Annual Report 2005

New Capital
International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1062)

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Chairman's Statement

For the year ended 31 December 2005, the net loss for the Group totaled HK$12,726,109. The consolidated net asset value per share of the Group was HK$0.264 as at 31 December 2005. The Group's profit for the year up to 31 December 2004, and net asset value per share as at 31 December 2004 were HK$6,251,287 and HK$0.284 respectively.

CHANGE OF CAPITAL STRUCTURE

On 13th April 2005, New Capital International Investment Limited ("New Capital"), a company incorporated in the Cayman Islands, has replaced the listing status of ING Beijing Investment Company Limited ("ING Beijing") on the Stock Exchange of Hong Kong Limited. New Capital has become the new holding company of the Group and ING Beijing is now a wholly owned subsidiary of New Capital.

CORPORATE GOVERNANCE

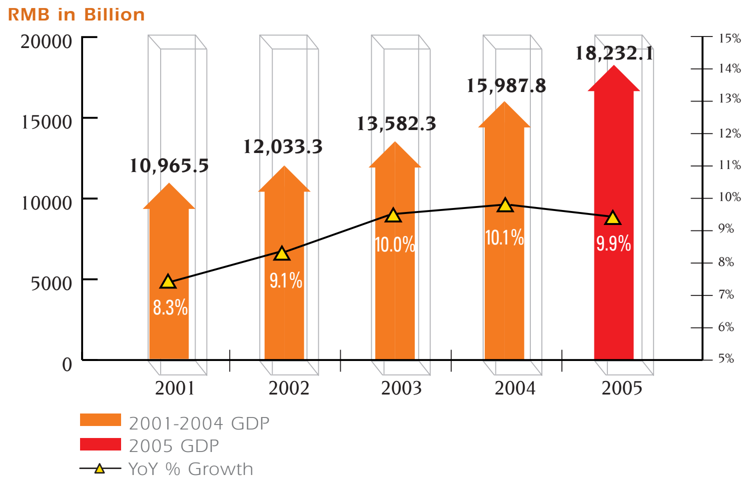
On 19th November, 2004, the Stock Exchange of Hong Kong Limited published its conclusion report and amendments had been made to the Listing Rules relating to the Code on Corporate Governance Practice and Rules on the Corporate Governance Report.

In view of such changes, New Capital held its Board Meeting on 23rd June 2005 to update the directors the revised requirements and to work on the corporate governance compliance. In the meeting, the remuneration committee has been set up, the division of roles and responsibilities of chairman and chief executive officer is recognized and the revised term of reference of the audit committee was adopted.

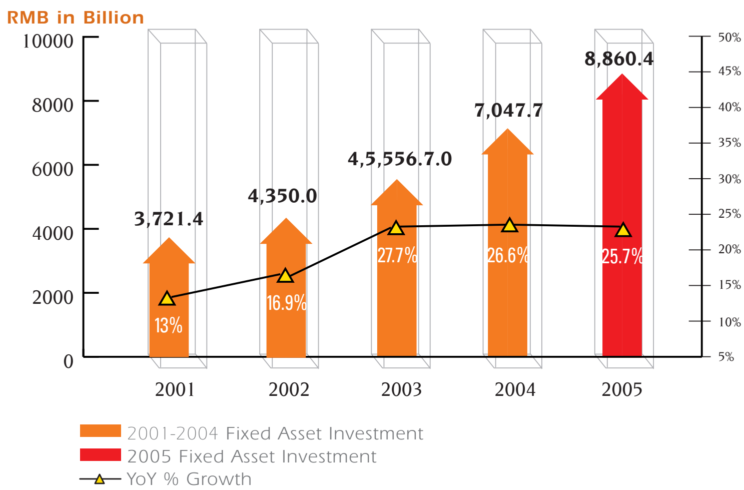
CONTINUED GROWTH IN 2005

China's rapid economic growth and low inflation in 2005 is a spectacular achievement. There were widespread expectations of an economic slowdown amid continued implementation of the government's tightening measures, but China's real GDP growth reached 9.9% in 2005, and is set to be the third consecutive year that China has attained 9%-plus growth.

Chairman's Statement (Cont'd)



Continuing demand for cheap manufacturing goods, rapid industrialization unleashing huge productive capacity and on-going cost advantages will all help to sustain the near double-digit real growth of the China's economy. Fixed Asset Investment (FAI) was the primary driver of growth in 2005, expanding by 25.7% to RMB8,860.4 billion. Investment in real estate was reported at RMB1,575.9 billion, up 19.8% year-on-year.



For the year 2005, China's total value-added industrial output reaching RMB7,619 billion, up 11.4% from a year earlier. Its export base has greatly expanded, grew by 28.4% to US$762 billion. Imports grew by 17.6% to US$660.1 billion. The rapidly expanding export base has given rise to an investment boom in a wide range of industries. Retail sales were up 12.9% year-on-year while consumer price index rose by 1.8% year-on-year.

REAL ESTATE MARKET IN BEIJING

Beijing's FAI increased by 11.8% to RMB282.72 billion in 2005. The amount of real estate investment grew mildly by 3.5% to RMB152.50 billion, as compared with 22.5% growth in 2004. Sale of commercial housing grew by 40.8% to RMB175.88 billion. GFA completed was up by 11.3% to 46.79 mn sq m, while GFA-new start was up by 7.4% to 140.96 mn sq m. GFA sold rose up by 13.4% to 28.03 mn sq m.

