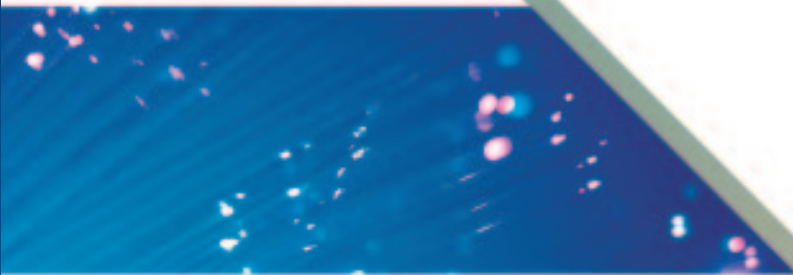


Annual Report 2005



05

A Hong Kong listed company with stock code : 0036



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The English text of this Annual Report shall prevail over the Chinese text.

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors:

Deacon Te Ken Chiu, J.P. *(Chairman)*

Duncan Chiu, B.Sc. *(Managing Director and
Chief Executive Officer)*

Dennis Chiu, B.A.

Non-executive Directors:

Tan Sri Dato' David Chiu, B.Sc.

Daniel Tat Jung Chiu

Derek Chiu, B.A.

Desmond Chiu, B.A.

Margaret Chiu, LL.B.

Independent Non-executive Directors:

Dr. Lee G. Lam

Ryan Yen Hwung Fong

Hing Wah Yim

COMPANY SECRETARY

Hung Kwong Lui, FCPA, FCCA, CGA

QUALIFIED ACCOUNTANT

Hung Kwong Lui, FCPA, FCCA, CGA

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

AUDIT COMMITTEE

Dr. Lee G. Lam *(Chairman)*

Ryan Yen Hwung Fong

Derek Chiu, B.A.

REMUNERATION COMMITTEE

Duncan Chiu, B.Sc. *(Chairman)*

Dr. Lee G. Lam

Ryan Yen Hwung Fong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking
Corporation Limited

The Bank of East Asia Limited

Hang Seng Bank Limited

REGISTERED OFFICE

16th Floor, Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

PRINCIPAL OFFICE

Room 1802-1804, 18th Floor

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services
Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

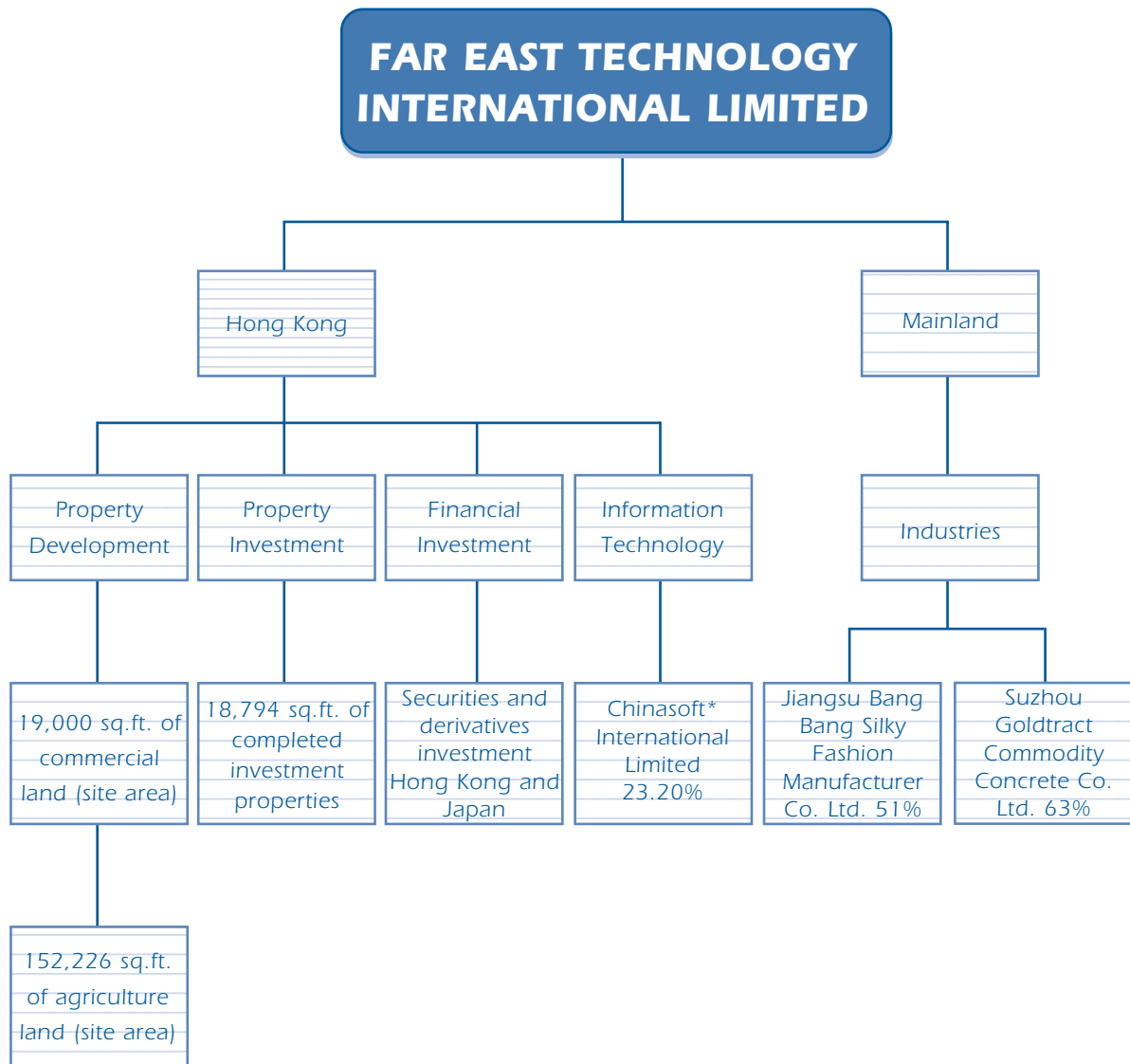
LISTING INFORMATION

Stock Exchange of Hong Kong ("SEHK"): 36

Board Lot Size: 3000

WEBSITE

<http://www.fet.com.hk>



* Listed in Hong Kong
Stock Code: 8216

CORPORATE RESULTS

For the year ended 31st December, 2005, the Company and its subsidiaries (the "Group") posted a turnover from operations of approximately HK\$68.9 million (2004: HK\$73.39 million), a decrease of 6.1% from last year.

The Group had recorded a net profit attributable to equity holders of the Company approximately HK\$14.91 million (2004: HK\$54.8 million, restated), a 72.8% decline from last year. The earnings per share for the year ended 31st December, 2005 was HK22.2 cents (2004: HK82.8 cents, restated), a 73.19% decrease over last year.

DIVIDEND

No interim dividend was paid during the year and no final dividend was recommended by the directors.

Proposed Bonus Issue

However, the Directors have recommended a bonus share issue (the "Proposed Bonus Issue") of new shares (individually a "Bonus Share" and collectively the "Bonus Shares") to the shareholders of the Company on the basis of one Bonus Share of HK\$0.01 for every ten issued ordinary shares held by such shareholders whose names appear on the register of members of the Company on 23rd May 2006. The Bonus Shares will be fully paid at par and will rank *pari passu* with the existing issued ordinary shares of the Company in all respects from the date of issue, except that they will not rank for the Proposed Bonus Issue. The Proposed Bonus Issue is conditional upon:

- (i) an ordinary resolution to approve the Proposed Bonus Issue at the 2006 Annual General Meeting being duly passed; and
- (ii) the listing of and permission to deal in the Bonus shares being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited.

Application will be made to the Listing Committee of The Stock Exchange of Hong Kong Limited for listing of, and permission to deal in, the Bonus Shares to be issued pursuant to the Proposed Bonus Issue after the ordinary resolution referred in (i) above has been duly passed at the 2006 Annual General Meeting.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2005, the Group had cash and bank balances amounting to HK\$46.5 million (2004: HK\$19.7 million). Virtually, the Group's funding policy is to finance the business operations with internally net generated cash and bank facilities. As at 31st December, 2005, the Group had total borrowings of HK\$15.75 million (2004: HK\$6.5 million) of which HK\$15.37 million (2004: HK\$6.5 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group's borrowings were denominated in Hong Kong dollar, Japanese Yen and United States dollar.

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

Gearing Ratio and Current Ratio

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 31st December, 2005 increased to 9.2% (2004: 5.42%, restated). The Group's current ratio (current assets to current liabilities) as at 31st December, 2005 has increased to 2.23 (2004: 1.64). On the whole, the financial position and liquidity of the Group is sound and stable.

Capital Structure

In February 2005, the Company completed a capital reorganisation which comprised a share consolidation of every 5 issued and unissued shares of HK\$1.00 each into one consolidated share of HK\$5.00 each and the paid up capital of the issued consolidated shares was reduced from HK\$5.00 each to HK\$0.01 each by cancelling the paid up capital to the extent of HK\$4.99 on each issued consolidated share. Each of the authorized consolidated shares are subdivided into 500 shares of HK\$0.01 each.

After the completion of capital reorganisation, the authorized share capital of the Company would be HK\$700 million comprising 70 billion adjusted shares and the issued share capital of the Company would be HK\$0.66 million divided into 66.33 million adjusted shares.

In order to finance the Group's proposed development, the Company issued 33.16 million rights shares of HK\$0.01 each, for consideration of HK\$0.915 per share. The allotment was made on 23rd December, 2005 to the existing shareholders, on the basis of one right share for every two existing shares held on 30th November, 2005. The right shares rank pari passu with the existing shares in all respect.

After the completion of rights issue, the issued share capital of the Company would be HK\$0.99 million comprising 99.5 million new shares.

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S STATEMENT

PLEDGE OF ASSETS

At 31st December, 2005, the Group had mortgaged or pledged certain investment properties, plants, equipments, listed investments and bank deposits with an aggregate net book value of approximately HK\$36.1 million to banks, financial institutions and loan creditors for obtaining banking facilities, margin trading facilities, overdraft and revolving loan facilities, term loan facilities and loan facilities to the Group to the extent of approximately HK\$56.2 million.

CONTINGENT LIABILITIES

At 31st December, 2005, the Group had no significant contingent liabilities (2004: Nil).

CAPITAL COMMITMENTS

As at 31st December, 2005, the Group and the Company had no capital commitments (2004: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In June 2005, the Company disposed of its partial interest 7 million shares in an associate, Chinasoft International Limited (the "Chinasoft") with recognition a gain of HK\$2.9 million (2004: Nil). The Company's shareholding in Chinasoft had further reduced from 24.36% to 23.20%, resulting in a gain on deemed disposal of approximately HK\$11 million in July 2005.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2005, the Group had approximately 600 employees in Hong Kong and PRC. The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group had adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 19th May, 2006 to 23rd May, 2006, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed Bonus Shares, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 18th May, 2006.

BUSINESS REVIEW AND PROSPECTS

The Board announces that the Chinasoft an associate of the Group listed in the Growth Enterprise Market, persisted for great contribution to the Group. Chinasoft has demonstrated a promising performance with satisfactory growth both in turnover and net profit. As a PRC-based IT services supplier providing total solution with positioning in the leaders of some vertical industries in PRC, it is also a leading outsourcing enterprise and top workflow (quality) control company, the Group expects that Chinasoft endeavours to extend its market coverage network and provide an endurable revenue to the Group.

For the industrial segment, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited has reduced in turnover by 15.1% over the last year. While Suzhou Goldtract Commodity Concrete Company Limited has experienced a decline drop of 26.4% in turnover over last year. Despite the effect at implementation of macro-economic policies in China, it is anticipated that china will continue to lead global economic growth in 2006 as its growth in GDP is still expected to be over 8% in the coming years.

For property segment, the plan for refurbishment of Kwai Chung Fa Yuen at Kwai Chung is temporarily suspended due to slow down in commercial area's demand in that region. In the meantime, short term lease tenants are targeted to fill the transitional vacant premises.

Foreseeing 2006, the Group's management believes we are well positioned to face the challenge with its conservative management will continue to take a prudent approach in allocating resources into projects with high return and limited capital outlay. As Asia Pacific, especially China, is expected to be the focus of the global economy in the next decade, this region will continue to be the centre of our investment portfolio. The Company will continue to transform itself into an integrated financial services provider and investment firm and set its focus on identifying and converting viable business opportunities to deliver long term and sustainable values to our shareholders.

Duncan Chiu

Managing Director and Chief Executive Officer

Hong Kong, 21st April, 2006

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Deacon Te Ken Chiu, *P. (Chairman)*

Mr. Chiu, aged 80, is the founder of the Far East Group and has been the Chairman of the Company since 1981. He is also the Chairman of Far East Consortium International Limited and Far East Hotels and Entertainment Limited. Mr. Chiu has more than 50 years of business experience in property investment and development; operation of entertainment and tourism related business; hotel ownership and management; financing and banking. He was a member of the Chinese People's Political and Consultative Conference from the 6th to 9th; the founder of the Yan Chai Hospital and the Vice Patron of the Community Chest since 1968; the founder and permanent Honorary Chairman of The New Territories General Chamber of Commerce; the founder and Chairman of the Ju Ching Chu Secondary School since 1966. Mr. Chiu is the father of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu .

Mr. Duncan Chiu, *B.Sc. (Managing Director and Chief Executive Officer)*

Mr. Chiu, aged 31, is the Managing Director and Chief Executive Officer of the Group. Mr. Chiu graduated with a bachelor's degree in business administration from Pepperdine University of California, USA in 1996. He serves as a Non-executive Director of both Far East Hotels & Entertainment Limited (SEHK: 37) and Chinasoft International Limited (SEHK: 8216). He currently serves as Vice Chairman and Treasurer of The Chamber of Hong Kong Listed Companies, Vice President of Innovation & Technology Association and is a Committee Member of All-China Youth Federation. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu and Miss Margaret Chiu.

Mr. Dennis Chiu, *B.A.*

Mr. Chiu, aged 47, was appointed an Executive Director of the Company in 1981. Mr. Chiu has been actively involved in the business development in the People's Republic of China ("P.R.C."), Singapore and Malaysia. He is an Executive Director of Far East Consortium International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited. He is also a Non-executive Director of London-listing Fortune Oil PLC. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

NON-EXECUTIVE DIRECTORS

Tan Sri Dato' David Chiu, *B.Sc.*

Tan Sri Dato' David Chiu, aged 52, holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He has over 30 years' experience in the property development and related business. Since 1978, he had been the Managing Director of Far East Consortium Limited (the predecessor of Far East Consortium International Limited). He was appointed Deputy Chairman and Chief Executive Officer of Far East Consortium International Limited ("FECIL") on 8th December, 1994 and 8th October, 1997 respectively. FECIL is listed on the Hong Kong Stock Exchange, it is primarily engaged in middle-class residential property development and hotel development and operation in Greater China.

In 1987, Tan Sri Dato' Chiu founded Malaysia Land Holdings Berhad (Mayland Group) in Malaysia. Over the years, Mayland Group has extensive development and become one of the largest real estate developers in Malaysia. Tan Sri Dato' Chiu is also the Chairman and substantial shareholder of Tokai Kanko Ltd., which is listed on the Tokyo Stock Exchange. In regards of his devotion to the community services, Tan Sri Dato' Chiu is a trustee member of The Better Hong Kong Foundation and a committee member of the Chinese People's Liberation Army Force in Hong Kong. In Malaysia, he was first conferred an honorary award which carries the title "Dato" by His Majesty, the King of Malaysia, in July 1997. At the end of 2005, he was awarded a more senior honorary title of "Tan Sri Dato" by His Majesty of Malaysia. He is the second son of Mr. Deacon Te Ken Chiu and the brother of Messrs. Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. Daniel Tat Jung Chiu

Mr. Chiu, aged 45, was appointed a Director of the Company in 1983. He is also a Non-executive Director of Far East Consortium International Limited. He is the major shareholder and Vice Chairman of London-listing Fortune Oil Plc. He is the Chairman of Harrow International School. Mr. Chiu has extensive experience in China trade, petroleum trading and infrastructure investments. He also takes an active part in several kinds of projects in Hong Kong and the P.R.C.. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

Mr. Derek Chiu, B.A.

Mr. Chiu, aged 40, was appointed a Director of the Company in 1989. He is also the Managing Director and Chief Executive of Far East Hotels and Entertainment Limited. Mr. Chiu has extensive experience in the operation of amusement parks and entertainment business. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

Mr. Desmond Chiu, B.A.

Mr. Chiu, aged 39, was appointed a Director of the Company in 1991. He graduated from the University of Cambridge, the United Kingdom and he was appointed as Deputy Managing Director of Far East Hotels and Entertainment Limited in 1999. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Duncan Chiu and Miss Margaret Chiu.

Miss Margaret Chiu, LL.B.

Miss Chiu, aged 47, was appointed a Director of the Company in 1995. She is also an Executive Director of Far East Hotels and Entertainment Limited. She graduated with law degree from the University of Buckingham, the United Kingdom and has extensive experience in entertainment, television and motion picture business in Hong Kong, the P.R.C. and overseas. She is the daughter of Mr. Deacon Te Ken Chiu and sister of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lee G. Lam

Lee G. Lam, aged 46, has been an Independent Non-executive Director of the Company since 30th September, 2004. He is the President & Chief Executive Officer and Vice Chairman of Chia Tai Enterprises International Limited. He is also a Director of True Corporation Public Company Limited, a Non-executive Director of Glorious Sun Enterprises Limited, and an Independent Non-executive Director of Rowsley Ltd., Hutchison Harbour Ring Limited, Capital Strategic Investment Limited, Mingyuan Medicare Development Company Limited, Vongroup Limited and Finet Group Limited. Dr. Lam has over 23 years of multinational operations and general management, strategy consulting, corporate governance, investment banking, and direct investment experience in the telecommunications, media and technology (TMT), conglomerates and financial services sectors.

Mr. Ryan Yen Hwung Fong

Mr. Fong aged 33, has been an Independent Non-executive Director of the Company since 30th September, 2004. He has over 10 years of equities portfolio management, trading and international capital markets analysis management experience.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Hing Wah, Yim

Mr. Hing Wah Yim, aged 42, is an associate member of Hong Kong Institute of Certified Public Accountants, fellow member of the Chartered Association of Certified Accountants and a member of the Hong Kong Securities Institute. He holds a bachelor degree of Accountancy with Honors from Hong Kong Polytechnic University. Mr. Yim has over 16 years of experience in audit work, accounting, taxation and financial management. He had worked with Deloitte Touche Tohmatsu for over eight years. Currently, he is an audit partner of Chan Yim Cheng & Co. Apart from being the independent non-executive director of the Company, he is also an independent non-executive director of other listed companies namely Jiangsu NandaSoft Company Limited, Powerleader Science & Technology Co., Ltd., China Haisheng Juice Holdings Co. Ltd., Artel Solutions Group Holdings Limited and Launch Tech Co, Ltd., which are listed on the Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Hung Kwong Lui, FCPA, FCCA, CGA

Mr. Lui aged 46, is the Qualified Accountant and Company Secretary of the Company and the Financial Controller of the Group. He is responsible for overseeing the accounting matters and financial functions of the Group. He has over 20 years experience in audit and finance function in various sizeable and multinational companies. He is a Fellow Member of the Hong Kong Institute of Certified Public Accountants as well as Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. He is also an Associate Member of the Certified General Accountants Association of Canada.

The directors of Far East Technology International Limited (the "Company") present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and a jointly controlled entity are information technology, manufacturing and trading of garment and commodity concrete, investment in properties for rental purpose, property development and investment in securities. Details of the principal activities of its subsidiaries, associates and a jointly controlled entity are set out in notes 19 to 21 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 23 of the annual report.

PROPOSED BONUS ISSUE

The Directors have recommended a bonus share issue (the "Proposed Bonus Issue") of new shares (individually a "Bonus Share" and collectively the "Bonus Shares") to the shareholders of the Company on the basis of one Bonus Share of HK\$0.01 for every ten issued ordinary shares held by such shareholders whose names appear on the register of members of the Company on 23rd May, 2006. The Bonus Shares will be fully paid at par and will rank *pari passu* with the existing issued ordinary shares of the Company in all respects from the date of issue, except that they will not rank for the Proposed Bonus Issue. The Proposed Bonus Issue is conditional upon:

- (i) an ordinary resolution to approve the Proposed Bonus Issue at the 2006 Annual General Meeting being duly passed; and
- (ii) the listing of and permission to deal in the Bonus Shares being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited.

Application will be made to the Listing Committee of The Stock Exchange of Hong Kong Limited for listing of, and permission to deal in, the Bonus Shares to be issued pursuant to the Proposed Bonus Issue after the ordinary resolution referred in (i) above has been duly passed at the 2006 Annual General Meeting.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 27 and note 39 to the financial statements respectively.

INVESTMENT PROPERTIES

Details of movements during the year in investment properties of the Group and the Company are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group and the Company are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 37.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 83 of the annual report.

PROPERTIES

Details of the properties held by the Group at 31st December, 2005 are set out on page 84 of the annual report.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the year under review, the Company and its subsidiaries have not purchased, sold or redeemed any of the listed securities in the Company.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Mr. Deacon Te Ken Chiu (*Chairman*)

Mr. Duncan Chiu (*Managing Director and Chief Executive Officer*)

Mr. Dennis Chiu

Non-executive Directors

Tan Sri Dato' David Chiu

Mr. Daniel Tat Jung Chiu

Mr. Derek Chiu

Mr. Desmond Chiu

Miss Margaret Chiu

Independent Non-executive Directors

Dr. Lee G. Lam

Mr. Ryan Yen Hwung Fong

Mr. Chi Man Ma

Mr. Hing Wah Yim

(resigned on 1st March, 2006)

(appointed on 1st April, 2006)

In accordance with Articles 76, 79 and 80 of the Company's Articles of Association, one-third of the Directors except Mr. Duncan Chiu shall retire from office, and being eligible, offer themselves for re-election. Mr. Duncan Chiu remains in office.

The term of office for each non-executive director is the period up to his or her annual retirement by rotation in accordance with the Company's Articles of Association.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and considers the independent non-executive Directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Group are set out on pages 8 to 10 of the annual report.

DIRECTORS' AND SENIOR EXECUTIVES' INTERESTS IN SHARES AND SHARE OPTIONS

At 31st December, 2005, the interests of the Directors and senior executives of the Company and their associates in the shares of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(I) Ordinary shares of HK\$0.01 each of the Company

Name of director	Number of ordinary shares of the Company held				Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Deacon Te Ken Chiu	11,605,514	1,897,800 ⁽¹⁾	1,466,076	14,969,390	15.04%
Tan Sri Dato' David Chiu	1,700,000	–	5,608,000 ⁽²⁾	7,308,000	7.34%
Miss Margaret Chiu	1,000,000	–	–	1,000,000	1.01%
Mr. Dennis Chiu	4,386,464	–	6,080,000 ⁽³⁾	10,466,464	10.52%
Mr. Daniel Tat Jung Chiu	2,200,000	–	14,480,040 ⁽⁴⁾	16,680,040	16.76%
Mr. Derek Chiu	40,200	–	–	40,200	0.04%
Mr. Desmond Chiu	1,000,000	–	–	1,000,000	1.01%
Mr. Duncan Chiu	16,968,021	–	–	16,968,021	17.05%

(2) Share options

On 21st July, 2005, 6,600,000 share options were granted at an initial exercise price of HK\$1.35 per share. Pursuant to the rights issue during the year, the exercise price and number of the share options granted were adjusted from HK\$1.35 to HK\$1.2683 and from 6,600,000 to 7,025,200 respectively.

Details of share options granted on 21st July, 2005 and outstanding at 31st December, 2005 are as follows:

Name	Exercise price HK\$	Number of share options	
		Exercisable period (both days inclusives)	Number of share option granted during the year and outstanding
Executive Directors			
Mr. Deacon Te Ken Chiu	1.2683	21st July 2005 – 20th July 2015	2,206,158
Mr. Duncan Chiu	1.2683	21st July 2005 – 20th July 2015	3,328,848
Mr. Dennis Chiu	1.2683	21st July 2005 – 20th July 2015	1,064,424
Senior Executives			
Mr. Hung Kwong Lui	1.2683	21st July 2005 – 20th July 2015	212,885
Ms. Wendy Kim Bing Yung	1.2683	21st July 2005 – 20th July 2015	212,885
			7,025,200

Notes:

- (1) These shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.
- (2) These shares are held by Rocket High Investments Limited, a company wholly-owned by Tan Sri Dato' David Chiu.
- (3) These shares are held by Cape York Investments Limited ("Cape York"), a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.
- (4) Of the 14,480,040 shares, 6,080,000 shares are held by Cape York, and the remaining 8,400,040 shares are held by Gorich Holdings Limited, a company wholly-owned by Mr. Daniel Tat Jung Chiu.
- (5) All interests disclosed above represent long positions in the ordinary shares of the Company.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares or debentures or underlying shares of the Company or any of its associated corporations at 31st December, 2005.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme and details of the movements in the Company's share options during the year to subscribe for shares of HK\$0.01 each in the Company granted under the share option scheme are set out in note 38 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and senior executives' interests in shares and share options", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the Group within one year without payment of compensation (other than statutory compensation).

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' and senior executives' interests in shares and share options", the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Name of shareholder	Number of ordinary shares held	%
Gorich Holdings Limited ("Gorich") ⁽¹⁾	8,400,040	8.44
Cape York Investments Limited ("Cape York") ⁽²⁾	6,080,000	6.11
Rocket High Investments Limited ("Rocket") ⁽³⁾	5,608,000	5.64
Virtual Dragon International Limited ("Virtual Dragon") ⁽⁴⁾	5,101,600	5.13

Notes:

- (1) Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu. The interests of Mr. Daniel Tat Jung Chiu in the Company is stated under the section headed "Directors' and senior executives' interests in shares and share options" above.
- (2) Cape York is owned equally by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu. The interests of Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu in the Company are stated under the section headed "Directors' and senior executives' interests in shares and share options" above.

