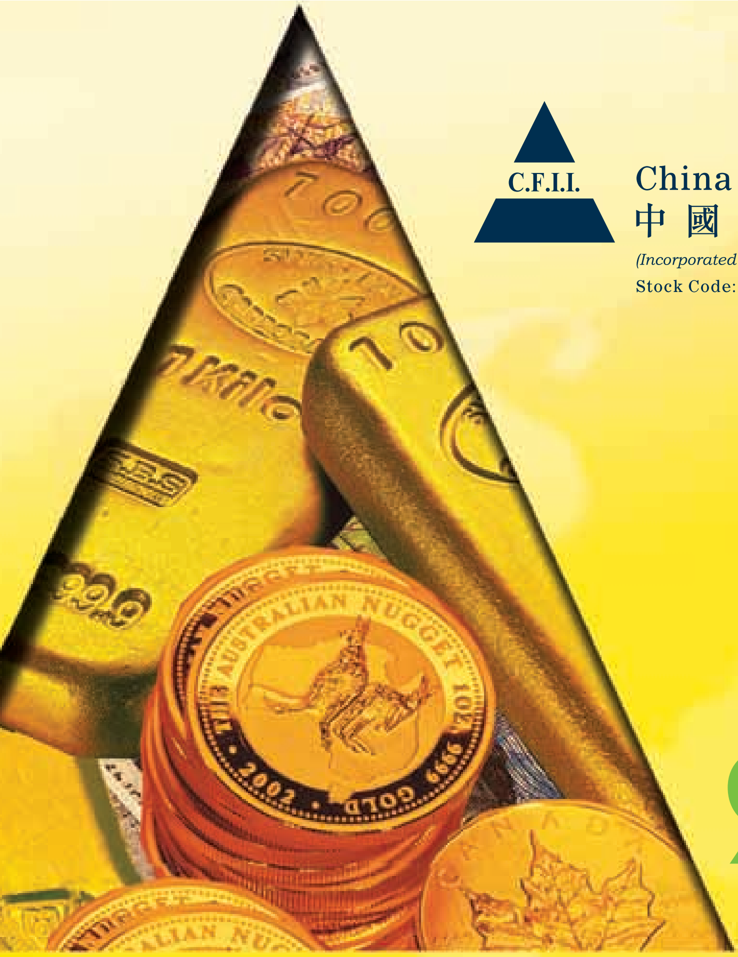

C.F.I.I.

China Financial Industry Investment Fund Limited
中國金融產業投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1227

2005 Annual Report

C.F.I.I

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr Tam Wai Keung, Billy
Mr Wu Tse Wai, Frederick
Mr Fong Chi Wah
(Appointed on 1 November 2005)
Mr Li Sze Tang
(Resigned on 1 November 2005)

Independent Non-executive Directors

Mr Tang King Fai, Kelvin
Mr Wong Che Man, Eddy
(Appointed on 20 February 2006)
Mr Lam Yuk Lau
(Appointed on 20 February 2006)
Mr Chow Wan Hoi, Paul
(Resigned on 20 February 2006)
Mr Hui Wing Sang, Wilson
(Resigned on 20 February 2006)

COMPANY SECRETARY

Mr. Li Sze Tang

AUDIT COMMITTEE

Mr Tang King Fai, Kelvin
Mr Wong Che Man, Eddy
Mr Lam Yuk Lau

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

Standard Chartered Bank
Wing Hang Bank

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS

Room 3201, 32th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

CUSTODIAN

Bank of Communications Trustee Limited
Room 301
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26/F, Tesbury Centre
28 Queens Road East
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited:
1227

The Board of Directors (the "Board") of China Financial Industry Investment Fund Limited ("the Company) is pleased to present to the shareholders the annual report of the Company for the year ended 31 December 2005.

BUSINESS REVIEW

The Company is principally engaged in investing in listed and unlisted companies in Hong Kong and in the People's Republic of China (the "PRC"). There was no change in the nature of the Company's principal activity during the year. As at 31 December 2005, total market value of the Company's trading securities amounted to HK$652,000 (2004: HK$171,000) and investment securities amounted to HK$2,170,000 (2004: HK$3,900,000).

The Board has resolved not to recommend dividend.

For the financial year under review, the Company recorded a net loss of HK$4,726,000 (2004: HK$7,442,000). This was mainly attributable to the net realised loss on disposal of investment securities of HK$871,000 (2004: HK$3,677,000) and directors' remuneration of HK$523,000 (2004: HK$467,000) and legal and professional fee of HK$573,000 (2004: HK$142,000).

This adverse result was affected by the high volatility in the Hong Kong stock market in 2005.

The Company was managing a portfolio of diversified listed company securities covering a range of industry sectors to achieve risk diversification. The portfolio consisted of Bolton Group (International) Limited and WLS Holdings Limited. Apart from the above listed securities, the Company had also made investment in unlisted companies. The Company received HK$9,000 dividend income (2004: HK$Nil) during the financial year under review. The Board is optimistic to the future prospects of these companies in their respective lines of business, and is expecting attractive return on investments and medium-term capital appreciation. Further details of the Company's investment portfolio are set out in the audited financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Company had retained cash of HK$62,000 as at 31 December 2005 (2004: HK$112,000). As all the retained cash was placed in Hong Kong Dollars short-term deposits with a major bank in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Company had net current liabilities of HK$1,338,000 (2004: net current assets of HK$3,715,000) and no borrowings or long term liabilities as at 31 December 2005, which put the Company in a advantageous position to pursue its investment strategies and new investment opportunities. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2005, was 2.567 (2004: 0.436).

EMPLOYEES

As at 31 December 2005, the Company had 6 (2004: 6) employees, including executive and independent non-executive directors of the Company. Total staff costs for the year under review amounted to HK$523,000 (2004: HK$668,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employee.

During the year under review, no option has been granted or agreed to be granted under the share option scheme.

CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Company's assets or any significant contingent liabilities as at 31 December 2005.

Management Discussion and Analysis

PROSPECTS

In 2006, the Company will continue to identify and pursue investment opportunities in Hong Kong, the PRC and other areas in accordance with the Company's investment objectives and policies.