REAL ESTATE TRANSACTIONS

The Group invested HKD 78 million in China Property Development (Holdings) Limited ("CPDH") in February 2002. CPDH holds a 100% interest in a Beijing residential development project, the Pacific Town Project (marketed as Richmond Park in Beijing). The project is a 240,000 square meters high-end residential development project located in the northeast corner of Beijing within the Lido Area of the Chaoyang District. The project is situated in an up market district popular with foreigners and the diplomatic community.

Pre-sales was launched in late August 2004. The 408 units of the three blocks (Block A1, A2 and A3) of Phase I were substantially sold, with an average selling price of RMB10,517. The construction work of Phase I is expected to complete and ready for occupancy in mid 2006. Once the ownership is passed to the buyers, the revenue from Phase I can be recognized in the financial statements of CPDH. The Group's profit-sharing ratio in CPDH is 33.42%.

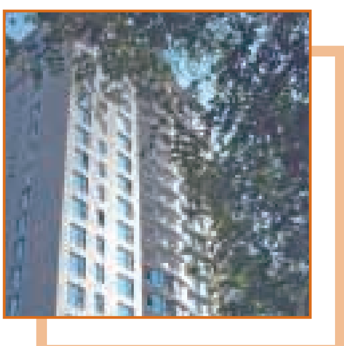
Phase II-A consists of two blocks, A4 and A5, which have been launched in the market. B5 of Phase III was pre-sold in February 2006. The construction work of Phase II-A and III is scheduled to complete in late 2007.

The Group has approved the acquisition of an equity interest in a company holding two commercial floors of Wuhan Xing Cheng Building for settlement of the deposit paid for the Taiyanggong Zone F Project. Wuhan Xing Cheng Building is a commercial building situated at the city centre of Jianghan District in Wuhan. The building is at proximity to shopping malls, luxury residential apartments and commercial buildings. The acquisition will provide the Group a guaranteed rental yield of 8% per year.

OTHER INVESTMENTS

Beijing Far East Instrument Company Limited ("Far East") is the only remaining non-property related investment in the Company's portfolio. Based on the unaudited management accounts as at 31st December 2005, Far East achieved 50% increase in revenue to RMB210 million. Its gross profit margin improved from 9.9% in 2003, to 11.5% in 2004 and 12.07% in 2005. Its profit before provisions/impairment losses for the year 2005 was about RMB6 million. In the year 2005, the Group's share of loss of Far East is about HK$1.8 million. This was because there were additional provisions made for obsolete stocks and impairment losses on an entrusted investment and outstanding receivables.

Far East has succeeded in streamlining the production of traditional electrical products and restructuring the product composition. In the coming years, it will concentrate on exploring the business in self-developed systems, which includes the automatic recording system and building integrated control systems.



FUTURE PROSPECTS

China's economic engine will remain in high gear in 2006. Direct invest flows into China totaled USD 60.3 billion in 2005 portended that China's export performance should fare well in the near future. Consumption growth will be sustained amid healthy income growth and government support.

With China's real estate yielding over 20% return and the combined returns of Shanghai and Shenzhen stock just below 6%, it is predictable that money will continue to flow into the real estate sector unless the performance of the equities market dramatically improves.

The macro control measures implemented by the China's central government have been effective in driving excessive speculation out of the residential market. However, a heightened level of investment activity, especially by overseas funds, was witnessed in office and retail property sectors. Policies encouraging home ownership and liberal lending allowed investment in the residential sector to increase about 50% from the year 2000 to 2005; however, during that same period investment in commercial real estate increased over 200%.

The Directors are confident that the real estate market in China will benefit from the steady macroeconomic policies resulting in a stable growth pattern and rising disposable incomes. The Group's focus on China's property sector will continue to benefit from the buoyant economic environment.

Investment Portfolio

VALUE OF THE PORTFOLIO

The value of the portfolio as at 31st December 2005 was as follows:

Investment Portfolio	Date of Investment	Cost of investment/ Valuation at 31st Dec 2005
China Property Development (Holdings) Limited	April 2002	HKD 78.00 million
Wuhan Xing Cheng Building	April 2006 (scheduled)	Approximately HKD 38.00 million
Beijing Far East Instrument Company Limited	Jul 1994	HKD 47.77 million
Quoted Investment – China Construction Bank		HKD 10.58 million
Quoted Investment – Skyworth		HKD 11.40 million

CHINA PROPERTY DEVELOPMENT (HOLDINGS) LIMITED ("CPDH")

The Group invested HKD 78 million in China Property Development (Holdings) Limited ("CPDH") in February 2002. CPDH holds 100% interest in a Beijing residential development project, the Pacific Town Project (marketed as Richmond Park in Beijing).

The project is a high-end residential development project located in the northeast corner of Beijing within the Lido Area of the Chaoyang District, it is situated in an up market district popular with foreigners and the diplomatic community.

Richmond Park

The Richmond Park project, is located in the up-market Lido area at the northeastern corner of Beijing outside the Fourth Ring Road. Popular amongst foreigners, major hotels and international schools are situated within the area. With convenient access to major expressways and roads, the Beijing International Airport, CBD and Yansa Business District are all within 10 minutes drive by car. Covering a site area of 125,925 square meters, the project plans to build 243,737 square meters high-end residential space with a product mix of high-rise apartments, condominiums and villas.