- (3) Rocket is wholly-owned by Tan Sri Dato' David Chiu. The interests of Tan Sri Dato' David Chiu in the Company is stated under the section headed "Directors' and senior executives' interests in shares and share options" above.
- (4) These shares are held by Peace View Company Limited ("Peace View"), a wholly-owned subsidiary of Far East Consortium Limited ("FEC"). On 28th March 2001, FEC had entered into a Sale of Shares Agreement with Virtual Dragon International Limited ("Virtual Dragon") to dispose of its entire equity interests in Peace View to Virtual Dragon.
- (5) All interests disclosed above represent long positions in the ordinary shares of the Company.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital at 31st December 2005.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales of the Group's five largest and the top largest customers accounted for approximately 67% and 46% of total turnover, respectively.

Aggregate purchases of the Group's five largest and the top largest suppliers accounted for approximately 46% and 12% of total purchases, respectively.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Director owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2005, the Group had approximately 600 employees in Hong Kong and PRC. The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group had adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 18 to 21 of the annual report.

AUDIT COMMITTEE

The Company's audit committee comprising Independent Non-executive Directors and Non-executive Director.

The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The audit committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

EMOLUMENT POLICY

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Model Code. The Directors confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st December, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 19th May, 2006 to 23rd May, 2006, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the Proposed Bonus Shares, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 18th May, 2006.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Duncan Chiu

Managing Director and Chief Executive Officer

Hong Kong, 21st April, 2006

COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness. The Board and the Senior Management of the Company ensure that effective self-regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has applied the principles of the Code Provisions under the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December, 2005.

THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board. The Board is directly accountable to the shareholders and is responsible for preparing the accounts.

The Board comprises eleven Directors, whose biographical details are set out in the "Profile of the Directors and Senior Management" on pages 8 to 10 of this Annual Report. Three of the Directors are executive, five are non-executive and three are independent non-executive. The eight non-executive Directors bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contributes to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required, with the exception of the Chairman, to devote all of their active business time to the business and affairs of the Group.

Please refer to the Report of Directors on page 12 for the composition of the Board.

The posts of Chairman and Group Chief Executive Officer are held separately by Mr. Deacon Te Ken Chiu and Mr. Duncan Chiu respectively and their roles and responsibilities are separate and are set out in writing.

The Chairman is responsible for formulating and setting Group strategies and policies in conjunction with the Board.

The Group Chief Executive Officer is responsible for managing Group strategic initiatives, investor relations, corporate and investor communications, mergers/acquisitions and financing.

Pursuant to the requirement of the Listing Rules, the Company has received written confirmation from all three independent non-executive Directors of their independence from the Company and considers them to be independent.

The Board met on four occasions during 2005. The attendance of individual Directors at the Board meetings is set out in the table below.

	Number of meetings attended	Attendance rate
Executive Directors		
Mr. Deacon Te Ken Chiu (<i>Chairman</i>)	4/4	100%
Mr. Duncan Chiu (<i>Managing Director and Chief Executive Officer</i>)	4/4	100%
Mr. Dennis Chiu	0/4	0%
Non-executive Directors		
Tan Sri Dato' David Chiu	0/4	0%
Mr. Daniel Tat Jung Chiu	0/4	0%
Mr. Derek Chiu	2/4	50%
Mr. Desmond Chiu	1/4	25%
Miss Margaret Chiu	0/4	0%
Independent Non-executive Directors		
Mr. Chi Man Ma	1/4	25%
Dr. Lee G Lam	3/4	75%
Mr. Ryan Yen Hwung Fong	4/4	100%
Mr. Hing Wah Yim	N/A	N/A

CORPORATE GOVERNANCE

The Board confines itself to making broad policy decisions, such as the Group's overall strategies and policies and business plans, while delegating responsibility for more detailed consideration to the various Board Committees and management. Management is responsible for overseeing the Group's business operations, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Board has established Audit and Remuneration Committees in accordance with the Code and a majority of the members of Committees are independent non-executive directors.

The Company has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2005, with deviations from code provision A.4.1 and A.4.2 of the Code in respect of the service term and rotation of Directors.

None of the existing Non-executive Directors of the Company is appointed for a specific term and Managing Director is not subject to re-election by rotation by the Company's Articles of Association (the "Articles") 76. This constitutes a deviation from code provision A.4.1 and A.4.2 of the Code. However, all Directors of the Company excluding Managing Director are subject to the retirement by rotation at each annual general meeting under Articles 79 and 80 of the Company. In view of good Corporate Governance Practices, Managing Director voluntarily retires from his office at the forthcoming annual general meeting of the Company notwithstanding that he is not required to do so by the Company's Article 76. As such, the Company considers that sufficient measures have been taken to ensure that the Company's Corporate Governance Practices are no less exacting than those in the Code.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

COMMUNICATION WITH SHAREHOLDERS

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide our shareholders and the public with the necessary information for them to form their own judgement on the Company.

AUDITORS' REMUNERATION

For the year ended 31st December, 2005, the Auditors of the Company received approximately HK\$666,000 for audit service (2004: HK\$763,000).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Model Code. The Directors confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st December, 2005.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The Statement of the Auditors of the Company regarding their reporting responsibilities on the financial statements is set out in the Report of the Auditors on page 22.

AUDIT COMMITTEE

The Company has established an Audit Committee. The terms of the Audit Committee are consistent with the provisions set out in the relevant section of the Code and are available on the Company's website at www.fet.com.hk.

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the financial statements. The Audit Committee comprises two independent non-executive directors, namely, Dr. Lee G. Lam and Mr. Ryan Yen Hwung Fong and one non-executive director, Mr. Derek Chiu.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. Two meetings were held during the financial year ended 31st December, 2005.

The Group's interim report for the six months ended 30th June, 2005 and the annual report for the year ended 31st December, 2005 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

During the financial year ended 31st December, 2005, two meeting were held by the Audit Committee. The individual attendance record of each member of the Audit Committee is as follows:

	Number of meetigs attended	Attendance rate
Dr. Lee G. Lam	2/2	100%
Mr. Ryan Yen Hwung Fong	2/2	100%
Mr. Derek Chiu	2/2	100%

REMUNERATION COMMITTEE

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprised two independent non-executive directors, namely Dr. Lee G. Lam, Mr. Ryan Yen Hwung Fong and the Managing Director, Mr. Duncan Chiu of the Company. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management. A meeting was held during the financial year ended 31st December, 2005.

The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the Code, and the terms of reference of the Remuneration Committee are available from the Company's website www.fet.com.hk. No Director is involved in deciding his own remuneration.

During the financial year ended 31st December, 2005, one meeting was held by the Remuneration Committee. The individual attendance record of each member of the Remuneration Committee is as follows:

	Number of meetigs attended	Attendance rate
Mr. Duncan Chiu	1/1	100%
Dr. Lee G. Lam	1/1	100%
Mr. Ryan Yen Hwung Fong	1/1	100%

Deloitte.

德勤

TO THE MEMBERS OF FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

遠東科技國際有限公司

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 23 to 82 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
21st April, 2006

CONSOLIDATED INCOME STATEMENT

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For the year ended 31st December, 2005

	NOTES	Continuing operations		Discontinued operation		Total	
		2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$ (restated)
Turnover	5	68,897,893	73,322,591	-	71,930	68,897,893	73,394,521
Cost of sales		(64,643,749)	(65,431,140)	-	(145,507)	(64,643,749)	(65,576,647)
Gross profit (loss)		4,254,144	7,891,451	-	(73,577)	4,254,144	7,817,874
Other income	7	1,042,378	4,947,247	-	53,194	1,042,378	5,000,441
Distribution costs		(651,995)	(460,238)	-	-	(651,995)	(460,238)
Administrative expenses		(15,568,983)	(6,110,718)	-	(47,975)	(15,568,983)	(6,158,693)
Finance costs	10	(359,669)	(1,653,146)	-	-	(359,669)	(1,653,146)
Other expenses		(780,205)	(191,394)	-	-	(780,205)	(191,394)
Increase in fair value of held-for-trading investments		2,038,747	-	-	-	2,038,747	-
Unrealised holding gain on listed other investments		-	4,545,221	-	-	-	4,545,221
Loss on disposal of available-for-sale investments		(31,278)	-	-	-	(31,278)	-
Gain on disposal of listed investment securities		-	3,089,802	-	-	-	3,089,802
Impairment loss on investment securities reversed		-	1,843,838	-	-	-	1,843,838
Impairment loss on property, plant and equipment		-	(3,185,376)	-	-	-	(3,185,376)
Increase in fair value of investment properties		3,400,000	4,050,000	-	-	3,400,000	4,050,000
Gain on disposal of investment properties		-	2,376,620	-	-	-	2,376,620
(Loss) gain on disposal of subsidiaries and discontinued operation	11 & 41	-	(3,213,856)	-	31,065,182	-	27,851,326
Gain on disposal of an associate	20	2,872,542	-	-	-	2,872,542	-
Gain on deemed disposal of an associate	20	11,320,610	7,663,747	-	-	11,320,610	7,663,747
Share of results of associates		9,332,317	8,057,608	-	-	9,332,317	8,057,608
Share of results of a jointly controlled entity		(1,215,879)	(4,269,793)	-	-	(1,215,879)	(4,269,793)
Profit before taxation	12	15,652,729	25,381,013	-	30,996,824	15,652,729	56,377,837
Taxation	13	(659,254)	(526,169)	-	-	(659,254)	(526,169)
Profit for the year		14,993,475	24,854,844	-	30,996,824	14,993,475	55,851,668
Attributable to:							
Equity holders of the Company						14,907,576	54,808,973
Minority interests						85,899	1,042,695
						14,993,475	55,851,668
Dividend	14					-	-
Earnings per share – Basic	15						
– from continuing and discontinued operations						22.2 cents	82.8 cents
– from continuing operations						22.2 cents	36.0 cents

At 31st December, 2005

	NOTES	2005 HK\$	2004 HK\$ (restated)
NON-CURRENT ASSETS			
Investment properties	16	36,040,000	32,640,000
Property, plant and equipment	17	14,744,934	16,685,145
Prepaid lease payments	18	3,466,534	3,670,713
Interests in associates	20	64,138,770	46,750,062
Interest in a jointly controlled entity	21	1,583,310	2,799,189
Investments in securities	22	–	8,179,693
Available-for-sale investments	23	8,567,359	–
		128,540,907	110,724,802
CURRENT ASSETS			
Prepaid lease payments	18	204,179	204,179
Other investments	22	–	20,845,373
Held-for-trading investments	24	33,374,424	–
Inventories	25	6,493,160	5,275,451
Trade and other receivables	26	15,245,020	14,342,234
Amounts due from associates	27	661,733	685,529
Amount due from a minority shareholder	28	5,551,241	6,193,745
Tax prepaid		20,650	–
Pledged bank deposits		4,851,380	5,216,006
Bank balances and cash	29	41,628,343	14,466,764
		108,030,130	67,229,281
CURRENT LIABILITIES			
Trade and other payables	30	26,066,873	25,613,688
Amounts due to directors	31	3,688,421	5,752,598
Amounts due to related companies	32	1,557,088	1,557,088
Amount due to a minority shareholder	28	1,312,035	982,870
Amount due to a jointly controlled entity	34	507,550	507,550
Tax payable		–	6,690
Bank and other loans	35	15,272,939	6,531,658
Obligations under a finance lease – due within one year	36	101,727	–
		48,506,633	40,952,142
NET CURRENT ASSETS		59,523,497	26,277,139
		188,064,404	137,001,941

CONSOLIDATED BALANCE SHEET

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At 31st December, 2005

	NOTES	2005 HK\$	2004 HK\$ (restated)
CAPITAL AND RESERVES			
Share capital	37	995,007	331,668,905
Reserves		170,218,953	(211,219,860)
Equity attributable to equity holders of the Company		171,213,960	120,449,045
Minority interests		15,772,931	16,328,993
		186,986,891	136,778,038
NON-CURRENT LIABILITIES			
Obligations under a finance lease – due after one year	36	374,907	–
Deferred taxation	40	702,606	223,903
		1,077,513	223,903
		188,064,404	137,001,941

The financial statements on pages 23 to 82 were approved and authorised for issue by the Board of Directors on 21st April, 2006 and are signed on its behalf by:

Duncan Chiu
DIRECTOR

Derek Chiu
DIRECTOR

At 31st December, 2005

	NOTES	2005 HK\$	2004 HK\$ (restated)
NON-CURRENT ASSETS			
Investment properties	16	4,640,000	4,640,000
Property, plant and equipment	17	725,999	311,473
Investments in subsidiaries	19	19,212,634	19,212,634
Interests in associates	20	15,386,319	16,020,274
		39,964,952	40,184,381
CURRENT ASSETS			
Other investments	22	–	20,062,713
Held-for-trading investments	24	32,525,294	–
Other receivables		150,368	1,779,735
Amounts due from associates	27	661,732	685,529
Amounts due from subsidiaries	33	52,357,206	35,930,686
Pledged bank deposits		4,851,380	5,216,006
Bank balances and cash	29	27,806,484	1,231,722
		118,352,464	64,906,391
CURRENT LIABILITIES			
Other payables		1,643,331	2,608,858
Amounts due to directors	31	2,407,989	4,545,299
Amounts due to related companies	32	1,557,088	1,557,088
Amount due to a subsidiary	33	580,306	15,605,011
Bank and other loans	35	15,272,939	5,996,635
Obligations under a finance lease – due within one year	36	101,727	–
		21,563,380	30,312,891
NET CURRENT ASSETS			
		96,789,084	34,593,500
		136,754,036	74,777,881
CAPITAL AND RESERVES			
Share capital	37	995,007	331,668,905
Reserves	39	135,384,122	(256,891,024)
		136,379,129	74,777,881
NON-CURRENT LIABILITY			
Obligations under a finance lease – due after one year	36	374,907	–
		136,754,036	74,777,881