Hong Kong economy is recovering gradually after a long sluggish period. Furthermore, the remarkable economic growth in the PRC is expected to continue in the coming years. Direct foreign investments in the PRC will also be strong and positive. The Board believes that Hong Kong can take advantage of the blooming economy of the PRC to sustain a strong rebound of domestic economy in the coming years. The Company will closely monitor its underlying investment portfolio and make further investments and/or divestments to capture the opportunities arisen in Hong Kong and /or the PRC.

In light of the stimuli advocated by the central government to boost domestic economy, the Company has an optimistic view on Hong Kong's economic prospect. The Company will work closely with its investment manager to identify suitable investment targets and to continue to make investments with potential in short to medium term in order to maximise returns to shareholders. We are of the opinion that any short-term turbulence in the capital markets may actually represent opportunities to acquire profitable investment.

APPRECIATION

On behalf of the Board, I would like to express my appreciation to the shareholders for their continued support and to the investment manager for their dedicated efforts since the Company's listing on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On behalf of the Board
Tam Wai Keung, Billy
Chairman

Hong Kong, 26 April 2006

The Board of Directors (the "Board") is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2005.

Good corporate governance has always been recognised as vital to the Company's success and to sustain development to the Company. We commit ourselves to a high standard of corporate governance as an essential component of quality and has introduced corporate governance practices appropriate to the conduct and growth of its business.

The Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out the principles of good corporate governance (the "Principles") and two levels of corporate governance practices:

(a) code provisions (the "Code Provisions") which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

During the year ended 31 December 2005 under review, the Company has applied the Principles and the Code Provisions as set out in the Code and complied with most of the Code Provisions save for certain deviations from the Code Provisions in respect of Code Provisions A.1,1, A.4.1 and E.1.1, details of which will be explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code, and acknowledges the important role of its Board in providing effective leadership and direction to Company's business, and ensuring transparency and accountability of Company's operations.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to ensure the healthy growth of the Company, in the interests of Company's shareholders.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In general, each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the General Manager/Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the General Manager/Chief Executive Officer and the senior management to discharge its responsibilities.

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises six members, consisting of three executive directors and three independent non-executive directors.

The Board of the Company comprises the following directors:

Executive directors:

Mr Tam Wai Keung, Billy
Mr Wu Tse Wai, Frederick
Mr Fong Chi Wah (Appointed on 1 November 2005)
Mr. Li Sze Tang (Resigned on 1 November 2005)

Independent non-executive directors:

Mr Tang King Fai, Kelvin
Mr Wong Che Man, Eddy (Appointed on 20 February 2006)
Mr Lam Yuk Lau (Appointed 20 February 2006)
Mr Chow Wan Hoi, Paul (Resigned on 20 February 2006)
Mr Hui Wing Sang, Wilson (Resigned on 20 February 2006)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Biographies of Directors" on page 10.

During the year ended 31 December 2005, the Board at all times met the requirements of the Listing rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

APPOINTMENT AND SUCCESSION PLANNING OF DIRECTORS

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

With respect to Code Provision A.4.1, the non-executive directors of the Company have not been appointed for any specific terms since they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Memorandum and Articles of Association of the Company.

To enable the Company's Articles of Association (the "Articles") to be in line with Code Provision A.4.1 and A.4.2, a special resolution will be proposed at the next forthcoming annual general meeting of the Company to amend the Articles so that all directors will be subject to retirement by rotation once every three years.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

BOARD MEETINGS

Number of Meetings and Directors' Attendance

Code Provision A.1.1 stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals.

The reasons for the Company to hold only two regular Board meetings are that the business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues. Transactions with material impact on the financial position of the Company were also reviewed by the independent non-executive directors of the Company. As a result, two regular Board meetings were held in 2005.

The individual attendance record of each director at the meetings of the Board and the Audit Committee during the year ended 31 December 2005 is set out below:

	Attendance/Number of Meetings	
Name of Directors	**Board**	**Audit Committee**
Tam Wai Keung, Billy	11	0
Wu Tse Wai, Frederick	11	0
Fong Chi Wah	0	0
Li Sze Tang	11	0
Tang King Fai, Kelvin	6	2
Chow Wan Hoi, Paul	8	2
Hui Wing Sang, Wilson	8	2

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors as soon as practicable before each Board meeting or committee meeting to allow the directors to read the papers and information, to keep them abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Company secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

REMUNERATION COMMITTEE

The Company has not established a Remuneration Committee. The Board is responsible for determine the Company's policy on remuneration of directors and reviewing all remuneration packages of directors and senior management. The Company currently does not have any plan to set up a Remuneration Committee considering the small size of the Board. The principle elements of the Company's remuneration policy for directors and senior management are:

(1) No individual should determine his or her own remuneration package.

(2) Remuneration packages should be on a par with companies with whom the Company competes for human resources.

(3) Remuneration packages should reflect the performance and responsibility of an individual, as well as the complexity of work.

(4) Remuneration packages should be structured in such a way that can provide incentives to directors and senior management to improve their individual performance.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director and approving and terminating the appointment of a Director. The Company has not established a Nomination Committee. The Company currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Company on the basis of his or her qualifications, experiences and background.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as asset out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2005.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Written Guidelines") for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Written Guidelines by the employees was noted by the Company.

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company is required to pay any aggregate of approximately HK$200,000 to the external auditors. During the year, the auditors only perform the work of statutory audit and do not involved any non-audit assignment of the Company.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view. The auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

LOOKING FORWARD

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr Tam Wai Keung, Billy, aged 42, is the chairman and an executive director of the Company. Mr Tam is a consultant for a nationwide digital TV project in the People's Republic of China and an executive director of Credit Card DNA Security System (Holdings) Limited ("Credit Card DNA") which is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr Tam was elected as one of the "Ten Outstanding Young Digi Persons" in Hong Kong in 2001. Mr Tam was also the founder and chief executive officer of iLink Holdings Limited ("iLink"), which was listed on the Growth Enterprise Market of the Stock Exchange and was privatised in December, 2003. Mr Tam graduated with a bachelor degree in electrical engineering from Seattle University, the United States.