Pre-sales was launched in late August 2004. The 408 units of the three blocks (Block A1, A2 and A3) of Phase I were substantially sold, with an average selling price of RMB10,517. Phase I of Richmond Park consists of 3 high-rise luxury residential buildings and a clubhouse facility, the construction work is expected to complete and ready for occupancy in mid 2006. Once the ownership is passed to the buyers, the revenue from Phase I can be recognized in the financial statements of CPDH. The Group's profit-sharing ratio in CPDH is 33.42%.

Investment Portfolio (Cont'd)

Phase II-A consists of two blocks, A4 and A5, which have been launched in the market. The construction work of these two blocks has been commenced and was scheduled to be completed in late 2007.

B5, the only block of Phase III, was pre-sold in February 2006, 40% has been sold out within a month, the current price of B5 has leveled up to RMB15,300 sq. m.

Richmond Park won *Asian Creative Design Award for Habitation* in Hong Kong on 8th November 2004 during the Asian Habitation Summit organized jointly by major property developers and the World Bank. There was only one project received such honor from Beijing. This activity was the first organized in Hong Kong since the opening and reform of China.

In the 2004 Beijing Real Estate Master Award organized by a leading real estate magazine, Richmond Park was awarded *Residential Masterwork of the year, 2004*. The activity is regarded as the most authoritative and influential of it's kind in the real estate sector.

Organized by Real Estate Consumer Guide magazine, Richmond Park was awarded *The Best Property Service Award 2004* from voters poll.

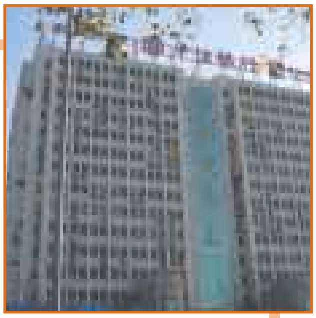
In October 2005, Richmond Park was awarded the International Model for Chinese Habitation in the 4th PECC International Trade and Investment Exhibition, which was organized by State Construction Bureau and State Business Bureau.

WUHAN XING CHENG BUILDING

Wuhan city is the capital of Hubei Province; it is a famous historical and cultural city in China, a central metropolitan in the middle reaches of Yangtze River, national pivotal industrial base, centre of finance, commerce, logistics, information, science and education in Central china, long being reputed as "Oriental Chicago".

Wuhan is located at the geo-economic centre of China, the Beijing-Guangzhou and Beijing-Kowloon trunk railways run from north to south of the city, and it is also at the confluence of Yangtze river and Hanjiang river which run from west to east.

Wuhan Xing Cheng Building is a commercial building situated at the city centre of Jianghan District in Wuhan. It is adjacent to the Wuhan Mobile & Telecommunication Bureau Building in the east, China Southern Airline Building in the west, 70 metres north of the building is Hankou Railway Station and the five-star Oriental Hotel. The building is at proximity to shopping malls, luxury residential apartments and commercial buildings.



Wuhan Xing Cheng Building has 16 floors; the underground floor is public areas and car parks. The first and second floors are areas for shopping purposes; the third to fifteen floors are commercial offices. The Group has approved to acquire Profit Harbour Industrial Limited, a company registered in Hong Kong, which holds the retail floors, Level 1 and Level 2 of Wuhan Xing Cheng Building, and is leased out to CITIC Bank (中信實業銀行武漢分行) and Beijing Illinois (北京伊力諾依家品店).

The acquisition of an equity interest in a company holding two commercial floors of Wuhan Xing Cheng Building is for settlement of the deposit paid for the Taiyanggong Zone F Project, and will provide the Group a guaranteed rental yield of 8% per year.

Investment Portfolio (Cont'd)

BEIJING FAR EAST INSTRUMENT CO., LTD. ("FAR EAST")

Based on the unaudited management accounts as at 31st December 2005, Far East achieved 50% increase in revenue to RMB210 million. Its gross profit margin improved from 9.9% in 2003, to 11.5% in 2004 and 12.07% in 2005. Its profit before provisions/impairment losses for the year 2005 was about RMB6 million. In the year 2005, the Group's share of loss of Far East is about HK$1.8 million. This was because there were additional provisions made for obsolete stocks and impairment losses on an entrusted investment and outstanding receivables.

Far East has succeeded in streamlining the production of traditional electrical products and restructuring the product composition. Far East will concentrate on exploring the business in self-developed systems, which includes the automatic recording system and building integrated control systems.

QUOTED INVESTMENTS

The Group's investment in quoted securities is an investment of 10 million shares in Skyworth Digital Holdings Limited ("Skyworth"). Skyworth has suspended trading since 30th November 2004 due to an alleged misappropriation of the company's assets by senior management. The Group's investment in Skyworth is valued at HK$1.36 per share in the suspension period.

Skyworth resumed trading and closed at HK$1.09 on 11th January 2006. The shares were stated at a directors' valuation of HK$1.14 per share at the end of December 2005.