Duncan Chiu
DIRECTOR

Derek Chiu
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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For the year ended 31st December, 2005

	Attributable to equity holders of the Company								
	Share capital HK\$	Share premium HK\$	Exchange reserve HK\$	Investment revaluation reserve HK\$	Share option reserve HK\$	Retained profits (accumulated losses) HK\$	Total HK\$	Minority interests HK\$	Total HK\$
At 1st January, 2004									
As originally stated	331,668,905	282,892,010	10,683,064	-	-	(552,066,993)	73,176,986	16,410,692	89,587,678
Effect of changes in accounting policies (Note 3)	-	-	-	-	-	2,539,678	2,539,678	-	2,539,678
As restated	331,668,905	282,892,010	10,683,064	-	-	(549,527,315)	75,716,664	16,410,692	92,127,356
Exchange differences arising on translation of overseas operations	-	-	(288,508)	-	-	-	(288,508)	47,205	(241,303)
Share of post-acquisition reserve movement of an associate	-	-	136,281	-	-	-	136,281	-	136,281
Net income (expense) recognised directly in equity	-	-	(152,227)	-	-	-	(152,227)	47,205	(105,022)
Profit for the year	-	-	-	-	-	54,808,973	54,808,973	1,042,695	55,851,668
Realised on disposal of subsidiaries	-	-	(9,924,365)	-	-	-	(9,924,365)	-	(9,924,365)
Total recognised income and expense for the year	-	-	(10,076,592)	-	-	54,808,973	44,732,381	1,089,900	45,822,281
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(1,171,599)	(1,171,599)
At 31st December, 2004	331,668,905	282,892,010	606,472	-	-	(494,718,342)	120,449,045	16,328,993	136,778,038
Effect of changes in accounting policies (Note 3)	-	-	-	4,445,094	-	-	4,445,094	-	4,445,094
At 1st January, 2005, as restated	331,668,905	282,892,010	606,472	4,445,094	-	(494,718,342)	124,894,139	16,328,993	141,223,132
Decrease in fair value of available-for-sale investments	-	-	-	(2,260,454)	-	-	(2,260,454)	-	(2,260,454)
Exchange differences arising on translation of overseas operations	-	-	1,148,399	-	-	-	1,148,399	350,998	1,499,397
Share of post-acquisition reserve movement of an associate	-	-	(456,430)	-	-	-	(456,430)	-	(456,430)
Net income (expense) recognised directly in equity	-	-	691,969	(2,260,454)	-	-	(1,568,485)	350,998	(1,217,487)
Profit for the year	-	-	-	-	-	14,907,576	14,907,576	85,899	14,993,475
Total recognised income and expense for the year	-	-	691,969	(2,260,454)	-	14,907,576	13,339,091	436,897	13,775,988
Recognition of equity-settled expense share based payments	-	-	-	-	4,249,740	-	4,249,740	-	4,249,740
Capital reduction	(331,005,567)	(201,548,709)	-	-	-	532,554,276	-	-	-
Shares issued	331,669	30,016,035	-	-	-	-	30,347,704	-	30,347,704
Transaction costs attributable to issue of new shares	-	(1,616,714)	-	-	-	-	(1,616,714)	-	(1,616,714)
Contribution by minority shareholder of a subsidiary	-	-	-	-	-	-	-	49	49
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(993,008)	(993,008)
At 31st December, 2005	995,007	109,742,622	1,298,441	2,184,640	4,249,740	52,743,510	171,213,960	15,772,931	186,986,891

The retained profits of the Group include retained profits of HK\$27,768,341 (2004: HK\$20,204,922, restated) and accumulated losses of HK\$5,402,465 (2004: HK\$4,186,586) attributable to associates and a jointly controlled entity, respectively.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2005

	2005 HK\$	2004 HK\$ (restated)
OPERATING ACTIVITIES		
Profit before taxation	15,652,729	56,377,837
Adjustments for:		
Amortisation of prepaid lease payments	204,179	180,313
Finance costs	359,669	1,653,146
Interest income	(359,012)	(271,336)
Dividend income from available-for-sale investments	(79,026)	–
Depreciation	3,136,740	3,534,113
Gain on disposal of an associate	(2,872,542)	–
Gain on deemed disposal of an associate	(11,320,610)	(7,663,747)
Gain on disposal of investment properties	–	(2,376,620)
Gain on disposal of subsidiaries and discontinued operation	–	(27,851,326)
Impairment loss on investment securities reversed	–	(1,843,838)
Impairment loss on property, plant and equipment	–	3,185,376
Loss on disposal of available-for-sale investments	31,278	–
Gain on disposal of listed investment securities	–	(3,089,802)
Loss on disposal of property, plant and equipment	16,844	63,849
Share of results of a jointly controlled entity	1,215,879	4,269,793
Share of results of associates	(9,332,317)	(8,057,608)
Share-based payment expense	4,249,740	–
Unrealised holding gain on listed other investments	–	(4,545,221)
Increase in fair value of held-for-trading investments	(2,038,747)	–
Increase in fair value of investment properties	(3,400,000)	(4,050,000)
Increase in prepaid lease payments	–	(748,226)
Operating cash flows before movements in working capital	(4,535,196)	8,766,703
(Increase) decrease in inventories	(1,217,709)	1,225,176
Increase in held-for-trading investments	(10,490,304)	–
Increase in other investments	–	(1,942,403)
(Increase) decrease in trade and other receivables	(902,786)	3,302,685
Decrease in amount due from a minority shareholder	642,504	498,438
Decrease (increase) in amounts due from associates	23,796	(680,802)
Increase (decrease) in trade and other payables	453,185	(12,582,610)
Increase in amount due to a minority shareholder	329,165	14,408
(Decrease) increase in amounts due to directors	(2,064,177)	187,093
Decrease in amounts due to related companies	–	(3,789,396)
Cash used in operations	(17,761,522)	(5,000,708)
Overseas tax paid	(207,891)	(362,941)
Hong Kong Profits Tax paid	–	(42,849)
NET CASH USED IN OPERATING ACTIVITIES	(17,969,413)	(5,406,498)

CONSOLIDATED CASH FLOW STATEMENT

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For the year ended 31st December, 2005

NOTE	2005 HK\$	2004 HK\$ (restated)
INVESTING ACTIVITIES		
Interest received	359,012	271,336
Proceeds on disposal of property, plant and equipment	60,731	6,315
Net proceeds on disposal of investment properties	–	30,176,620
Proceeds on disposal of available-for-sale investments	1,844,722	–
Proceeds on disposal of investment securities	–	9,190,379
Net cash outflow arising on disposal of subsidiaries	–	(69,960)
Expenditure spent on investment properties	–	(3,290,000)
Investment in an associate	–	(240)
Proceeds from disposal of interest in an associate	4,900,000	–
Acquisition of property, plant and equipment	(308,485)	(4,707,027)
Dividend received from an associate	1,768,898	1,768,898
Decrease in pledged bank deposits	364,626	9,119,481
	8,989,504	42,465,802
NET CASH FROM INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Dividend paid to minority shareholders	(993,008)	(1,171,599)
Net proceeds from issue of shares	28,730,990	–
Contribution by minority shareholder of a subsidiary	49	–
New bank and other loans raised	20,117,961	28,126,671
Repayment of bank and other loans	(11,376,680)	(54,969,523)
Repayment of obligations under a finance lease	(23,366)	–
Interest paid on bank and other loans	(342,809)	(1,653,146)
Interest paid on finance lease	(16,860)	–
	36,096,277	(29,667,597)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,116,368	7,391,707
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	14,466,764	7,082,948
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	45,211	(7,891)
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	41,628,343	14,466,764

For the year ended 31st December, 2005

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" in the annual report.

The Company is engaged in investment holding and securities trading. Its subsidiaries are principally engaged in the manufacture and sales of garments and commodity concrete, securities investment, property investment. Its principal associate is engaged in the provision of information technology services in the People's Republic of China (the "PRC").

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group and the Company has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's and the Company's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Share-based payments

In the current year, the Company and an associate have applied HKFRS 2 *Share-based payments* which requires an expense to be recognised where the Company and an associate buy goods or obtain services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Company and an associate is in relation to the expensing of the fair value of share options granted to directors and employees of the Company and an associate, and determined at the date of grant of the share options. Prior to the application of HKFRS 2, the Company and an associate did not recognise the financial effect of these share options until they were exercised. The Company and an associate have applied HKFRS 2 to share options granted on or after 1st January, 2005. In relation to share options granted before 1st January, 2005, the Company and an associate choose not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st January, 2005. However, the Company and an associate are still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st January, 2005. Comparative figures have been restated (see Note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively and comparative figures for 2004 have been restated (see Note 3 for the financial impact).

Leasehold land held for undetermined future use

Previously, leasehold land held for an undetermined future use was carried at cost less impairment. Under HKAS 17, the Group classifies its leasehold land held for an undetermined future use as investment properties and use the fair value model to account for such leasehold land in accordance with HKAS 40. Changes in fair value of the leasehold land are recognised directly in profit and loss. Such change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated (see Note 3 for the financial impact).

Financial instruments

In the current year, the Group and the Company has applied HKAS 32 *Financial instruments: Disclosure and presentation* and HKAS 39 *Financial instruments: Recognition and measurement*. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group and the Company are presented for the current and prior accounting years. The principal effects resulting from the implementation of HKAS 39 are summarised below:

For the year ended 31st December, 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities

By 31st December, 2004, the Group and the Company classified and measured its investments in equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, the Group's and the Company's investments in equity securities are classified as "investment securities" or "other investments". "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Under HKAS 39, the Group's and the Company's investments in equity securities are classified as "financial assets at fair value through profit or loss" or "available-for-sale financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively.

On 1st January, 2005, the Group and the Company classified and measured its investments in equity securities in accordance with the transitional provisions of HKAS 39. Comparative figures for 2004 have not been restated (see Note 3 for the financial impact).

Changes in fair values of held-for-trading investments are recognised in profit or loss as they arise while changes in fair values of available-for-sale investments are generally recognised in equity. The Group has applied the transitional rules in HKAS 39. At 1st January, 2005, the Group reclassified its other investment to held-for-trading investments and reclassified its investment securities to available-for-sale investments. The cumulative changes in the fair value of investment securities on reclassification to available-for-sale investments has been recognised to investment revaluation reserve at 1st January, 2005 (see Note 3 for the financial impact).

Investment properties

In the current year, the Group has applied HKAS 40 *Investment property*. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 retrospectively. Comparative figures for 2004 have been restated (see Note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 ("HK(SIC) – INT 21") *Income taxes – Recovery of revalued non-depreciable assets* which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) – INT 21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated (see Note 3 for the financial impact).

Others

At the date of authorisation of these financial statements, the Group and the Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group and the Company.

HKAS 1 (Amendment)	Capital disclosures	¹
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures	²
HKAS 21 (Amendment)	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 (Amendments)	Financial guarantee contracts	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 1st January, 2007.

² Effective for annual periods beginning on or after 1st January, 2006.

³ Effective for annual periods beginning on or after 1st December, 2005.

⁴ Effective for annual periods beginning on or after 1st March, 2006.