Mr Wu Tse Wai, Frederick, aged 64, is an executive director of the Company. Mr Wu was educated in Hong Kong and the United States and received his Master of Business Administration degree in Finance from Clark University. Mr Wu has over 40 years of experience in insurance, securities business and asset management. He started his career with Paul Revere Life Insurance Company as an assistant actuary. He later worked with Fidelity Management and Research of Boston as an analyst in the late 60s and then moved on to senior positions in research and fund management with various well-known institutions in the United States. In the early 80s, Mr Wu was a senior portfolio manager and investment adviser of Bank of America in Hong Kong. In the 90s, Mr Wu was elected a director and senior consultant of Lippo Securities Group Limited (the "Lippo Securities Group"). He was a member of Lippo Securities Group's investment committee and was responsible for supervising the fund management activities including futures related investments of Lippo Securities Group. Mr Wu is currently an investment adviser registered under the Securities Ordinance and Securities and Futures Ordinance respectively.

Mr Fong Chi Wah, aged 43, holds a bachelor's degree majoring in management science (economics) from Lancaster University in the United Kingdom and holds three master's degree, including a master degree in business administration from Warwick University, United Kingdom, a master's degree in investment management from Hong Kong University of Science and Technology, and a master's degree in practicing accounting from Monash University, Australia. Mr. Fong is a Chartered Financial Analyst, a Certified Practising Accountant (Australia), a member of the Institute of Certified Management Accountants, Australia, the Hong Kong Institute of Directors and the Institute of Management Consultants Hong Kong. Mr. Fong was appointed as an executive director of the Company on 1 November 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Tang King Fai, Kelvin, aged 42, graduated with a Bachelor of Arts degree in Broadcast Journalism from University of Washington in the United States. Mr Tang was an executive director and the compliance officer of iLink. Mr Tang has over 17 years of media, research and marketing experience gained from senior positions at Asia Television Limited ("ATV") and at KTSF-TV, San Francisco, the United States. He was also the anchorman and principal reporter of ATV.

Mr Wong Che Man, Eddy, aged 46, was appointed as independent non-executive director on 20 February 2006. He is at present the sole proprietor of Eddy Wong & Co. CPA. Mr. Wong is a Certified Public Accountant and is a fellow member of The Association of Chartered Certified Accountants and a fellow member of Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in auditing, financial management and accounting. He is at present an independent non-executive director of Credit Card DNA and Sun Hing Vision Group Holdings Limited, both are listed on the Main Board of the Stock Exchange.

Mr. Lam Yuk Lau, aged 42, was appointed as independent non-executive director on 20 February 2006. He is currently the qualified accountant and the General Manager of the Finance Department of China Merchants Holdings (International) Company Limited which is listed on the Main Board of the Stock Exchange. He has over 18 years of experience in accounting, auditing, corporate affairs and project investment and worked for an international accounting firm, the Stock Exchange and companies listed on the Main Board and the GEM Board of the Stock Exchange. Mr. Lam holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Business Administration degree from University of Western Sydney, Nepean, Australia. He is an associate of Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants. Mr. Lam is also a certified public accountant (practicing) in Hong Kong.

The directors of the Company submit herewith their report together with the audited financial statements of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment in listed and unlisted companies in Hong Kong and in the PRC.

The Shares of the Company were listed on the Stock Exchange with effect from 27 September 2002.

Business or geographical analysis of the Company's assets and liabilities for the year is set out in Note 6.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2005 and the state of affairs of the Company at that date are set out in the financial statements on pages 18 to 41.

The Board has resolved not to recommend the payment of dividend for the year ended 31 December 2005 (2004: Nil).

RESERVES

Details of the movements in reserves of the Company during the year are set out in Note 11 to the financial statements.

As at 31 December 2005, the Company's reserves available for distribution to shareholders were HK$232,000 (2004: HK$3,215,000) under the Companies Law of the Cayman Islands.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 10 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association and there is no restriction against such rights under the laws of Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2005, the Company has not purchased, sold nor redeemed any of its listed securities.

DIRECTORS

The directors during the financial year were:

Executive Directors

Mr Wu Tse Wai, Frederick
Mr Tam Wai Keung, Billy
Mr Fong Chi Wah (Appointed on 1 November 2005)
Mr Li Sze Tang (Resigned on 1 November 2005)

Independent Non-executive Directors

Mr Tang King Fai, Kelvin
Mr Wong Che Man, Eddy (Appointed on 20 February 2006)
Mr Lam Yuk Lau (Appointed on 20 February 2006)
Mr Chow Wan Hoi, Paul (Resigned on 20 February 2006)
Mr Hui Wing Sang, Wilson (Resigned on 20 February 2006)

Pursuant to Articles 88 and 89 of the Company's Articles of Association, Mr Tam Wai Keung, Billy will retire by rotation and, being eligible, offer himself for re-election.

Pursuant to Article 87 (3) of the Article of Association, Mr Wong Che Man, Eddy and Mr. Lam Yuk Lau, being director appointed after 2005 annual general meeting of the Company, shall retire and, being eligible, offers himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, except Mr Tam Wai Keung, Billy, has entered into a service contract with the Company. Service contract with Mr Wu Tse Wai, Frederick was commenced on 6 January 2004, with initial fixed term of one year. On 1 November 2005, Mr. Fong Chi Wah was appointed as the Company's executive director. His services contract was commenced on the same day. All director's service contracts will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the respective initial fixed terms. Each of these executive directors, except Mr Tam Wai Keung, Billy, is entitled to their respective basic salary (subject to an annual increment of not more than 5% of the annual salary at the time of the relevant review at discretion of the directors). In addition, in respect of each financial year of the Company, each of the executive directors is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive directors in respect of any financial year of the Company may not exceed 15% of the audited net profit of the Company (after taxation but before extraordinary and exceptional items and payment of such bonuses) in respect of that financial year of the Company. An executive director is required to abstain from voting and is not counted in the quorum in respect of any resolutions of the directors regarding the amount of the monthly salary and the discretionary bonus payable to himself.