On 24th October 2005, the Group subscribed 3,954,000 shares of China Construction Bank Corporation – H shares ("China Construction Bank") at HK$2.35 per share. At 31 December 2005, the shares were stated at their fair value of HK$2.675 per share.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. **Liu Xiao Guang,** aged 50, is the Chairman of the board of directors of the Company and ING Beijing Investment Company Limited. He is also the chairman of the board of directors of Beijing Capital Land Ltd., which is a H-share company listed on the Stock Exchange and is a property developer in Beijing, focusing primarily on developing quality/high-end office buildings and commercial properties and medium to high-end residential properties. Mr. Liu has been appointed an Executive Director since April 2004. He was the deputy director of the Beijing Municipal Planning Commission, deputy secretary-general of the City Planning and Construction Exchange and an adjunct professor of Beijing Commerce College. Mr. Liu has extensive experience in the management and supervision of large investment projects, and in various sectors and industries, including finance, securities, futures, foreign currency, real estate, commerce, foreign trade, tourism, consultancy and government investment fund. Mr. Liu also participated extensively in the review and approval of foreign investment projects as well as in supervising the preparation of foreign investment research and feasibility studies in Beijing for Beijing Capital. He is currently the vice chairman and deputy general manager of Beijing Capital, a large-sized enterprise group directly under the supervision of Beijing Municipal People's Government. Mr. Liu obtained a bachelor's degree in economics from Beijing Commerce College in 1983.

Mr. **Cheng Bing Ren,** aged 55, is the deputy general manager of the Beijing International Trust and Investment Corporation Limited ("BITIC"), a state-owned enterprise which is engaged in the provision of financial trust products and services. Since Mr. Cheng joined BITIC in 1987, he has been primarily responsible for managing BITIC's trust management business. Being a member of the senior management of BITIC's trust management business, Mr. Cheng has wide discretion and authority to make investment decisions for the discretionary trust clients of BITIC. Most of these clients have been assigned by the PRC government. Mr. Cheng is also responsible for the evaluation, monitoring and management of investments for BITIC itself. Mr. Cheng worked as a deputy chairman of China Security Corp. Limited since 2002, primarily responsible for human resource management and internal auditing issues and making significant strategy decision. In 2005, Mr. Cheng is appointed as the Chairman of the Auditing Committee, taking charge of routine duties of the committee. He obtained a graduate certificate from Beijing Normal College, a teachers' college in the PRC, in 1977. Mr. Cheng was appointed an Executive Director in April 2004 and is an Executive Director of ING Beijing Investment Company Limited since March 1994.

Mr. **Lawrence H. Wood** (also known as Wu Yuk Shing or Hu Xu Cheng), aged 44, has been appointed an Executive Director since August 2003 and is an Executive Director of ING Beijing Investment Company Limited since March 1994. Mr. Wood graduated with a bachelor degree in economics from the Beijing Economics College in 1983. Over the past 10 years, he has been working with the Beijing International Trade Association and the Beijing International Trade Research Institute, during which period his responsibilities included performing financial and economic research and providing professional advice on Beijing Government's cross-provincial investments and foreign investments, participating in the decision-making process for granting export rights to Beijing government-owned enterprises, evaluating investment proposals as well as supervising sino-foreign investments in Beijing.

Mr. **Liu Xue Min**, aged 47, was appointed Executive Director of the Company in April 2004 and is a Non-executive Director of ING Beijing Investment Company Limited since March 1994. Mr. Liu graduated with a master degree in currency and banking from Post Graduate Institute of Chinese Academy of Social Science in the PRC in 1998. He is the chairman of First Capital Securities Co., Limited, which is a subsidiary of Beijing Capital and is engaged in the provision of financial services including securities consultation and asset management, and was the general manager of Beijing Jingfang Economic Development Company, a state-owned company which is engaged in the investment, securities and real estate development businesses in the PRC, from 1993 to 1997.

Independent non-executive directors

Mr. **To Chun Kei**, aged 39, has over 10 years of experience in accounting and financial management. He was the financial controller of a private company in Hong Kong which is primarily engaged in the property investment business from 2001 to 2004. Prior to joining this private company in 2001, he worked as the financial controller of Kiu Lok Service Management Co., Ltd., a subsidiary of New World Property Holdings Limited, from 2000 to 2001. He also worked as a senior accountant in Hop Hing Holdings Limited, the shares of which are listed on the Stock Exchange, during 1994 to 2000. Mr. To graduated from the University of Western Sydney, Australia and has a bachelor degree in business administration. He is a fellow member of Hong Kong Institute of Certified Public Accountants and Association of International Accountants. Mr. To was appointed an Independent Non-executive Director in April 2004.

Dr. **Kwong Chun Wai Michael**, aged 41, is a fellow of the International Institute of Management, a fellow of the Hong Kong Institute of Marketing and a member of the Institute of Supply Chain Management. He is currently an independent non-executive Director of China Haidian Holdings Limited, a company whose shares are listed on the Stock Exchange, a director of the Hong Kong Economic and Trade Association, examiner of Cambridge Career Awards in Business, University of Cambridge Local Examination Syndicate in the United Kingdom and a business strategist specialising in the area of marketing and business administration. Dr. Kwong obtained a bachelor of arts degree with honours in philosophy from the University of Nottingham in the United Kingdom in 1987 and a doctor degree in business administration from Newport University in the United States in 2001. He has worked in leading media corporations as senior executives and served in the past as executive committee member in the Hong Kong branch of the Chartered Institute of Marketing and council member of the Hong Kong Institute of Marketing. Dr. Kwong was appointed an Independent Non-executive Director in April 2004.

Mr. **Fung Tze Wa**, aged 49, is a certified public accountant. He has been a director of Lawrence CPA Limited, a professional accounting firm in Hong Kong since 2002 and had worked in the fields of accounting and finance in several listed companies in Hong Kong for over 10 years. Mr. Fung has extensive experience in auditing, taxation and company secretarial practice in Hong Kong. He is an independent non-executive director of China Haidian Holdings Limited and Jiwa Bio-Pharm Holdings Limited, companies whose shares are listed on the Stock Exchange and is a member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. He obtained a master degree in professional accounting from Hong Kong Polytechnic University in 2000. Mr. Fung was appointed an Independent Non-executive Director in April 2004.

