 December 2005, the Group acquired 100% of the share capital of Summit Asset, a property investment company. If the acquisition had occurred on 1 January 2005, the Group's revenue and loss for the year would have been HK$178,000 and HK$5,473,000 respectively. Details of the net assets acquired of Summit Asset is as follows:

Purchase consideration

	2005 ***HK$'000***
Cash paid	–

The assets and liabilities arising from the acquisition are as follows:

	Fair value and acquiree's carrying amount *HK$'000*
Cash and cash equivalents	3
Investment property	3,860
Other receivables	230
Payables	(1,407)
Borrowings	(2,686)
Net assets acquired	–
Purchase consideration settled in cash	–
Cash and cash equivalents in subsidiary acquired	3
Cash inflow on acquisition	3

30. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

(a) Foreign currency risk

The Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

(b) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's other receivables are actively monitored to avoid significant concentrations of credit risk.

(c) Cash flow and fair value interest rate risks

The Group has no significant interest-bearing assets. The Group's interest rate risk arises from long term borrowings. The interest rates and terms of repayment of the borrowings are disclosed in note 19.

(d) Fair value

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of long-term borrowings is not disclosed because the carrying value is not materially different from the fair value.