There is no service contract signed between the Company and each of Mr Chow Wan Hoi, Paul, Mr Hui Wing Sang, Wilson and Mr Tang King Fai, Kelvin. The directors of the Company, including independent non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

Saved as disclosed above, no other director has entered into service agreement with the Company which is not determined by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts are set out in Note 22 to financial statements. Apart from foregoing, no other contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company a party to any arrangements to enable the directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any associated corporations.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2005, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Name of directors	Nature of interest	Number of ordinary shares held	% of issued shares
Mr Tam Wai Keung, Billy	Personal	8,250,000	16.50%

Other than as disclosed above, none of the directors or chief executives of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

SHARE OPTIONS

The Company has conditionally adopted the share option scheme pursuant to written resolutions of the sole shareholder adopted on 10 September 2002. The Board of Directors or a duly authorised committee thereof may, at any time following the date of adoption and before the tenth anniversary thereof, offer to grant to any directors (including independent non-executive directors) or full-time employees of the Company, an option to subscribe for shares of the Company. The subscription price will be determined by the Board (subject to adjustment), and will not be less than (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange daily quotation sheets for the five consecutive trading days immediately preceding the date of grant; or (iii) the nominal value of the shares of the Company, whichever is the highest. The maximum number of shares of the Company in respect of which options may be granted under this scheme may not exceed 10% of the issued share capital of the Company from time to time. An option may be exercised at any time before the expiration of ten years from the date of adoption of the relevant share option scheme.

As at 31 December 2005, no option has been granted or agreed to be granted under the share option scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, the interests or short positions of persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Number of ordinary shares held	% of issued shares
Yim Sang	11,658,000	19.43%
Wong Kam Fu	12,372,000	24.74%
First Asia International Holdings Limited	5,320,000	10.64%
Cheung Siu Hung	3,480,000	6.96%
Digipluse Developments Limited	2,828,000	5.66%

Other than as disclose above, the Company has not been notified or any other interests or short positions in shares and underlying shares of the Company representing 5% or more of the issued shares capital of the Company as at 31 December 2005.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial parts of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Company's entire turnover is derived from the Company's investment in equity securities listed or unlisted in Hong Kong and the PRC and thus the disclosure of information regarding to customers and suppliers would not be meaningful.

CONNECTED TRANSACTIONS

Investment Management Agreements

The Company entered into the interim investment management agreement with Avanta Investment Management Limited ("Avanta") as its interim investment manager on 16 December 2004 in succession to Hantec Asset Management for the provision of investment management services to the Company. Avanta agreed to provide the Company with investment management services for three months commencing on 16 December 2004 and shall continue for successive periods of three months each unless terminated at any time by either the Company or the interim investment manager by serving on the other party not less than one month prior notice in writing. An investment management fee of HK$95,000 per quarter would be paid in advance on a monthly basis in advance net of tax incurred as a result of the payment, except for Hong Kong profits tax, to Avanta Investment Management. From 15 November 2005, the investment management fee have been increased to HK$400,000 annually.

Custodian Agreement

Pursuant to the custodian agreement dated 10 September 2002, the Company appointed Standard Chartered Bank as its custodian. The Standard Chartered Bank has agreed to provide the Company with securities services including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities.

On 11 March 2005, the Company appointed Bank of Communications Trustee Limited as its custodian in succession Standard Chartered Bank for the provision of custody services. The Custodian agreement will continue in force until terminated by either the Company or the custodian by giving to the other not less than 90 days' notice in writing expiring at any time.

The board of directors, including the independent non-executive directors, is of the view that the above connected transaction has been entered into on normal commercial terms, on an arm's length basis and in the ordinary and usual course of business of the Company, and that the terms of the above connected transaction are fair and reasonable to the shareholders and the Company as a whole.

AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive directors, together with the management, has reviewed management the accounting principles and practices adopted by the Company and has discussed internal control and financial reporting matters including a review of the financial statements for the year ended 31 December 2005.

SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in Note 23 to the financial statements.

AUDITORS

HLB Hodgson Impey Cheng retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Tam Wai Keung, Billy
Chairman

Hong Kong, 26 April 2006

国衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong SAR

AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHINA FINANCIAL INDUSTRY INVESMENT FUND LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 18 to 41 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of 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, 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, 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.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in Note 2 (b) to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which is dependent on the continuing financial support from the directors of the Company. The financial statements do not include any adjustments that would result from a failure of the Company to operate as a going concern. If the going concern basis is not used, adjustments would have to be made to the financial statements to reduce the value of the Company's assets to their recoverable amounts and to provide for any further liabilities which might arise.

We consider that appropriate disclosures relating to these fundamental uncertainties have been made and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2005 and of its loss and cash flows for the year then ended have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 26 April 2006

Balance Sheet

at 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (restated)
Non-current assets			
Available-for-sale financial assets	7	**2,170**	—
Current Assets			
Available-for-sale financial assets	7	**—**	3,900
Financial assets at fair value through profit or loss	8	**652**	171
Prepayment, deposits and other receivables	9	**83**	1,150
Cash and bank balances		**62**	112
		797	5,333
Total Assets		**2,967**	5,333
Equity:			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	**600**	500
Reserves	11	**232**	3,215
Total equity		**832**	3,715
Current Liabilities			
Accrued charges and other accounts payable		**1,004**	1,240
Amount due to a related company	12	**131**	73
Amounts due to directors	13	**1,000**	305
		2,135	1,618
Total Liabilities		**2,135**	1,618
Total Equity and Liabilities		**2,967**	5,333
Net Current (Liabilities)/Assets		**(1,338)**	3,715
Total Assets Less Current Liabilities		**832**	3,715

Approved by the Board of Directors on 26 April 2006 and signed on its behalf by:

Tam Wai Keung, Billy
Chairman

Wu Tse Wai, Frederick
Executive Director

The accompanying notes form an integral part of these financial statements.