Corporate Information

Directors

Executive directors

Mr. Liu Xiao Guang
Mr. Cheng Bing Ren
Mr. Lawrence H. Wood
(also known as Wu Yuk Shing or Hu Xu Cheng)
Mr. Liu Xue Min

Independent non-executive directors

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

Registered office

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

Head office and principle place of business in Hong Kong

35th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Company secretary

Ms. Ngai Lin Ying ACIS, CIS

Qualified accountant

Mr. Li Chun Hung AHKICPA

Members of the audit committee

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

Principal share registrar and transfer office

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 1405
George Town
Grand Cayman
British West Indies

Hong Kong branch share registrar and transfer office

Standard Registrars Limited
Level 25
Three Pacific Place
1 Queen's Road East
Hong Kong

Principal banker

The Bank of East Asia, Limited
Ground Floor
The Bank of East Asia Building
10 Des Voeux Road Central
Hong Kong

Investment Manager

Baring Capital (China) Management Limited
Hong Kong office:
39th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Beijing office:
Room 1501
Landmark Building
No. 8 North Dongsanhuan Road
Beijing 100004
the PRC

Administrator

ING Management (Hong Kong) Limited
35th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Custodian

The Law Debenture Corporation (H.K.) Limited
Suite 1904, 19th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Report of the Directors

The directors present their report to the shareholders together with the audited financial statements for the financial year ended 31st December 2005.

REORGANISATION

The Company was incorporated in the Cayman Islands on 1 August 2003 as an exempted company with limited liability under the Companies Law, Cap.22 (Laws of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation proposal whereby ING Beijing Investment Company Limited ("ING Beijing"), the former holding company of the Group, would become a wholly owned subsidiary of the Company to be implemented by way of a scheme of arrangement under section 166 of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong ("the Scheme") as set out in a document dated 13 January 2005 issued to the shareholders of ING Beijing, the Company became the holding company of the Group on 13 April 2005, the effective date of the Scheme. This was accomplished by the Company acquiring the entire issued share capital of ING Beijing, the then holding company of the other subsidiaries of the Group, as set out in note 13 to the financial statements.

The listing of the shares of ING Beijing was withdrawn from The Stock Exchange of Hong Kong Limited ("HKSE") and the Company's shares were listed on the HKSE by way of introduction on 13 April 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the holding of equity investments primarily in companies or other entities with significant business interests or involvement in the People's Republic of China ("PRC"). In particular, the Group focuses on investment in Sino-foreign joint ventures in the PRC and companies with substantial operations or investments in the PRC.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Group's principal subsidiaries and associates at 31st December 2005 are set out on pages 72 to 77 of this report.

RESULTS

The results of the Group for the financial year ended 31st December 2005 are set out in the consolidated income statement as set out on page 38 of this report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is given on pages 93 and 94 of this report.

DIVIDENDS

The directors do not recommend the payment of a final dividend in respect of the financial year ended 31st December 2005.

FIXED ASSETS

Details of movements in fixed assets are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital during the financial year are set out in note 20 to the financial statements on pages 81 to 82 of this report.

RESERVES

Movements in the reserves during the financial year are set out in note 21 to the financial statements on pages 83 to 85 of this report.

DIRECTORS

The directors of the Company during the financial year were:

- Mr. Liu Xiao Guang
- Mr. Cheng Bing Ren
- Mr. Lawrence H Wood (also known as Wu Yuk Shing or Hu Xu Cheng)
- Mr. Liu Xue Min
- Mr. Kwong Chun Wai Michael
- Mr. To Chun Kei
- Mr. Fung Tze Wa

Mr. Fung Tze Wa and Mr. Kwong Chun Wai Michael will retire by rotation from the board of directors in accordance with Article 88 of the Company's articles of association at the forthcoming annual general meeting. Mr. Fung Tze Wa and Mr. Kwong Chun Wai Michael, all being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACT

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES. UNDERLYING SHARES AND DEBENTURES

As at 31st December 2005, none of the Directors of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to the Directors, as at 31st December 2005, the persons/companies who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	No. of Shares	Approximate% of shareholding
ING Groep N.V. *(Note 1)*	85,140,000	13.16
ING Bank N.V. *(Note 1)*	85,140,000	13.16
ING Real Estate (B) B.V. *(Note 1)*	85,140,000	13.16
ING Insurance Investments Holdings B.V. *(Note 1)*	85,140,000	13.16
ING IM Investment Holdings B.V. *(Note 1)*	85,140,000	13.16
N.V. Haagsche Herverzekering-Maatschappij van 1836 *(Note 1)*	85,140,000	13.16
Lin Si Yu *(Note 2)*	107,600,000	16.63
Sense Control International Limited *(Note 2)*	107,600,000	16.63

Notes:

1. The 85,140,000 shares were held by N.V. Haagsche Herverzekering-Maatschappij van 1836, which is a wholly-owned subsidiary of ING IM Investment Holdings B.V. ING IM Investment Holdings B.V. is therefore deemed to be interested in the same parcel of shares hold by N.V. Haagsche Herverzekering-Maatschappij van 1836.