For the year ended 31st December, 2005

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

(a) Effects on the results for the current and prior years are summarised below:

	THE GROUP	
	2005 HK\$	2004 HK\$
Share of share-based payment expense of an associate	(806,501)	(833,322)
Recognition of share-based payments as expense (included in administrative expenses)	(4,249,740)	–
Increase in fair value of investment properties recognised in income statement	3,400,000	3,590,000
Increase in deferred tax relating to investment properties	(507,500)	(223,903)
(Decrease) increase in profit for the year	<u>(2,163,741)</u>	<u>2,532,775</u>

Analysis by line items presented according to their function:

	THE GROUP	
	2005 HK\$	2004 HK\$
Decrease in share of results of associates	(806,501)	(833,322)
Increase in fair value of investment properties	3,400,000	3,590,000
Increase in administrative expenses	(4,249,740)	–
Increase in taxation	(507,500)	(223,903)
(Decrease) increase in profit for the year	<u>(2,163,741)</u>	<u>2,532,775</u>

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effects on the results for the current and prior years are summarised below:
(continued)

In addition, share of taxation of associates has been reclassified and included in the share of results of associates as follows:

	THE GROUP	
	2005 HK\$	2004 HK\$
Decrease in share of results of associates	(1,309,702)	(982,303)
Decrease in taxation	1,309,702	982,303
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	-	-

(b) Effects on the balance sheet as at 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31.12.2004 (originally stated) HK\$	Effect of HKAS 17 & 40, HK(SIC)-INT 21 HK\$	As at 31.12.2004 (restated) HK\$	Effect of HKAS 39 HK\$	As at 1.1.2005 (restated) HK\$
THE GROUP					
Investment properties	25,700,000	6,940,000	32,640,000	-	32,640,000
Interests in associates	47,583,384	(833,322)	46,750,062	-	46,750,062
Property, plant and equipment	20,585,977	(3,900,832)	16,685,145	-	16,685,145
Prepaid lease payments					
- non-current portion	-	3,670,713	3,670,713	-	3,670,713
- current portion	-	204,179	204,179	-	204,179
Land held for development	2,734,382	(2,734,382)	-	-	-
Investments in securities					
- non-current portion	8,179,693	-	8,179,693	(8,179,693)	-
- current portion	20,845,373	-	20,845,373	(20,845,373)	-
Available-for-sale investments	-	-	-	12,624,787	12,624,787
Held-for-trading investments	-	-	-	20,845,373	20,845,373
Deferred taxation	-	(223,903)	(223,903)	-	(223,903)
Total effects on assets and liabilities	<u>125,628,809</u>	<u>3,122,453</u>	<u>128,751,262</u>	<u>4,445,094</u>	<u>133,196,356</u>
Investment revaluation reserve	-	-	-	4,445,094	4,445,094
Investment property revaluation reserve	1,950,000	(1,950,000)	-	-	-
Accumulated losses	(499,790,795)	5,072,453	(494,718,342)	-	(494,718,342)
Total effects on equity	<u>(497,840,795)</u>	<u>3,122,453</u>	<u>(494,718,342)</u>	<u>4,445,094</u>	<u>(490,273,248)</u>

For the year ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

(b) Effects on the balance sheet as at 31st December, 2004 and 1st January, 2005 are summarised below (continued)

	As at 31.12.2004 (originally stated) HK\$	Effect of HKAS 17 & 40, HK(SIC)-INT 21 HK\$	As at 31.12.2004 (restated) HK\$	Effect of HKAS 39 HK\$	As at 1.1.2005 (restated) HK\$
THE COMPANY					
Investment properties	-	4,640,000	4,640,000	-	4,640,000
Land held for development	1,994,382	(1,994,382)	-	-	-
Other investments	20,062,713	-	20,062,713	(20,062,713)	-
Held-for-trading investments	-	-	-	20,062,713	20,062,713
	<u>22,057,095</u>	<u>2,645,618</u>	<u>24,702,713</u>	<u>-</u>	<u>24,702,713</u>
Accumulated losses	<u>(542,428,652)</u>	<u>2,645,618</u>	<u>(539,783,034)</u>	<u>-</u>	<u>(539,783,034)</u>

(c) Effects on the equity as at 1st January, 2004 are summarised below:

	As originally stated HK\$	Effect of HKAS 17 HK\$	As restated HK\$
Accumulated losses	<u>(552,066,993)</u>	<u>2,539,678</u>	<u>(549,527,315)</u>

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with the new Hong Kong Financial Reporting Standards. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance. The principal accounting policies adopted are below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Interests in associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)**Interests in jointly controlled entities** (continued)

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of the assets over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Owner-occupied leasehold interest in land

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method.

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Revenue recognition

Sales of merchandise are recognised when goods are delivered and title has passed.

Proceeds from sale of securities are recognised on a trade date basis upon the execution of a binding sale agreement.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue recognition** (continued)

Revenue from amusement park operation is recognised upon receipt from theme park operation, sales of tickets and services rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)**Retirement benefit costs**

Payments to defined contribution retirement benefits plans or the Mandatory Provident Fund schemes are charged as an expense as they fall due.

Borrowing costs

All borrowing costs are recognised as, and included in, finance costs in the income statement in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets held for trading, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below:

Financial assets held for trading

At each balance sheet date subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a minority shareholder, amount due from an associate, bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (under HKAS 39). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

As explained in note 2, all cumulative changes in the fair value of investment securities on reclassification to available-for-sale investments has been recognised to investment revaluation reserve at 1st January, 2005.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities (including trade and other payables, amounts due to directors, amounts due to related companies, amount due to a minority shareholder, amount due to a jointly controlled entity, bank and other loans, and obligations under a finance lease) are measured at amortised cost, using the effective interest method after initial recognition.

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5. TURNOVER

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	Continuing operations		Discontinued operation		Consolidated	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Sales of goods	54,165,267	67,445,889	-	-	54,165,267	67,445,889
Securities trading	13,196,835	3,611,797	-	-	13,196,835	3,611,797
Property rental income	864,733	1,723,902	-	-	864,733	1,723,902
Dividend income from listed securities	671,058	541,003	-	-	671,058	541,003
Revenue from amusement park operation	-	-	-	71,930	-	71,930
	68,897,893	73,322,591	-	71,930	68,897,893	73,394,521

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions – securities investment and trading, property development and investment, and industrial. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Securities investment and trading – investment and trading in securities.
- Property development and investment – properties development and investment.
- Industrial – manufacturing and sale of garments and commodity concrete.

The Group discontinued its entertainment and leisure business (including the operation of amusement park) during the months from June to November 2004.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below:

2005

	Continuing operations			Consolidated HK\$
	Securities investment and trading HK\$	Property development and investment HK\$	Industrial HK\$	
TURNOVER				
External sales	<u>13,867,893</u>	<u>864,733</u>	<u>54,165,267</u>	<u>68,897,893</u>
RESULTS				
Segment results	<u>(8,335,548)</u>	<u>4,558,459</u>	<u>(3,562,481)</u>	(7,339,570)
Other income				1,042,378
Finance costs				(359,669)
Gain on disposal of an associate				2,872,542
Gain on deemed disposal of an associate				11,320,610
Share of results of associates				9,332,317
Share of results of a jointly controlled entity	-	(1,215,879)	-	<u>(1,215,879)</u>
Profit before taxation				15,652,729
Taxation				<u>(659,254)</u>
Profit for the year				<u>14,993,475</u>

For the year ended 31st December, 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business segments** (continued)**2005**

	Continuing operations			Consolidated HK\$
	Securities investment and trading HK\$	Property development and investment HK\$	Industrial HK\$	
ASSETS				
Segment assets	47,460,730	34,938,836	35,756,695	118,156,261
Interests in associates				64,138,770
Interest in a jointly controlled entity	–	1,583,310	–	1,583,310
Unallocated corporate assets				<u>52,692,696</u>
Consolidated total assets				<u>236,571,037</u>
LIABILITIES				
Segment liabilities	2,389,886	561,874	23,591,747	26,543,507
Deferred taxation				702,606
Bank and other loans				15,272,939
Unallocated corporate liabilities				<u>7,065,094</u>
Consolidated total liabilities				<u>49,584,146</u>
OTHER INFORMATION				
Capital additions	584,820	–	223,665	808,485
Depreciation and amortisation	170,294	–	3,170,625	<u>3,340,919</u>

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2004

	Continuing operations			Discontinued operation	Consolidated HK\$ (restated)
	Securities investment and trading HK\$	Property development and investment HK\$	Industrial HK\$	Entertainment and leisure HK\$	
TURNOVER					
External sales	<u>4,152,800</u>	<u>1,723,902</u>	<u>67,445,889</u>	<u>71,930</u>	<u>73,394,521</u>
RESULTS					
Segment results	<u>9,003,562</u>	<u>4,881,993</u>	<u>(438,832)</u>	<u>280,931</u>	13,727,654
Other income	4,627,530	125,397	194,320	53,194	5,000,441
Finance costs					(1,653,146)
(Loss) gain on disposal of subsidiaries and discontinued operation	-	(3,213,856)	-	31,065,182	27,851,326
Gain on deemed disposal of an associate					7,663,747
Share of results of associates					8,057,608
Share of results of a jointly controlled entity	-	(4,269,793)	-	-	<u>(4,269,793)</u>
Profit before taxation					56,377,837
Taxation					<u>(526,169)</u>
Profit for the year					<u>55,851,668</u>

For the year ended 31st December, 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business segments** (continued)

2004

	Continuing operations			Discontinued operation	Consolidated HK\$ (restated)
	Securities investment and trading HK\$	Property development and investment HK\$	Industrial HK\$	Entertainment and leisure HK\$	
ASSETS					
Segment assets	33,764,397	30,068,996	38,003,935	–	101,837,328
Interests in associates					46,750,062
Interest in a jointly controlled entity	–	2,799,189	–	–	2,799,189
Unallocated corporate assets					26,567,504
Consolidated total assets					<u>177,954,083</u>
LIABILITIES					
Segment liabilities	3,467,778	524,862	21,605,048	–	25,597,688
Tax payable					6,690
Deferred taxation					223,903
Bank and other loans					6,531,658
Unallocated corporate liabilities					8,816,106
Consolidated total liabilities					<u>41,176,045</u>
OTHER INFORMATION					
Capital additions	402,998	3,290,000	5,052,255	–	8,745,253
Depreciation	91,525	–	3,419,581	81,580	3,592,686
Impairment loss on property, plant and equipment	–	–	3,185,376	–	<u>3,185,376</u>

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are located in Hong Kong, PRC, Japan, United States and Singapore.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2005 HK\$	2004 HK\$
Hong Kong	13,857,851	15,408,031
PRC	21,004,138	28,376,213
Japan	30,579,019	28,768,433
United States	3,456,885	—
Singapore	—	841,844
	68,897,893	73,394,521

Revenue from the Group's discontinued operation of HK\$71,930 for the year ended 31st December, 2004 was derived principally from PRC.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and investment properties, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets	
	2005 HK\$	2004 HK\$ (restated)
Hong Kong	116,055,037	71,003,389
PRC	54,793,920	57,401,443
	170,848,957	128,404,832

For the year ended 31st December, 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Geographical segments** (continued)

	Additions to property, plant and equipment and investment properties					
	Continuing operations		Discontinued operation		Consolidated	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Hong Kong	790,368	3,692,998	-	-	790,368	3,692,998
PRC	18,117	5,052,255	-	-	18,117	5,052,255
	808,485	8,745,253	-	-	808,485	8,745,253

7. OTHER INCOME

Included in other income is:

	Continuing operations		Discontinued operation		Consolidated	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
	Interest income	359,012	271,336	-	-	359,012

For the year ended 31st December, 2005

8. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2004: twelve) directors were as follows:

	Mr. Deacon Te Ken Chiu HK\$	Mr. Duncan Chiu HK\$	Mr. Dennis Chiu HK\$	Tan Sri Dato' David Chiu HK\$	Mr. Daniel Tat Jung Chiu HK\$	Mr. Derek Chiu HK\$	Mr. Desmond Chiu HK\$	Miss Margaret Chiu HK\$	Mr. Chi Man Ma HK\$	Dr. Lee G Lam HK\$	Mr. Ryan Yen Hwung Fong HK\$	Total 2005 HK\$
2005												
Fees	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	30,000	120,000	120,000	390,000
Other emoluments:												
Salaries and other benefits	-	395,000	-	-	-	-	342,500	-	-	-	-	737,500
Retirement benefits schemes contributions	-	12,000	-	-	-	-	12,000	-	-	-	-	24,000
Share-based payment expense	1,287,800	2,060,480	643,900	-	-	-	-	-	-	-	-	3,992,180
Total emoluments	1,302,800	2,482,480	658,900	15,000	15,000	15,000	369,500	15,000	30,000	120,000	120,000	5,143,680

	Mr. Deacon Te Ken Chiu HK\$	Mr. Duncan Chiu HK\$	Mr. Dennis Chiu HK\$	Tan Sri Dato' David Chiu HK\$	Mr. Daniel Tat Jung Chiu HK\$	Mr. Derek Chiu HK\$	Mr. Desmond Chiu HK\$	Miss Margaret Chiu HK\$	Mr. Chi Man Ma HK\$	Dr. Lee G Lam HK\$	Mr. Ryan Yen Hwung Fong HK\$	Mr. Chow Siu Hong HK\$	Total 2004 HK\$
2004													
Fees	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	30,000	30,000	30,000	25,000	235,000
Other emoluments:													
Salaries and other benefits	-	287,500	54,516	-	-	-	312,500	-	-	-	-	-	654,516
Retirement benefits schemes contributions	-	10,125	4,875	-	-	-	12,000	-	-	-	-	-	27,000
Total emoluments	15,000	312,625	74,391	15,000	15,000	15,000	339,500	15,000	30,000	30,000	30,000	25,000	916,516

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2004: one) was executive director and one (2004: one) was non-executive director whose emoluments are included in note 8 above. The emoluments of the remaining one (2004: three) individuals were as follows:

	2005 HK\$	2004 HK\$
Salaries and other benefits	330,000	676,645
Retirement benefits schemes contributions	11,000	27,288
Share-based payment expense	128,780	-
	469,780	703,933

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10. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Interest on:						
Bank loans wholly repayable within five years	202,086	1,592,981	-	-	202,086	1,592,981
Other loans	140,723	60,165	-	-	140,723	60,165
Obligations under a finance lease	16,860	-	-	-	16,860	-
	359,669	1,653,146	-	-	359,669	1,653,146

11. DISCONTINUED OPERATIONS

- (a) In June 2004, the Group disposed of its entire 100% equity interest in Laichi Kok Amusement (Haimen) Co. Ltd. ("LKA"), a company registered and carried out the Group's amusement park operation in the PRC, to Mr. Deacon Te Ken Chiu at a consideration of HK\$8.8 million. The disposal was effected in order to generate the working capital for the Group.