Income Statement

for the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (restated)
Turnover	5	**4,033**	2,950
Cost of sales		**(4,904)**	(6,627)
Gross loss		**(871)**	(3,677)
Reversal of unrealised holding loss on financial assets at fair value through profit or loss		**195**	—
Net unrealised holding loss on financial assets at fair value through profit or loss		**—**	(458)
Impairment loss on available-for-sale financial assets		**(430)**	(1,100)
Impairment loss of investment deposits		**(1,300)**	—
Other operating expenses	14	**(2,320)**	(2,207)
Loss before income tax		**(4,726)**	(7,442)
Income tax expense		**—**	—
Loss for the year		**(4,726)**	(7,442)
Attributable to:			
Equity holders of the Company		**(4,726)**	(7,442)
Loss per share			
Basic, in HK cents	19	**(8.18)**	(14.88)
Diluted		**N/A**	N/A

All of the Company's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2005

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 31 December 2003	500	21,091	(10,434)	11,157
Net loss for the year		—	(7,442)	(7,442)
Balance at 31 December 2004	500	21,091	(17,876)	3,715
Issue of new shares	100	1,780	—	1,880
Share issue expenses	—	(37)	—	(37)
Net loss for the year	—	—	(4,726)	(4,726)
Balance at 31 December 2005	**600**	**22,834**	**(22,602)**	**832**

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2005

	2005 HK$'000	2004 HK$'000
Cash flow from operating activities		
Bank interest income receipts	**5**	—
Proceeds from sale of financial assets at fair value through profit or loss	**129**	2,408
Cash payments to acquire available-for-sale financial assets	**(500)**	(40)
Cash payments to employees	**(382)**	(453)
Cash payments to investment manager	**(225)**	(210)
Cash payments to custodian	**(36)**	(32)
Cash payments to other suppliers	**(788)**	(1,615)
Net cash outflow from operating activities	**(1,797)**	58
Cash flow from investing activities		
Dividend received from financial assets at fair values through profit or loss	**9**	—
Net cash inflow from investing activities	**9**	—
Cash flow from financing activities		
Loan from directors	**(105)**	—
Proceeds from issuance of ordinary shares	**1,880**	—
Expenses incurred for issuance of ordinary shares	**(37)**	—
Net cash inflow from financing activities	**1,738**	—
Net (decrease)/increase in cash and cash equivalents	**(50)**	58
Cash and cash equivalents at the beginning of the year	**112**	54
Cash and cash equivalents at the end of the year	**62**	112
Analysis of cash and cash equivalents		
Cash and bank balances	**62**	112

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment in listed and unlisted companies in Hong Kong and in the PRC.

The registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

The shares of the Company were listed on the Stock Exchange with effect from 27 September 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as the "new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005. The Company adopted these new/revised Standards and interpretations of HKFRSs in the financial statements, which are relevant to its operations. The financial statements for the year ended 2004 have been restated in accordance with the relevant requirements.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of significant accounting policies followed by the Company in the preparation of the financial statements is set out below:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 18	Revenue
HKAS 21	The Effects of changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The adoption of new/revised HKASs 1, 7, 8, 10, 18, 21, 24, and 33, 34, 36 and 37 did not result in substantial changes to the Company's accounting policies. In summary:

— HKAS 1 has affected the presentation of financial statements.

— HKASs 7, 8, 10, 18, 33, 34, 36 and 37 had no material effect on the Company's policies.

— HKAS 21 had no material effect on the Company's policy. The functional currency of the Company has been re-evaluated based on the guidance to the revised standard. The Company have the same functional currency as the presentation currency for respective entity financial statements.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures.

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

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Company require retrospective application other than:

— HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Company applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 Janurary 2005.

The adoption of revised HKAS 39 resulted in

	2005	2004
	HK$'000	HK$'000
Increase in available-for-sale financial assets	**2,170**	3,900
Decrease in investment securities	**(2,170)**	(3,900)
Increase in financial assets at fair value through profit or loss	**652**	171
Decrease in trading securities	**(652)**	(171)

There was no impact on basic and diluted loss per share from the adoption of HKAS 39.

(a) Basis of Preparation

The measurement basis used in the preparation of the financial statements is historical cost as modified by the marking-to-market of certain investments in securities as explained in Note 2(b) to financial statements below.

(b) Fundamental Uncertainties

The financial statements have been prepared on a going concern basis. The Company had net loss of HK$4,726,000 (2004: HK$7,442,000) and accumulated losses of HK$22,602,000 (2004:HK$17,876,000) and its continuance in business as a going concern is dependent upon the Company having future profitable operations and continuing financial support from the directors of the Company. The financial statements have been prepared on a going concern basis as a director of the Company have confirmed to provide continuing financial support to the Company in the form of interest-free advances to the extend of HK$5 million to enable it to settle its liabilities as and when they fall due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investment

From 1 January 2004 to 31 December 2004:

The Company classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as non-trading securities and trading securities.

(a) ***Non-trading securities***

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealth with in the income statements.

Where there was objective evidence that individual investments were impaired the cumulative loss recorded in the revaluation reserve was taken to the income statement.

(b) ***Trade securities***

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sale proceeds and the carrying amounts, were recognised in the income statement as they arised.

From 1 January 2005 onwards:

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investment (Continued)

(b) Trade securities (Continued)

(c) *Held-to-maturity investments*

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

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Current Assets and Liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Company's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Company's operating cycle.

(e) Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(f) Turnover

Turnover represents sales of investments in securities, dividend income and interest income.

(g) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, revenue is recognised in the income statement as follows:

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

ii. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rate applicable.

iii. Sales of investments in securities are recognised on a trade date basis.

(h) Operating Leases

Leases where substantially all risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(i) Translation of Foreign Currencies

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet are translated at the rates exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Taxation

Income tax expense 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 net 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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the 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 difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

(k) Impairment of Assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in properties under construction, other properties and other fixed assets are impaired. If any such indicate exists, the recoverable amount of the assets is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

Reversal of impairment loss recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. A reversal of an impairment loss is recognised as income immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provision

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

(m) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company.