   ING IM Investment Holdings B.V. is a wholly-owned subsidiary of ING Insurance Investments Holdings B.V. and ING Insurance Investments Holdings B.V. is therefore deemed to be interested in the same parcel of shares hold by ING IM Investment Holdings B.V.

   ING Insurance Investments Holdings B.V. is a wholly-owned subsidiary of ING Real Estate (B) B.V. and ING Real Estate (B) B.V. is therefore deemed to be interested in the same parcel of shares hold by ING Insurance Investments Holdings B.V.

   ING Real Estate (B) B.V. is a wholly-owned subsidiary of ING Bank N.V. and ING Bank N.V. is therefore deemed to be interested in the same parcel of shares hold by ING Real Estate (B) B.V.

   ING Bank N.V. is a wholly-owned subsidiary of ING Groep N.V. and ING Groep N.V. is therefore deemed to be interested in the same parcel of shares hold by ING Bank N.V.

2. Sense Control International Limited is beneficially owned by Mr. Lin Si Yu. Mr. Li Si Yu is therefore deemed to be interested in the same parcel of shares hold be Sense Control International Limited.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles of Association of the Company nor are there any pre-emptive rights provisions generally applicable under the law of the Cayman Islands.

DIRECTORS' INTERESTS IN CONTRACTS

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

SHARE OPTION SCHEME

As at 31 December 2005, the particulars in relation to the share option scheme of the Company that are required to be disclosed under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules, were as follows:

▪ Purpose:	To give incentive to any executive director or employee of the Company, or any director or employee of any subsidiaries from time to time of the Company
▪ Participants:	any director, employee, executive of the Company, or any subsidiaries from time to time of the Company
▪ Total number of ordinary shares available for issue and percentage of the issued share capital that it represents as at the date of the annual report:	64,711,400 ordinary shares and 10% of the issued share capital
▪ Maximum entitlement of each participant:	Not to exceed 1% of the issued share capital in any 12 month period
▪ Period within which the securities must be taken up under an option:	30 calendar months commencing from the expiration of the first 6 calendar months period after the offer date of the relevant option
▪ Minimum period for which an option must be held before it can be exercised:	6 calendar months after the offer date of the relevant option

▪	Amount payable on acceptance of an option:	HK$10
▪	Period within which payments/calls/loans must be made/repaid:	Not applicable
▪	Basis of determining the exercise price:	The closing price of the share on the date of acceptance of grant or the average closing price of the 5 trading days preceding the day of acceptance of the relevant option or the nominal value of the share, whichever is higher
▪	The remaining life of the share option scheme:	Valid and effective for a period of 10 years after the date of adoption of the share option scheme unless otherwise terminated under the terms of the option scheme

Since the adoption of the share option scheme of the Company, no options to subscribe for ordinary share in the Company have been granted to any eligible participants under the share option scheme and no options have been cancelled or lapsed in accordance with the terms of the share option scheme during the financial year.

MANAGEMENT CONTRACTS

Under an investment agreement made between ING Beijing Investment Company Limited ("ING Beijing") and Baring Capital (China) Management Limited (then known as ING Luxfund Management (Hong Kong) Limited) (the "Investment Manager") dated 25th April 1994, the Investment Manager agreed to provide investment management services in relation to the investment portfolio of the Group for a period of three years from the date of the agreement. The Investment Manager, in accordance with the terms of the agreement as revised by a supplemental agreement dated 22nd May 1998 and a second supplemental agreement dated 7th January 1999, is entitled to a fee calculated at the rate of 2.00 per cent. per annum of the net asset value of ING Beijing, payable quarterly in advance. The Investment Manager is also entitled, with effect from the financial year ended 31st December 1999, to receive an incentive fee calculated at (i) 10 per cent. of the realised profit of ING Beijing for a financial year if the realised profit per issued share does not exceed 10 per cent.; (ii) 15 per cent. of the realised profit if the realised profit per issued share exceeds 10 per cent. but is below 15 per cent.; or (iii) 20 per cent. of the realised profit if the realised profit per share equals or exceeds 15 per cent. The agreement is determinable by either the Investment Manager or ING Beijing giving to the other party not less than 6 months' prior notice of termination. On 29 October 2004, the Company, Investment Manager and ING Beijing Investment Company Limited entered into a novation agreement, pursuant to which the parties agreed that ING Beijing Investment Company Limited assigned to the Company all its rights and benefits under the investment management agreement.

Under an agreement between the Company and ING Management (Hong Kong) Limited (the "Administrator") dated 29 October 2004, the Administrator agreed to provide administrative services to the Company. The agreement has no fixed term but is subject to termination by either the Administrator or the Company giving to the other party not less than six months prior notice of termination. The Administrator is entitled to receive a fixed fee of HK$800,000 per year under the administrative agreement.

CONTINUING CONNECTED TRANSACTION

The Investment Manager is regarded as connected person of the Company and accordingly the investment management agreement entered into between the Company and the Investment Manager constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

However, the annual investment management fee payable to the Investment Manager is expected to constitute less than HK$10 million and each of the percentage ratios under Chapter 14 of the Listing Rules is less than 2.5% on an annual basis.

The independent non-executive directors of the Company have reviewed the continuing connected transaction and confirm that the investment management agreement has been conducted on normal commercial terms and entered into in the ordinary and usual course of business of the Company and their terms are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

At no time during the financial 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 acquisition of shares in the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial year.