The results of LKA up to the date of disposal, which have been included in the consolidated financial statements, were as follows:

	2004 HK\$
Turnover	71,930
Cost of sales	(145,507)
Gross loss	(73,577)
Administrative expenses	(47,975)
Loss for the year	<u>(121,552)</u>

LKA has no significant contributions to the Group's operating, investing and financing cash flows for both years.

The carrying amounts of the assets and liabilities of LKA at the date of disposal were approximately HK\$5.8 million and HK\$0.5 million, respectively.

11. DISCONTINUED OPERATIONS (continued)

(a) (continued)

A gain of approximately HK\$3.5 million arose on the disposal of LKA, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and the realisation of exchange reserve. No tax charge or credit arose from the transaction.

The net assets of LKA at the date of disposal were disclosed in note 41 (b).

(b) In November 2004, the Group disposed of its entire 95% equity interest in Tang Dynasty City Pte. Ltd. ("TDC"), a company incorporated and carried out the Group's leisure-entertainment business in Singapore, to Mr. Deacon Te Ken Chiu at a consideration of HK\$1. The disposal was effected in order to generate the working capital for the Group.

TDC has no significant contributions to the Group's turnover, profit from operations and net operating, investing and financing cash flows for both years.

The carrying amounts of the assets and liabilities of TDC at the date of disposal were approximately HK\$0.07 million and HK\$4.6 million, respectively.

A gain of approximately HK\$22.1 million arose on disposal of TDC and its subsidiaries, being the proceeds of disposal less the carrying amount of the subsidiaries' net liabilities and the realisation of exchange reserve. No tax charge or credit arose from the transaction.

The net liabilities of TDC and its subsidiaries at the date of disposal were disclosed in note 41 (b).

(c) In November 2004, the Group disposed of its entire 100% equity interest in RFC Far East Ltd. ("RFC Far East"), a company incorporated in the British Virgin Islands and carried out the Group's restaurant operation in Singapore, to Mr. Dennis Chiu at a consideration of US\$1. RFC Far East had ceased its operations previously since July 2002.

RFC Far East has no significant contributions to the Group's turnover, profit from operations and net operating, investing and financing cash flows for that year.

The carrying amounts of the assets and liabilities of RFC Far East and its subsidiaries at the date of disposal were approximately HK\$0.1 million and HK\$7.5 million, respectively.

A gain of approximately HK\$5.4 million arose on disposal of RFC Far East and its subsidiaries, being the sales proceeds of disposal less the carrying amount of the subsidiaries' net liabilities and the realisation of exchange reserve. No tax charge or credit arose from the transaction.

The net liabilities of RFC and its subsidiaries at the date of disposal were disclosed in note 41 (b).

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12. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$ (restated)
Profit before taxation has been arrived at after charging:						
Amortisation of prepaid lease payments	204,179	180,313	-	-	204,179	180,313
Auditors' remuneration	666,000	750,000	-	13,144	666,000	763,144
Cost of inventories recognised as expense	52,227,642	62,416,070	-	-	52,227,642	62,416,070
Depreciation	3,136,740	3,402,950	-	131,163	3,136,740	3,534,113
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$1,048,235 (2004: HK\$1,040,244)	17,091,064	11,920,851	-	143,902	17,091,064	12,064,753
Net exchange loss	113,903	-	-	-	113,903	-
Loss on disposal of property, plant and equipment	16,844	63,849	-	-	16,844	63,849
Operating lease payment in respect of rented premises	273,202	75,250	-	-	273,202	75,250
and after crediting:						
Rental income from investment properties, less outgoing of HK\$34,579 (2004: HK\$862,370)	830,154	861,532	-	-	830,154	861,532

13. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$ (restated)
The charge comprises:						
PRC enterprise income tax:						
Current year	55,303	302,266	-	-	55,303	302,266
Underprovision in prior years	125,248	-	-	-	125,248	-
	180,551	302,266	-	-	180,551	302,266
Deferred taxation (Note 40)	478,703	223,903	-	-	478,703	223,903
	659,254	526,169	-	-	659,254	526,169

PRC enterprise income tax is calculated at the rates prevailing.

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13. TAXATION (continued)

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005 HK\$	2004 HK\$ (restated)
Profit before taxation	<u>15,652,729</u>	<u>56,377,837</u>
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	2,739,228	9,866,121
Tax effect of expenses not deductible for tax purpose	1,771,672	596,269
Tax effect of income not taxable for tax purpose	(1,932,865)	(10,054,262)
Tax effect of utilisation of tax losses previously not recognised	(88,133)	(4,969)
Tax effect of tax losses not recognised	1,168,594	866,204
Effect of tax relief granted to a subsidiary	–	(220,402)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(19,572)	81,864
Share of tax effect of associates	(3,304,705)	(1,410,081)
Share of tax effect of a jointly controlled entity	212,779	747,214
Underprovision in prior years	125,248	–
Others	(12,992)	58,211
Taxation charge for the year	<u>659,254</u>	<u>526,169</u>

14. DIVIDEND

The directors do not recommend the payment of a dividend for the year.

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15. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2005 HK\$	2004 HK\$ (restated)
Earnings		
Profit for the year attributable to equity holders of the Company for the purpose of basic earnings per share	<u>14,907,576</u>	<u>54,808,973</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>67,033,317</u>	<u>66,212,513</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share of last year has been adjusted for the share consolidation and rights issue during the current year.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the year, and the effect of dilutive potential ordinary shares of an associate is considered to be insignificant.

From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2005 HK\$	2004 HK\$
Earnings		
Profit for the year attributable to equity holders of the Company	14,907,576	54,808,973
Less: Profit for the year from discontinued operation	—	(30,996,824)
Earnings for the purpose of basic earnings per share from continuing operations	<u>14,907,576</u>	<u>23,812,149</u>

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15. EARNINGS PER SHARE (continued)**From discontinued operation**

Basic earnings per share for discontinued operation in 2004 is 46.81 HK cents per share, based on the profit for the year from discontinued operation of HK\$30,996,824. The denominator used is the same as that detailed above for basic earnings per share.

The following table summarises the impact on basic earnings per share as a result of the application of the new HKFRSs:

	2005 HK cents	2004 HK cents
Figures before adjustment	25.4	79.0
Adjustment arising from changes in accounting policies	(3.2)	3.8
As reported/restated	22.2	82.8

16. INVESTMENT PROPERTIES

	THE GROUP HK\$	THE COMPANY HK\$
AT FAIR VALUE		
At 1st January, 2004		
As originally stated	168,811,952	–
Effect of change in accounting policies	5,300,000	3,290,000
As restated	174,111,952	3,290,000
Currency realignment	1,514,307	–
Expenditure incurred	3,290,000	–
Disposals	(27,800,000)	–
Disposal of subsidiaries	(122,526,259)	–
Increase in fair value recognised in income	4,050,000	1,350,000
At 31st December, 2004	32,640,000	4,640,000
Increase in fair value recognised in income	3,400,000	–
At 31st December, 2005	36,040,000	4,640,000

All of the Group's and the Company's investment properties are situated in Hong Kong held under medium-term leases and are rented out under operating leases.

16. INVESTMENT PROPERTIES (continued)

The investment properties were fair valued at 31st December, 2005 in existing state on an open market value basis by DTZ Debenham Tie Leung Limited, an independent firm of valuers not connected with the Group. DTZ Debenham Tie Leung Limited is member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The investment properties of the Group and the Company include amounts of HK\$6,940,000 and HK\$4,640,000 (2004: HK\$6,940,000 and HK\$4,640,000) respectively, the title of which has not been transferred to the Group and the Company and is still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings in PRC held under medium term lease HK\$	Amusement equipment HK\$	Lifts, electrical and office equipment HK\$	Exhibits, display items and costumes HK\$	Leasehold improvements HK\$	Trams, coaches and motor vehicles HK\$	Total HK\$
THE GROUP COST							
At 1st January, 2004							
As originally stated	20,194,426	25,316,766	33,730,178	202,423	30,806,287	8,396,216	118,646,296
Effect of changes in accounting policies	(4,735,948)	-	-	-	-	-	(4,735,948)
As restated	15,458,478	25,316,766	33,730,178	202,423	30,806,287	8,396,216	113,910,348
Currency realignment	91,139	77,404	170,440	2,199	950,237	32,378	1,323,797
Additions	4,007,257	-	348,310	-	272,328	79,132	4,707,027
Disposals	-	(11,096,000)	(337,336)	(26,769)	-	(196,770)	(11,656,875)
Disposals of subsidiaries	(7,668,685)	(14,298,170)	(1,459,135)	(177,853)	(31,756,524)	-	(55,360,367)
At 31st December, 2004	11,888,189	-	32,452,457	-	272,328	8,310,956	52,923,930
Currency realignment	376,738	-	700,531	-	-	180,231	1,257,500
Additions	-	-	231,685	-	-	576,800	808,485
Disposals	-	-	(301,259)	-	-	-	(301,259)
At 31st December, 2005	12,264,927	-	33,083,414	-	272,328	9,067,987	54,688,656

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings in PRC held under medium term lease HK\$	Amusement equipment HK\$	Lifts, electrical and office equipment HK\$	Exhibits, display items and costumes HK\$	Leasehold improvements HK\$	Trams, coaches and motor vehicles HK\$	Total HK\$
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2004							
As originally stated	6,160,120	25,316,766	20,374,273	189,901	30,806,287	8,090,022	90,937,369
Effect of changes in accounting policies	(1,403,029)	-	-	-	-	-	(1,403,029)
As restated	4,757,091	25,316,766	20,374,273	189,901	30,806,287	8,090,022	89,534,340
Currency realignment	26,196	34,971	108,249	2,040	945,366	31,795	1,148,617
Provided for the year	488,342	-	2,901,946	-	53,526	90,299	3,534,113
Impairment loss recognised	-	-	3,185,376	-	-	-	3,185,376
Eliminated on disposals	-	(11,096,000)	(286,149)	(26,769)	-	(177,793)	(11,586,711)
Eliminated on disposals of subsidiaries	(1,945,640)	(14,255,737)	(1,458,741)	(165,172)	(31,751,660)	-	(49,576,950)
At 31st December, 2004	3,325,989	-	24,824,954	-	53,519	8,034,323	36,238,785
Currency realignment	80,518	-	537,131	-	-	174,232	791,881
Provided for the year	551,923	-	2,336,707	-	54,936	193,174	3,136,740
Eliminated on disposals	-	-	(223,684)	-	-	-	(223,684)
At 31st December, 2005	3,958,430	-	27,475,108	-	108,455	8,401,729	39,943,722
CARRYING VALUES							
At 31st December, 2005	<u>8,306,497</u>	<u>-</u>	<u>5,608,306</u>	<u>-</u>	<u>163,873</u>	<u>666,258</u>	<u>14,744,934</u>
At 31st December, 2004	<u>8,562,200</u>	<u>-</u>	<u>7,627,503</u>	<u>-</u>	<u>218,809</u>	<u>276,633</u>	<u>16,685,145</u>

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Office equipment HK\$	Leasehold improvements HK\$	Motor vehicle HK\$	Total HK\$
THE COMPANY				
COST				
At 1st January, 2004	18,466	–	–	18,466
Additions	130,670	272,329	–	402,999
At 31st December, 2004	149,136	272,329	–	421,465
Additions	8,020	–	576,800	584,820
At 31st December, 2005	157,156	272,329	576,800	1,006,285
DEPRECIATION				
At 1st January, 2004	18,466	–	–	18,466
Provided for the year	38,000	53,526	–	91,526
At 31st December, 2004	56,466	53,526	–	109,992
Provided for the year	28,838	54,936	86,520	170,294
At 31st December, 2005	85,304	108,462	86,520	280,286
CARRYING VALUES				
At 31st December, 2005	71,852	163,867	490,280	725,999
At 31st December, 2004	92,670	218,803	–	311,473

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings in the PRC	over the lease term
Amusement equipment	20%
Leasehold improvements	10%
Exhibits, display items and costumes	6%-20%
Lifts, electrical and office equipment	10%-20%
Trams, coaches and motor vehicles	20%-30%

The net book value of motor vehicle of the Group and the Company includes an amount of HK\$490,280 (2004: Nil) in respect of assets held under a finance lease.