Contingent assets are not recognised but are disclosed in the notes to financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Employee Benefits

i. *Employee Leave Entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

ii. *Profit Sharing and Bonus Plans*

The expected cost of profit sharing and bonus payments are recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee Benefits (Continued)

iii. *Retirement Benefits Scheme Contributions*

The Company has participated in the Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance. The assets of the Scheme are held separately from those of the Company in an independently administered fund. The Scheme is generally funded by payments from employees and by the Company. The Company's contributions to the Scheme are expensed as incurred in accordance with the rules of the Scheme and are not reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions.

(o) Related Party Transactions

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(p) Segment Reporting

In accordance with the Company's internal financial reporting, the Company has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude investment in securities and investment properties. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisition through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expense it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) ***Market risk***

(i) *Foreign exchange risk*

The Company mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong Dollars. Most of the Company's monetary assets and liabilities are also denominated in Hong Kong Dollars. Therefore, the Company considers it has no significant foreign exchange risk.

(ii) *Price risk*

The Company is exposed to equity securities price risk because investments held by the Company are classified on the balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Company is not exposed to commodity price risk.

(b) ***Credit risk***

The Company has no significant concentrations of credit risk. The carrying amount of cash and bank balances and other receivables represent the Company's maximum exposure to credit risk in relation to financial assets. The Company has policies that limit the amount of credit exposure to any financial institutions. The Company also has credit policies in place and exposures to credit risks regards other receivables are mentioned on an ongoing basis.

(c) ***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding through an adequate amount of committed credit facilities. The Company also aims to maintain flexibility in funding by keeping committed credit lines available.

(d) ***Interest rate risk***

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

3.2 Fair value estimation

The carrying amounts of the Company's financial assets which mainly include cash and bank balances and other receivables; and financial liabilities, which mainly include amount due to a related company, amount due to directors, and other payables, approximate their fair values due to their short maturities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment on available-for-sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

5. TURNOVER

Turnover represents sales of listed and unlisted securities during the year. The amount of each significant category of revenue recognised during the year are as follows:

	2005 HK$'000	2004 HK$'000
Turnover:		
Sale of financial assets at fair value through profit or loss	**129**	2,950
Sale of available-for-sale financial assets	**3,890**	—
Dividend recieved	**9**	—
Bank interest income	**5**	—
	4,033	2,950

In the opinion of the directors, as an investment company, all income arising from financial assets including dividend and bank interest income should be classified as turnover from the principal activities of the Company. The comparative figures for the year ended 31 December 2004 were restated to conform with current year presentation.

6. SEGMENT INFORMATION

During the year ended 31 December 2005, more than 90% of the Company's turnover was derived from sale of available-for-sale financial assets in the British Virgin Islands (BVI), no business and geographical segmental information on turnover are presented.

For the year ended 31 December 2004, more than 90% of the Company's turnover was derived from sale of financial assets at fair value through profit or loss in Hong Kong, no business and geographical segmental information on turnover are presented.

6. SEGMENT INFORMATION (Continued)

The Company segment assets and liabilities for the year, analysed by geographical market, are as follows:

	Hong Kong		UK		BVI		Total	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Segment assets	**2,452**	1,433	**515**	—	**—**	3,900	**2,967**	5,333
Segment liabilities	**2,135**	1,618	**—**	—	**—**	—	**2,135**	1,618

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2005 HK$'000	2004 HK$'000
Unlisted, at cost	**2,600**	5,000
Less: Impairment loss	**(430)**	(1,100)
	2,170	3,900
Reclassified as current assets	**—**	(3,900)
Non-current assets	**2,170**	—

Impairment loss for available-for-sale-financial assets

The available-for-sale financial assets were valued individually as separate cash generating units ("CGU") at 31 December 2005 by independent valuers, BMI Appraisals Limited. Each CGU was valued to its recoverable amounts, which was its fair value less costs to sell determined by reference to the market. Difference between its costs and its recoverable amounts were recognised as impairment losses.

Unlisted financial assets in Hong Kong:

	Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held HK$'000	Interest held (%)	Net assets attributable to the Company HK$'000	Cost of investment HK$'000	Fair value HK$'000	Impairment loss HK$'000
(i)	Netx Limited	Hong Kong limited liability company	1.725	15.00	212	1,300	1,270	(30)
(ii)	Netters Land Management Limited	Hong Kong limited liability company	1.725	15.00	3	1,300	900	(400)

7. **AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)**

Notes:

(i) Netx Limited is principally engaged in on-line advertising various website.

The unaudited net profit attributable to shareholders of Netx Limited for the nine months ended 31 December 2005 was HK$644,000

(ii) Netters Land Management Limited is principally engaged in internet consultancy on IT system, infrastructure and solutions.

The unaudited net loss attributable to shareholders of Netters Land Management Limited for the nine months ended 31 December 2005 was HK$138,000.

8. **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2005 HK$'000	2004 HK$'000
Held-for-trading:		
Equity securities, at fair value		
— listed in Hong Kong	**137**	171
— listed outside Hong Kong	**515**	—
	652	171

The following is a list of the trading securities as at 31 December 2005:

Equity securities listed outside Hong Kong:

Name of equity securities	**Place of incorporation and kind of legal entity**	**Number of shares held**	**Interest held** (%)	**Net assets/ (liability) attributable to the Company** HK$'000	**Cost of investment** HK$'000	**Fair value** HK$'000	**Unrealised loss arising on revaluation** HK$'000
i. Bolton Group (International) Limited	Bermuda, limited liability company	3,000,000 ordinary shares	4.75	39,387	1,291	515	(776)

Equity securities listed in Hong Kong:

Name of equity securities	**Place incorporation and kind of legal entity**	**Number of shares held**	**Interest held** (%)	**Net assets/ (liability) attributable to the Company** HK$'000	**Cost of investment** HK$'000	**Fair value** HK$'000	**Unrealised loss arising on revaluation** HK$'000
ii. WLS Holdings Limited ("WLS")	the Cayman Islands, limited liability company	1,370,000 ordinary shares	0.30	(5,583)	203	137	(66)

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

A brief description of the business and financial information of the above listed equity securities, based on their latest published annual reports or interim financial reports, is as follows:

i. Bolton Group (International) Limited is principally engaged in the real estate holding and development.