During the period from 1st January 2006 to 19th April 2006, 23,830,000 shares of HK$0.01 each were repurchased by the Company at prices ranging from HK$0.158 to HK$0.255 per share through The Stock Exchange of Hong Kong Limited. As at the date of this Annual Report, all of the repurchased shares were subsequently cancelled.

INVESTMENTS

Details of the Group's investments as at 31st December 2005 are set out on pages 78 to 80.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31st December 2005.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, the information related to the matters set out in Paragraph 32 of Appendix 16 of the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited has not changed materially from the information disclosed in the most recent published the annual report for the year ended 31 December 2004.

EMPLOYEE

As at 31 December 2005, the Company employed a qualified accountant and basic salary and mandatory provident fund scheme are provided to this employee.

AUDIT COMMITTEE

The Audit Committee comprises three Non-executive Directors, two of them being independent. This Committee acts in an advisory capacity and makes recommendations to the Board. It met on 10th April 2006 to review the Group's 2005 final results before it was tabled for the Board's approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

AUDITORS

The financial statements have been audited by KPMG, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board of Directors of
New Capital International Investment Limited

Liu Xiao Guang
Chairman

Hong Kong, 19th April 2006

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board recognizes that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2005 with the exceptions of the following:-

Provision A.1.3	less than 14 days notice were given to the regular board meetings held in April and December
Provision A.4.1	The term of office of non-executive directors is not fixed but are subject to retirement by rotation and re-election at the Company's annual general meetings.
Provision E.1.2	The chairman of the Board did not attend the annual general meeting held in May 2005

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company in 2005. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2005.

BOARD OF DIRECTORS

Composition and role

The Board of Directors of the Company comprises:

Executive Directors:	Liu Xiao Guang, Chairman Lawrence H Wood (also known as Wu Yuk Shing or Hu Xu Cheng), Chief Executive Officer Cheng Bing Ren Liu Xue Min
Independent Non-executive Directors:	Kwong Chun Wai Michael To Chun Kei Fung Tze Wa

The Board comprises four executive directors (one of whom is the Chairman) and three independent non-executive directors. Of the three independent non-executive directors, two of them possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board. The biographical details of the directors are set out on pages 14 to 16 of this Annual Report.

The Board is responsible for formulating the overall strategic development, reviewing and monitoring the business performance of the Group, approving investment proposals as well as approving the financial statements of the Group. The independent non-executive directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings.

The independent non-executive directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Company has received annual confirmation from each independent non-executive director that they met all the independence set out in Rule 3.13 of Chapter 3 of the Listing Rules, the Board considers these independent non-executive directors to be independent.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation of the Group. Notice of at least 7 days have been given to all directors for the board meetings and 14 days for the regular meetings held in June and September and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meetings. Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year, seven full board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director is set out below:

Name of director	Number of board meetings attended	Attendance rate
Liu Xiao Guang	7/7	100%
Lawrence H. Wood	7/7	100%
Cheng Bing Ren	0/7	0%
Liu Xue Min	6/7	86%
Kwong Chun Wai Michael	5/7	71%
To Chun Kei	7/7	100%
Fung Tze Wa	7/7	100%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Liu Xiao Guang and the Chief Executive Officer of the Company is Mr. Lawrence H. Wood. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

RE-ELECTION OF DIRECTORS

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company. In accordance with the relevant provisions in the Articles of Association of the Company, the appointment of directors is considered by the board and they must, except for the Chairman, stand for election by shareholders at the annual general meetings.

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the provisions of the Company's Articles of Association.

AUDIT COMMITTEE

The Audit Committee comprises:

To Chun Kei – *Committee Chairman*
Kwong Chun Wai Michael
Fung Tze Wa

All of the Audit Committee members are independent non-executive directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2005.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2005.

During the year, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of director	Number of meetings attended	Attendance rate
To Chun Kei	2/2	100%
Kwong Chun Wai Michael	2/2	100%
Fung Tze Wa	2/2	100%

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005 and the current members include:

Liu Xiao Guang – *Committee Chairman*
Kwong Chun Wai Michael
To Chun Kei
Fung Tze Wa

The majority of the Remuneration Committee members are independent non-executive directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of directors and senior management. The terms of reference of the Remuneration Committee were adopted in 2005.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Group and the desirability of performance-based remuneration.

The Remuneration Committee held one meeting in 2005 which was attended by all members.

AUDITORS' REMUNERATION

During the year 2005, the total amount of remuneration paid/payable to the auditors of the Company, KPMG, for the audit and non-audit services rendered to the Group is a follows:–

	HK$
Annual audit services	818,000
Interim review services	280,000
Other services	95,000

The other services of HK$95,000 were the fees on account for KPMG's attending to the liquidation of ING Beijing Investment Company Limited.

INTERNAL CONTROLS

The qualified accountant of the Company has performed a review on the internal control systems of the Company during 2005 in accordance with the Procedure Manual of the Company. The report was submitted to the Audit Committee to review.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group. The directors also ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. The Company is committed to maintain an open and effective communication policy to update its shareholders and investors on relevant information on its business through the annual general meeting, the annual and interim reports, notices, announcements and circulars.

The annual general meeting provides a useful forum for shareholders to exchanges views with the Board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. Details of poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of members of the Company will be held at Lavender Room, 27th Floor, The Park Lane Hotel, 31 Gloucester Road, Hong Kong on Friday, 26th day of May, 2006 at 3:00 p.m. for the purpose of transacting the following business:

1. To adopt the Audited Financial Statements together with the Reports of the Directors and Auditors for the year ended 31 December 2005.