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18. PREPAID LEASE PAYMENTS

The prepaid lease payments represent leasehold land outside Hong Kong held under medium term leases and are analysed for reporting purposes as:

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Current assets	204,179	204,179	–	–
Non-current assets	3,466,534	3,670,713	–	–
	3,670,713	3,874,892	–	–

19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$	2004 HK\$
Unlisted shares, at cost	25,765,601	25,765,601
Less: Impairment loss recognised	(6,552,967)	(6,552,967)
	19,212,634	19,212,634

Particulars of the subsidiaries of the Company at 31st December, 2005 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	US\$200 Ordinary shares	100%	–	Securities investment
Cathay Motion Picture Studios Limited	Hong Kong/ Hong Kong	HK\$3,000,000 Ordinary shares	100%	–	Property investment
China Entertainment (Jiangsu) Development Ltd.	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
Epoch Sino Investments Limited	British Virgin Islands/ Hong Kong	US\$10 Ordinary shares	100%	–	Investment holding
Far East Art and Cultural Corporation Limited	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Property investment
Far East Holdings China Limited	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding
Panlong Investments (Holdings) Company Limited	Hong Kong/ Hong Kong	HK\$1 Ordinary share	–	51%	Investment holding
Goldtrack Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	90%	–	Investment holding
HealthOnline.com Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	100%	–	Inactive
Panlong Asset Management Company Limited	Hong Kong/ Hong Kong	HK\$1 Ordinary share	–	51%	Inactive
Kwong Ming Amusement Company, Limited	Hong Kong/ Hong Kong	HK\$1,000 Ordinary shares HK\$448,000 Deferred shares	100%	–	Inactive
Panlong Far East Auction Company Limited	Hong Kong/ Hong Kong	HK\$1 Ordinary share	–	51%	Inactive
Peterfame Company Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	100%	–	Property investment

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
Profess World Investments Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	100%	–	Inactive
Far East Holdings International Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	–	100%	Inactive
Far East Holdings (Jiangsu) Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	–	100%	Investment holding
Jiangsu Bang Bang Silky Fashion Manufacturer Co., Ltd.	PRC/PRC*	US\$3,940,000 Paid up registered capital	–	51%	Manufacturing and sales of garment products
Suzhou Goldtract Commodity Concrete Company Limited	PRC/PRC*	US\$1,840,000 Paid up registered capital	–	63%	Sales and production of commodity concrete
Skydynamic Holdings Limited	British Virgin Islands/Hong Kong	US\$1 Ordinary share	100%	–	Property investment

* Sino-foreign equity joint venture

None of the subsidiaries had any debt securities outstanding at the end of the year.

20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$ (restated)	2005 HK\$	2004 HK\$
Listed shares, at cost	15,386,079	16,020,034	15,386,079	16,020,034
Unlisted shares, at cost	240	240	240	240
Share of post-acquisition profits, net of dividends received	48,752,451	30,729,788	–	–
	<u>64,138,770</u>	<u>46,750,062</u>	<u>15,386,319</u>	<u>16,020,274</u>
Market value of listed shares	<u>144,406,349</u>	<u>129,129,700</u>	<u>144,406,349</u>	<u>129,129,700</u>

Particulars of associates of the Group at 31st December, 2005 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued ordinary share capital held by the Group	Principal activity
Chinasoft International Limited ("Chinasoft")	Cayman Islands/ PRC	23.20%	Provision of information technology services
Fortex Investments Limited	British Virgin Islands/ Hong Kong	41.67%	Inactive

In June 2005, the Group disposed of 7,000,000 shares of Chinasoft for a consideration of HK\$4,900,000, resulting in a profit on disposal of HK\$2,872,542. Accordingly, the Group's shareholding in Chinasoft has decreased from 25.36% to 24.40%.

In September 2005, Chinasoft allotted and issued 34,872,453 new shares at an issue price of HK\$1.01 each to China National Computer Software & Technology Service Corporation for the acquisition of 51% equity interest in Chinasoft Resources Beijing. Accordingly, the Group's shareholding in Chinasoft has further decreased from 24.40% to 23.20%, resulting in a profit on deemed disposal of HK\$11,320,610 during the year.

For the year ended 31st December, 2005

20. INTERESTS IN ASSOCIATES (continued)

The summarised financial information in respect of the Group's associates is set out below:

	2005 HK\$'000	2004 HK\$'000
Total assets	421,697	311,777
Total liabilities	124,684	124,146
Net assets	297,013	187,631
Group's share of net assets of associates	64,139	46,750
Revenue	363,505	276,850
Profit for the year	40,885	33,179
Group's share of results of associates for the year	9,332	8,058

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2005 HK\$	2004 HK\$
Cost of unlisted investments in jointly controlled entities	6,478,226	6,478,226
Share of post-acquisition profits, net of dividends received	(4,894,916)	(3,679,037)
	1,583,310	2,799,189

At 31st December, 2005, the Group held 65% interest in Wuxi Cheerman Property Co. Ltd. ("Wuxi Cheerman"), a joint venture registered and engaged in letting of properties in the PRC. Under a joint venture agreement, Wuxi Cheerman is jointly controlled by the Group and another PRC joint venture partner.

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21. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

The summarised financial information in respect of the Group's jointly controlled entity which are accounted for using the equity method is set out below:

	2005 HK\$'000	2004 HK\$'000
Current assets	1,449	2,481
Non-current assets	14,910	15,718
Current liabilities	1,243	946
Income	6	1,882
Expenses	1,873	1,831

22. INVESTMENTS IN SECURITIES

The investment securities of the Group and the Company at 31st December, 2004 comprised:

	THE GROUP		THE COMPANY	
	Investment securities HK\$	Other investments HK\$	Total HK\$	Other investments HK\$
Listed equity securities:				
Hong Kong	8,179,693	10,427,227	18,606,920	10,257,227
Overseas	–	10,418,146	10,418,146	9,805,486
	<u>8,179,693</u>	<u>20,845,373</u>	<u>29,025,066</u>	<u>20,062,713</u>
Market value of listed equity securities	<u>12,624,788</u>	<u>20,845,373</u>	<u>33,470,161</u>	<u>20,062,713</u>
Carrying amount analysed for reporting purposes as:				
Current assets	–	20,845,373	20,845,373	20,062,713
Non-current assets	8,179,693	–	8,179,693	–
	<u>8,179,693</u>	<u>20,845,373</u>	<u>29,025,066</u>	<u>20,062,713</u>

At 31st December, 2004, the directors reviewed the recoverable amount of the Group's investment securities by reference to their market values. As the market values of the investment securities exceeded their carrying values, impairment loss of HK\$1,843,838 was reversed and recognised in the consolidated income statement during that year.

For the year ended 31st December, 2005

23. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments of the Group at 31st December, 2005 comprise:

	2005 HK\$
Listed equity securities in Hong Kong, at fair value	<u>8,567,359</u>

The fair values of available-for-sale investments have been determined by reference to the quoted market bid prices available on the Stock Exchange.

24. HELD-FOR-TRADING INVESTMENTS

The held-for-trading investments of the Group and the Company at 31st December, 2005 comprise:

	THE GROUP HK\$	THE COMPANY HK\$
Listed equity securities:		
Hong Kong	8,576,289	7,727,159
Overseas	24,798,135	24,798,135
	<u>33,374,424</u>	<u>32,525,294</u>

The fair values of held-for-trading investments have been determined by reference to the quoted market bid prices available on the relevant exchanges.

25. INVENTORIES

	THE GROUP	
	2005 HK\$	2004 HK\$
Raw materials	2,502,484	2,701,700
Work in progress	1,748,010	1,173,305
Finished goods	2,242,666	1,400,446
	<u>6,493,160</u>	<u>5,275,451</u>

At the balance sheet dates, all inventories are carried at cost.

26. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group has a policy of allowing a credit period of 30 days to 90 days to its trade customers. Rentals receivable from tenants and service income from customers are payable on presentation of invoices. The aged analysis of trade receivable is as follows:

	THE GROUP	
	2005 HK\$	2004 HK\$
0 – 30 days	2,270,048	2,001,277
31 – 60 days	1,023,174	1,592,386
61 – 90 days	2,110,841	2,359,181
Over 90 days	5,707,376	6,626,276
Total trade receivables	11,111,439	12,579,120
Other receivables	4,133,581	1,763,114
	15,245,020	14,342,234

27. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, interest-free and repayable on demand.

28. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

The amounts are unsecured, interest-free and repayable on demand.

29. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits at prevailing market interest rates or at fixed interest rates ranging from 2.07% to 3.5%.

30. TRADE AND OTHER PAYABLES

The aged analysis of trade payables is as follows:

	THE GROUP	
	2005 HK\$	2004 HK\$
0 – 30 days	3,105,979	2,010,307
31 – 60 days	832,323	692,900
61 – 90 days	879,792	1,651,082
Over 90 days	9,770,844	8,323,506
Total trade payables	14,588,938	12,677,795
Other payables	11,477,935	12,935,893
	26,066,873	25,613,688

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31. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand.

32. AMOUNTS DUE TO RELATED COMPANIES

The amounts are unsecured, interest-free and repayable on demand. The related companies are controlled by certain directors of the Company.

33. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

34. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and repayable on demand.

35. BANK AND OTHER LOANS

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Bank and other loans comprise:				
Bank loans	3,881,947	5,863,706	3,881,947	5,328,683
Other loans	11,390,992	667,952	11,390,992	667,952
	<u>15,272,939</u>	<u>6,531,658</u>	<u>15,272,939</u>	<u>5,996,635</u>

The above loans bear interests at Hong Kong Prime Lending Rate plus 1% or HIBOR plus 1% per annum and are repayable within one year. Total undrawn bank loan facilities at the balance sheet date amounting to HK\$36.6 million (2004: HK\$35.3 million).

The Group's loans that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

Denominated in:	USD	YEN
Functional currency:	HK\$	HK\$
At 31st December, 2005	3,881,947	10,283,645
At 31st December, 2004	<u>5,328,683</u>	<u>—</u>

36. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Amounts payable under finance lease:				
Within one year	160,008	–	101,727	–
In the second to fifth year inclusive	453,356	–	374,907	–
	613,364	–	476,634	–
Less: Future finance charges	(136,730)	–	–	–
Present value of lease obligations	476,634	–	476,634	–
Less: Amount due within one year shown under current liabilities			(101,727)	–
Amount due after one year			374,907	–

The obligations under a finance lease are secured by a motor vehicle of the Group and the Company. The term of the lease is four years. Interest rates are fixed at 7% per annum. No arrangements have been entered into for contingent rental payments.

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37. SHARE CAPITAL

	Number of shares		Share capital	
	2005	2004	2005 HK\$	2004 HK\$
<i>Authorised:</i>				
At beginning of year	700,000,000	700,000,000	700,000,000	700,000,000
Reduction upon capital reorganisation	(560,000,000)	–	(698,600,000)	–
Shares subdivision	69,860,000,000	–	698,600,000	–
At end of year	<u>70,000,000,000</u>	<u>700,000,000</u>	<u>700,000,000</u>	<u>700,000,000</u>
<i>Issued and fully paid:</i>				
At beginning of year	331,668,905	331,668,905	331,668,905	331,668,905
Reduction upon capital reorganisation	(265,335,124)	–	(331,005,567)	–
Issue of shares upon rights issue	33,166,890	–	331,669	–
At end of year	<u>99,500,671</u>	<u>331,668,905</u>	<u>995,007</u>	<u>331,668,905</u>

During the year, the Court has granted an order confirming the Company's capital reorganisation which results in reduction of capital, consolidation of shares, subdivision of shares and reduction of share premium as follows:

- every 5 shares of HK\$1.00 each in the share capital of the Company (whether issued or unissued) be consolidated into one consolidated share of HK\$5.00 each;
- upon the share consolidation taking effect, the issued share capital of the Company be reduced from HK\$331,668,905 to HK\$663,338 by cancelling paid up capital to the extent of HK\$4.99 on each consolidated share in issue arising from the share consolidation so as to form fully-paid up adjusted shares;
- upon the capital reduction taking effect, each authorised but unissued consolidated share of HK\$5.00 each be subdivided into 500 adjusted shares of HK\$0.01 each; and
- upon the capital reduction taking effect, the credit amount arising from the capital reduction together with the credit amount standing in the share premium account be applied by the directors to eliminate the accumulated losses of the Company of HK\$532,554,276.

Details of the Company's capital reorganisation are set out in a circular and a supplemental circular of the Company dated 28th May, 2004 and 27th August, 2004, respectively.

37. SHARE CAPITAL (continued)

In addition, the Company issued and allotted 33,166,890 ordinary shares of HK\$0.01 each for consideration of HK\$0.915 per share to finance the Group's working capital. The allotment was made on 23rd December, 2005 to the existing shareholders on the basis of one new ordinary share for every two existing shares held on 30th November, 2005. The new ordinary shares rank *pari passu* with the existing shares in all respect.

38. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 23rd May, 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 20th July, 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31st December, 2005, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 7,025,200 (2004: Nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK\$1.00 per option. Options may be exercised at any time from 21st July, 2005 to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 21st July, 2005, 6,600,000 share options were granted at an initial exercise price of HK\$1.35 per share. Pursuant to the rights issue during the year, the exercise price and number of the share options granted were adjusted from HK\$1.35 to HK\$1.2683 and from 6,600,000 to 7,025,200 respectively.

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38. SHARE OPTION SCHEME (continued)

Details of share options granted on 21st July, 2005 and outstanding at 31st December, 2005 are as follows:

Capacity of grantee	Exercise price HK\$	Exercisable period (both days inclusive)	Balance at 1.1.2005 HK\$	Granted during the year HK\$	Balance at 31.12.2005 HK\$
Directors	1.2683	21st July, 2005 to 20th July, 2015	–	6,599,430	6,599,430
Employees	1.2683	21st July, 2005 to 20th July, 2015	–	425,770	425,770
			–	7,025,200	7,025,200

No share options was exercised, forfeited or expired during the year.