The unaudited net profit attributable to shareholders of Bolton Group (International) Limited for the six months ended 30 October 2005 was £20,000 (2004: £3,193,000).

ii. WLS is principally engaged in the provision of scaffolding for construction and building works in Hong Kong.

The unaudited net profit attributable to shareholders of WLS for the nine months ended 31 January 2006 was HK$2,731,000 (2005: HK$3,160,000).

9. **PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES**

On 18 April 2005, the Company entered into a sale and purchase agreement (the "Sinowich Agreement") with an independent third party in which the Company proposed to acquire 6% interest in 哈爾濱東方(香港)食品有限公司, a foreign enterprise incorporated in the PRC. According to the Sinowich Agreement, the total consideration of HK$1,300,000 had to be settled by a transfer of 712,000 fully paid up shares of Hong Xiang Petroleum International Holdings Limited (the "Cash in Kind for Sinowich"), the investment securities owned by the Company. As at the date of this report, the Cash in Kind for Sinowich has been transferred to the independent third party and however, the registration of the Company's interest in 哈爾濱東方(香港)食品有限公司 has not yet been completed.

Impairment loss for investment deposits

In the opinion of the directors, the failure to complete the registration of the Company's interest in 哈爾濱東方(香港)食品有限公司 was an indication of impairment and a condition existed during the year ended 31 December 2005. As a result, an impairment loss of HK$1,300,000 (2004: HK$Nil) on investment deposit should be provided.

10. **SHARE CAPITAL**

	2005	2004
	HK$'000	HK$'000
Authorised:		
200,000,000 ordinary shares of HK$0.01 each (2004: 200,000,000 ordinary shares of HK$0.01 each)	**2,000**	2,000
Issued and fully paid:		
60,000,000 ordinary shares of HK$0.01 each (2004: 50,000,000 ordinary shares of HK$0.01 each)	**600**	500

10. SHARE CAPITAL (Continued)

During the year, the following movements in the Company's shares capital were recorded:

	Number of Ordinary Share of HK$0.01 each '000	Amount HK$'000
Authorised:		
As at 1 January 2005 and 31 December 2005	**200,000**	2,000
Issued and fully paid:		
As at 1 January 2005	50,000	500
Issue of shares	10,000	100
As at 31 December 2005	**60,000**	**600**

On 21 March 2005, 10,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.188 per share. A shares premium of HK$1,743,000, net of share issue expenses, has been credited to share premium account. Details of these transactions were set out in the Company's announcement dated 23 March 2005.

11. RESERVES

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2003	21,091	(10,434)	10,657
Loss for the year	—	(7,442)	(7,442)
At 31 December 2004	21,091	(17,876)	3,215
Issue of new shares	1,780	—	1,780
Share issue expenses	(37)	—	(37)
Loss for the year	—	(4,726)	(4,726)
At 31 December 2005	**22,834**	**(22,602)**	**232**

12. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company was unsecured, interest-free and fully repaid during the year.

13. AMOUNTS DUE TO DIRECTORS

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

14. EXPENSE BY NATURE

Administrative expenses are analysed as follows:

	2005 HK$'000	2004 HK$'000
Auditors' remuneration	**200**	252
Employee benefit expenses *(note 15)*	**523**	668
Legal and professional fee	**573**	142

15. EMPLOYEE BENEFIT EXPENSES

	2005 HK$'000	2004 HK$'000
Salaries and other short-term employee benefits	**504**	640
Retirement benefits scheme contributions	**19**	28
	523	668

(a) Directors' and senior management's emolument

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

	Fee HK$'000	Salary HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Tam Wai Keung, Billy	—	—	—	—	—
Li Sze Tang *(note 1)*	—	320	10	—	330
Wu Tse Wai, Frederick	—	150	7	—	157
Fong Chi Wah *(note 2)*	—	34	2	—	36
Chow Wan Hoi, Paul *(note 3)*	—	—	—	—	—
Hui Wing Sang, Wilson *(note 4)*	—	—	—	—	—
Tang King Fai, Kelvin	—	—	—	—	—
Kwok Ming Wa *(note 5)*	—	—	—	—	—
Chiu Siu Keung *(note 6)*	—	—	—	—	—
Wang Tianye *(note 7)*	—	—	—	—	—
	—	504	19	—	523

15. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Directors' and senior management's emolument (Continued)

The remuneration of every Director for the year ended 31 December 2004 is set out below:

	Fee	Salary	Other benefits	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Tam Wai Keung, Billy	—	—	—	—	—
Li Sze Tang *(note 1)*	—	265	—	12	277
Wu Tse Wai, Frederick	—	118	—	6	124
Fong Chi Wah *(note 2)*	—	—	—	—	—
Chow Wan Hoi, Paul *(note 3)*	—	—	—	—	—
Hui Wing Sang, Wilson *(note 4)*	—	—	—	—	—
Tang King Fai, Kelvin	—	—	—	—	—
Kwok Ming Wa *(note 5)*	—	33	—	—	33
Chiu Siu Keung *(note 6)*	—	2	—	—	2
Wang Tianye *(note 7)*	—	31	—	—	31
	—	**449**	**—**	**18**	**467**

Notes:

1. Resigned on 1 November 2005

2. Appointed on 1 November 2005

3. Resigned on 20 February 2006

4. Resigned on 20 February 2006

5. Resigned on 19 July 2004

6. Resigned on 19 July 2004

7. Resigned on 19 July 2004

Directors' basis salaries disclosed above included HK$Nil (2004:HK$63,548) paid to independent non-executive directors.

During the year, the emoluments waived by a director of the Company amounted to HK$Nil (2004:HK$340,000). Other than that, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

15. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Directors' and senior management's emolument (Continued)

The number of the directors fell within the following bands:

	Number of directors	
	2005	2004
Nil to HK$1,000,000	**3**	9

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Company for the year include three executive directors (2004: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	2005 HK$'000	2004 HK$'000
Basic salaries and benefits	**504**	449
Contribution to provident fund	**19**	18
	523	467

The number of the Employees whose emoluments fell within the following bands:

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**2**	2

16. INCOME TAX EXPENSES

Current Taxation

No provision for Hong Kong profits tax has been made as the Company incurred a taxation loss for the year (2004: Nil).

	2005 HK$'000	2004 HK$'000
Deferred Taxation		
Credit for the year	**—**	—

16. INCOME TAX EXPENSES (Continued)

The credit for the year can be reconciled to the loss per the income statement as follows:

	2005 HK$'000	2005 %	2004 HK$'000	2004 %
Loss before tax	**(4,726)**		(7,442)	
Tax at Hong Kong profit tax rate of 17.5% (2004: 17.5%)	**(827)**	**(17.5)**	(1,302)	(17.5)
Estimated tax effect on income that are not taxable in determining taxable profit	**(2)**	**(0.1)**	—	—
Estimated tax effect on expenses that are not deductible in determining taxable profit	**—**	**—**	193	2.6
Tax effect of unrecognised deductible temporary differences	**—**	**—**	82	1.1
Tax effect of unrecognised tax losses	**829**	**17.6**	1,027	13.8
Tax income and effective tax rate for the year	**—**	**—**	—	—

17. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of the loss of HK$4,726,000 (2004: HK$7,442,000).

18. DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2005 (2004: Nil).

19. LOSS PER SHARE

The calculation of basic loss per share is based on the Company's net loss attributable to the shareholders of HK$4,726,000 (2004: HK$7,442,000) and the 57,808,000 (2004: 50,000,000) weighted average ordinary shares in issue during the year.

There were no dilutive potential shares during the years ended 31 December 2004 and 2005, therefore, no diluted loss per share has been presented.

20. DEFERRED TAXATION

	2005 HK$'000	2004 HK$'000
Balance as at 31 December 2005/2004	**—**	—

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using a principal taxation rate of 17.5% (2004: 17.5%).

As at the balance sheet date, the Company has estimated tax losses of approximately HK$20,887,000 (2004: HK$16,151,000) and deductible temporary differences of approximately HK$5,165,000 (2004: HK$4,970,000) that are available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets have not been provided for due to the unpredictability of the future profit streams.

21. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of HK$832,000 (2004: HK$3,715,000) and the 60,000,000 (2004: 50,000,000) ordinary shares in issue as at 31 December 2005 and 31 December 2004.

22. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2005, the Company had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Company's business.

Nature of related party relationship	**Nature of transactions**	**2005 HK$'000**	**2004** HK$'000
Company with common director:			
First Asia Finance Group Limited *(Note (a))*	Administration fee — paid	**175**	73

Notes: (a) Mr Li Sze Tang who resigned on 1 November 2005 had beneficial interest in the related company.

Key management compensation

	2005 HK$'000	2004 HK$'000
Salaries and other short-term employee benefits	**504**	640
Employer contribution to pension scheme	**19**	28

Amounts due to directors

		2005 HK$'000	2004 HK$'000
Mr Tam Wai Keung, Billy	— Cash advanced to the Company	**1,000**	250
Mr Chow Wan Hoi, Paul	— Cash advanced to the Company	**—**	5
	— Amounts settled on behalf of the Company	**—**	50

23. SUBSEQUENT EVENTS

The Company had no significant event took place subsequent to the balance sheet date.

24. IMPACT OF ISSUE BUT NOT YET EFFECTIVE HKFRSs

The Company has not applied for the following new and revised HKFRSs that have been issued but are not yet effective to these financial statements. Unless otherwise stated, these HKFRSs are effective for accounting period commencing on or after 1 January 2006:

HKAS 1 Amendment	Capital disclosures
HKAS 19 Amendment	Actuarial gains and losses, group plans and disclosures
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 & HKFRS4 Amendments	Financial guarantee contracts
HKFRSs 1 & 6 Amendments	First-time adoption of Hong Kong Financial Reporting Standards and exploration for and evaluation of mineral resources
HKFRS 6	Exploration for and evaluation of mineral resources
HK (IFRIC)-Int 4	Determining whether an arrangement contains a lease
HK (IFRIC)-Int 5	Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds
HK (IFRIC)-Int 6 (effective for accounting periods on or after 1 December 2005)	Liabilities arising from participating in a special market — waste electrical and electronic equipment

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

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

The Company is in the process of making an assessment of what the impact of the new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the HKAS 19 Amendment, HKAS 39 Amendments, HKFRSs 1 & 6 Amendments, HKFRS 6, HK (IFRIC) Int 5 & 6 do not apply to the activities of the Company. The Company expects that the adoption of the rest of them will not have any significant impact on the Company's results of operation and financial position.

25. COMPARATIVE FIGURES

As further explained in note 2 to financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, comparative figures have been reclassified and restate to conform with the current year's presentation and accounting treatment.

26. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2006.

Financial Summary

	Year ended 31 December 2005 HK$'000	Year ended 31 December 2004 HK$'000 (restated)	Year ended 31 December 2003 HK$'000	Year ended 31 December 2002 HK$'000
RESULTS				
Turnover	**4,033**	2,950	100	131
(Loss)/Profit before taxation	**(4,726)**	(7,442)	(12,580)	2,146
Taxation	**—**	—	484	(484)
(Loss)/Profit attributable to shareholders	**(4,726)**	(7,442)	(12,096)	1,662

	As at 31 December 2005 HK$'000	As at 31 December 2004 HK$'000 (restated)	As at 31 December 2003 HK$'000	As at 31 December 2002 HK$'000
ASSETS AND LIABILITIES				
Total assets	**4,057**	5,333	11,858	23,835
Total liabilities	**(2,135)**	(1,618)	(701)	(582)
Shareholders' funds	**1,922**	3,715	11,157	23,253

Note: The Company was incorporated in the Cayman Islands on 28 June 2002.