The estimated fair values of the options granted on 21st July, 2005 is HK\$0.6439. These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2005
Weighted average share price	HK\$ 1.388
Exercise price	HK\$ 1.35
Expected volatility	55%
Expected life	4 years
Risk-free rate	3.26%
Expected dividend yield	–

Expected volatility was determined by using the historical volatility of the Company's share price from 2002 to 2005. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and considerations.

The Group recognised the total expense of HK\$4,249,740 during the year (2004: Nil) in relation to share options granted by the Company.

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39. RESERVES

	Share premium HK\$	Share option reserve HK\$	Retained profits (accumulated losses) HK\$	Total HK\$
THE COMPANY				
At 1st January, 2004				
As originally stated	282,892,010	–	(532,554,276)	(249,662,266)
Effects of changes in accounting policies	–	–	1,295,618	1,295,618
As restated	282,892,010	–	(531,258,658)	(248,366,648)
Loss for the year	–	–	(8,524,376)	(8,524,376)
At 31st December, 2004	282,892,010	–	(539,783,034)	(256,891,024)
Capital reduction	(201,548,709)	–	532,554,276	331,005,567
Recognition of equity-settled share based payments	–	4,249,740	–	4,249,740
Share premium arising on rights issue	30,016,035	–	–	30,016,035
Transaction costs attributable to issue of new shares	(1,616,714)	–	–	(1,616,714)
Profit for the year	–	–	28,620,518	28,620,518
At 31st December, 2005	<u>109,742,622</u>	<u>4,249,740</u>	<u>21,391,760</u>	<u>135,384,122</u>

The Company's distributable reserve at 31st December, 2005 was HK\$21,391,760 (2004: Nil).

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40. DEFERRED TAXATION

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$	Revaluation of properties HK\$	Tax losses HK\$	Total HK\$
At 1st January, 2004				
As originally stated	725,575	–	(725,575)	–
Effects of changes in accounting policies (Note 3)	(575,810)	796,026	(220,216)	–
As restated	149,765	796,026	(945,791)	–
Charge (credit) to income for the year	(150,721)	154,610	220,014	223,903
At 31st December, 2004	(956)	950,636	(725,777)	223,903
Charge (credit) to income for the year	18,651	638,096	(178,044)	478,703
At 31st December, 2005	17,695	1,588,732	(903,821)	702,606

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

At 31st December, 2005, the Group has unused tax losses of approximately HK\$100.3 million (2004: HK\$93.1 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$5.2 million (2004: HK\$4.1 million, restated) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$95.1 million (2004: HK\$89.0 million, restated) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At 31st December, 2005, the Company has unused tax losses of approximately HK\$82.2 million (2004: HK\$77.1 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

41. DISPOSAL OF SUBSIDIARIES

During the year ended 31st December, 2004, the Group disposed of the following subsidiaries:

- (a) In February 2004, the Group disposed of its entire equity interest in Tang City Properties Pte. Ltd. ("TCP"), a company incorporated in Singapore in which the Company had a 90% interest and Mr. Dennis Tat Shing Chiu had a 10% interest. TCP and its subsidiaries were incorporated in Singapore and held all of the Group's investment properties in Singapore.
- (b) In June and November 2004, the Group discontinued its amusement park operations, leisure-entertainment business and restaurant operation at the time of disposal of its entire equity interests in LKA, TDC and RFC Far East. Details of the discontinued operations are set out in note 11.

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41. DISPOSAL OF SUBSIDIARIES (continued)

The effects of the disposal were summarised as follows:

	Continuing operation	Discontinued operation	Total
	HK\$	HK\$	HK\$
	(Note (a) above)	(Note (b) above)	
Net assets (liabilities) disposed of:			
Property, plant and equipment	12,680	5,770,737	5,783,417
Investment properties	122,526,259	–	122,526,259
Leisure entertainment complex	–	1	1
Inventories	–	39,029	39,029
Trade and other receivables	1,095,154	179,233	1,274,387
Bank balances and cash	15,997	53,977	69,974
Trade and other payables	(6,914,914)	(11,627,863)	(18,542,777)
Amounts due to directors	(894,188)	(644,486)	(1,538,674)
Amounts due to related companies	–	(406,064)	(406,064)
Tax payable	(297,064)	–	(297,064)
Bank and other loans	(118,035,435)	–	(118,035,435)
	(2,491,511)	(6,635,436)	(9,126,947)
Exchange reserve realised	5,705,372	(15,629,737)	(9,924,365)
	3,213,861	(22,265,173)	(19,051,312)
(Loss) gain on disposals	(3,213,856)	31,065,182	27,851,326
	<u>5</u>	<u>8,800,009</u>	<u>8,800,014</u>
Satisfied by:			
Cash	5	9	14
Set-off amounts due to directors	–	8,800,000	8,800,000
	<u>5</u>	<u>8,800,009</u>	<u>8,800,014</u>
Net cash inflow (outflow) arising on disposals of subsidiaries:			
Cash consideration	5	9	14
Bank balances and cash disposed of	(15,997)	(53,977)	(69,974)
	<u>(15,992)</u>	<u>(53,968)</u>	<u>(69,960)</u>

41. DISPOSAL OF SUBSIDIARIES (continued)

The subsidiaries disposed of contributed approximately HK\$0.9 million to the Group's turnover and incurred a loss of approximately HK\$0.1 million to the Group's profit from operations. No tax charge or credit arose from the transactions.

In addition, the subsidiaries contributed HK\$0.3 million to the Group's operating activities and used HK\$0.4 million in financing activities.

42. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into a finance lease arrangement in respect of an asset with a total capital value at the inception of the lease of HK\$500,000 (2004: Nil).

43. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, amount due from a minority shareholder/an associate, bank balances and cash, trade and other payables, amounts due to directors/related companies/a minority shareholder/a jointly controlled entity, bank and other loans, and obligations under a finance lease. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below:

Currency risk

Certain trade receivables, payables, and bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's interest rate risk which relates primarily to bank deposits, and obligations under a finance lease, and bank and other loans is minimal due to their short term nature. The Group currently does not have an interest rate hedging policy to hedge against its exposures to change in interest rates. However, the management closely monitors interest rate exposures and will consider entering into interest rate swap transactions to hedge significant interest rate risk should the risk arise.

43. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk**

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to its trade receivables. The Group is exposed to concentration of credit risk as a substantial portion of its sales is generated from a limited number of customers. During the year, the top five customers of the Group accounted for about 67% (2004: 67%) of the Group's sales. The Group manages its credit risk by closely monitoring the granting of credit. The Group also reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counter parties are banks and creditworthy financial institutions.

Price risk

The Group is exposed to equity security price risk through its available-for-sale investments and held-for-trading investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Fair value

The carrying amounts of the Group's major financial instruments (including trade and other receivables, amounts due from a minority shareholder/associates, bank balances and cash, trade and other payables, amounts due to directors/related companies/a minority shareholder/a jointly controlled entity and bank and other loans, and obligations under a finance lease) approximate their fair values due to the short maturity.

44. PLEDGE OF ASSETS

At 31st December, 2005:

- (a) margin trading facilities in respect of securities transactions to the extent of approximately HK\$10.9 million (2004: HK\$5.5 million), of which HK\$10.9 million (2004: HK\$0.7 million) were utilised, were secured by the listed investments of the Group and the Company of approximately HK\$31.8 million (2004: HK\$11 million) and HK\$31.2 million (2004: HK\$10.0 million), respectively; and
- (b) overdraft and revolving loan facilities to the extent of approximately HK\$40.5 million (2004: HK\$40.6 million), of which HK\$3.9 million (2004: HK\$5.3 million) were utilised, were secured by time deposits held by the Company of approximately HK\$4.9 million (2004: HK\$5.2 million) and by a floating charge over the asset of the Company;

At 31st December, 2004, bank loan facilities to the extent of approximately HK\$16.2 million were secured by the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$25.7 million. No such loan facilities were utilised. In addition, bank loan of approximately HK\$0.5 million was secured by a blending machine held by a subsidiary with net book value of approximately HK\$2.3 million.

45. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK\$864,733 (2004: HK\$1,723,902). The properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments under a non-cancellable operating leases which fall due as follows:

	2005	2004
	HK\$	HK\$
Within one year	660,000	660,000
In the second to fifth year inclusive	192,500	852,500
	852,500	1,512,500

For the year ended 31st December, 2005

45. OPERATING LEASE ARRANGEMENTS (continued)**The Group and the Company as lessee**

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under a non-cancellable operating lease which falls due as follows:

	2005	2004
	HK\$	HK\$
Within one year	234,692	154,800
In the second to fifth year inclusive	18,360	64,500
	253,052	219,300

Operating lease payments represent rentals payable by the Group and the Company to a company controlled by certain directors of the Company for the use of its office premise. Leases are negotiated for a term of two years.

46. RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

47. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company paid a rental of HK\$138,000 (2004: HK\$75,250) to a related company for the use of office premise owned by the related company. Certain directors of the Company have beneficial interests in the related company.

In addition, the Company performed certain administrative services for its subsidiaries for which a management fee of HK\$1,379,000 (2004: HK\$1,224,000) was charged to the subsidiaries.

During the year ended 31st December, 2004, the Group disposed certain of its subsidiaries to certain of the directors of the Company. Details of these transactions are disclosed in notes 11 (a), (b) and (c) and 41 (a).

The key management of the Group comprises all directors and the one (2004: three) highest paid employees, details of their remuneration are disclosed in notes 8 and 9. The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

FIVE YEARS FINANCIAL SUMMARY

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At 31st December, 2005

	For the year ended 31st December,				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000 (restated)	
RESULTS					
Turnover	<u>147,197</u>	<u>90,124</u>	<u>84,678</u>	<u>73,395</u>	<u>68,898</u>
(Loss) profit before taxation	(58,188)	(184,695)	(85,089)	56,378	15,652
Taxation	<u>(1,031)</u>	<u>5,387</u>	<u>2,692</u>	<u>(526)</u>	<u>(659)</u>
(Loss) profit for the year	<u>(59,219)</u>	<u>(179,308)</u>	<u>(82,397)</u>	<u>55,852</u>	<u>14,993</u>
Attributable to:					
Equity holders of the Company	(56,675)	(179,242)	(84,760)	54,809	14,907
Minority interests	<u>(2,544)</u>	<u>(66)</u>	<u>2,363</u>	<u>1,043</u>	<u>86</u>
	<u>(59,219)</u>	<u>(179,308)</u>	<u>(82,397)</u>	<u>55,852</u>	<u>14,993</u>
As at 31st December,					
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000
ASSETS AND LIABILITIES					
Total assets	727,519	416,850	319,354	177,954	236,571
Total liabilities	(365,670)	(244,001)	(229,766)	(41,176)	(49,584)
Minority interests	<u>(50,578)</u>	<u>(16,922)</u>	<u>(16,411)</u>	<u>(16,329)</u>	<u>(15,773)</u>
Shareholders' funds	<u>311,271</u>	<u>155,927</u>	<u>73,177</u>	<u>120,449</u>	<u>171,214</u>

The above financial summary prior to 1st January, 2004 has not been adjusted to take into account the effect on the adoption of the Hong Kong Financial Reporting Standards issued by the HKICPA as the directors considered that it is not practicable to do so.

At 31st December, 2005

INVESTMENT PROPERTIES

Location	Group's interests	Approximate site area (sq.ft.)	Existing use	Term of lease
1. Lower G/F to 3/F Kwai Chung Fa Yuen 50 – 56 Wo Yi Hop Road Kwai Chung, New Territories (78/1015th Shares of and in KCTL 266) Hong Kong	100%	11,279	Commercial	Medium
2. G/F to 3/F, Tung Fai Court, 2 Shui Che Kwun Street, Yuen Long, New Territories (165/750th shares of and in YLTL 287 and 349) Hong Kong	100%	7,515	Commercial	Medium
3. Half share in Lots 5, 9, 10, 12, 14, 15, 17, 18, 19, 20, 33 and 72 in DD 447, Tsuen Wan, New Territories Hong Kong	100%	40,075	Agriculture	Medium
4. Lots 46, 47, 48, 49, 107, 108, 109 and 110 in DD279, Tuen Mun New Territories Hong Kong	100%	36,155	Agriculture	Medium
5. Lots 421 and 718 in DD 395, Tin Fu Tsai, Tuen Mun, New Territories Hong Kong	100%	22,216	Agriculture	Medium
6. Lots 968, 969, 970, 971, 972, 973, 975, 976, 977, 978 R.P., 980 R.P. and 981 R.P. in DD 82, Ta Kwu Ling, Fanling, New Territories Hong Kong	100%	53,070	Agriculture	Medium
7. The Remaining Portion of Lot No. 445 in DD 360 Chuen Lung, Tsuen Wan, New Territories Hong Kong	100%	710	Agriculture	Medium
8. 13.075% Interest in Lot No. 389 Chuen Lung, Tsuen Wan, New Territories Hong Kong	100%	19,000	Commercial	Medium