2. To re-elect retiring Directors.

3. To re-appoint Auditors and to authorise the Directors to fix their remuneration.

As special businesses, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

4. "**THAT** the general mandate unconditionally given to the Directors to allot, issue and deal with shares in the share capital of the Company, and to make or grant offers, agreements and options in respect thereof including warrants to subscribe shares, which would or might require the exercise of such powers, be and it is hereby generally and unconditionally approved in substitution for and to the exclusion of any existing authority previously granted, subject to the following conditions:

   (a) the mandate shall not extend beyond the Relevant Period (as defined below), except that the Directors might during the Relevant Period make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

   (b) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors, otherwise than pursuant to (i) a Rights Issue (as defined below), (ii) the exercise of the subscription rights attaching to any warrant in the Company or (iii) the exercise of any options granted under any option scheme adopted by the Company, shall not exceed 20 per cent. of the aggregate nominal value of the share capital of the Company in issue at the date of passing of this Resolution; and

(c) for the purposes of this Resolution,

"Relevant Period" means the period from the date of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the mandate given under this Resolution by an ordinary resolution of the shareholders in general meeting; or

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held.

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares of the Company on the register of members on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligation under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

5. "**THAT** a general mandate be and is hereby unconditionally given to the Directors of the Company, in substitution for and to the exclusion of any existing authority previously granted, to exercise all powers of the Company, to (i) repurchase shares in the share capital of the Company and (ii) to repurchase warrants or other rights to subscribe for shares in the share capital of the Company in each case on the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, provided that:

(a) the mandate shall not extend beyond the Relevant Period (as defined below);

(b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution;

(c) the aggregate subscription rights attaching to the warrants of the Company repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the general mandate in this Resolution shall not exceed 10 per cent. of the aggregate subscription rights attaching to all the warrants issued by the Company and for the time being outstanding, and the said mandate be limited accordingly; and

(d) for the purposes of this Resolution,

"Relevant Period" means the period from the date of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the mandate given under this Resolution by ordinary resolution of the shareholders in general meeting; or

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held."

6. "**THAT** conditional upon the passing of the Resolutions Nos. 4 and 5 as set out in the notice of the Meeting of which this Resolution forms part, the general mandate granted to the Directors of the Company to allot shares pursuant to the said Resolution No. 4 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the said Resolution No. 5"

7. To discuss any other business, if necessary.

By Order of the Board
Liu Xiao Guang
Chairman

Hong Kong,19th April 2006.

Principal place of business
35th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Notes:

(a) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend instead of him and to vote on a poll. A proxy need not be a member of the Company. In order to be valid, proxy forms should be returned to the of the Company's Branch Share Registrar, Standard Registers Limited at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.

(b) With reference to the Ordinary Resolution proposed under item 4 above, approval is being sought from members as a general mandate to authorise allotment of additional shares in the share capital of the Company in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to issue any shares of the Company up to twenty per cent. of the issued share capital of the Company. The Directors have no immediate plans to issue any new shares of the Company after the passing of that Ordinary Resolution pursuant to the mandate to be given thereunder.

(c) An explanatory statement in relation to the Ordinary Resolution proposed under item 5 above will be sent to members of the Company together with this Notice.

(d) The register of members will be closed from 19th May 2006 to 25th May 2006 both days inclusive, during which period no transfer of shares or warrants will be effected. In order to qualify for attending the Annual General Meeting, all transfers, accompanied by the relevant share or warrant certificates, must be lodged with the Company's Branch Share Registrar, Standard Registrars Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 18th May 2006.

Auditors' Report

AUDITORS' REPORT TO THE SHAREHOLDERS OF NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 38 to 92 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, 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 of the Group as at 31 December 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
Hong Kong, 19 April 2006

Consolidated Income Statement

for the year ended 31 December 2005 (Expressed in Hong Kong dollars)

	Note	2005	2004 (Restated)
Turnover: Group and share of associates' turnover	5	**$ 71,462,112**	$ 47,263,429
Less: Share of associates' turnover		**(69,840,250)**	(46,167,527)
Group turnover	4	**$ 1,621,862**	$ 1,095,902
Other net gain/(loss)	6(a)	**487,315**	(13,539)
Gain on deemed disposal of associates	14(a)(i)	**3,065,080**	11,202,890
Gain on disposal of available-for-sale securities	6(e)	**–**	16,938,629
Operating expenses	6(c)	**(9,348,015)**	(10,775,647)
(Loss)/profit from operations		**$ (4,173,758)**	$ 18,448,235
Share of losses of associates	6(d)	**(8,552,351)**	(12,614,506)
(Loss)/profit before taxation	5 & 6	**$ (12,726,109)**	$ 5,833,729
Income tax	7(a)	**–**	417,558
(Loss)/profit attributable to equity shareholders of the Company	10, 21(a)	**$ (12,726,109)**	$ 6,251,287
(Loss)/earnings per share			
Basic	11	**(1.97) cents**	1.16 cents

The notes on pages 44 to 92 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2005 (Expressed in Hong Kong dollars)

	Note	2005	2004 (Restated)
Non-current assets			
Property, plant and equipment	*12*	**$ 498,024**	$ –
Interest in associates	*14*	**81,347,993**	88,567,299
Available-for-sale securities	*15*	**21,976,950**	13,600,000
Investment deposit	*16*	**29,284,932**	35,000,000
		$ 133,107,899	$ 137,167,299
Current assets			
Other receivables	*17*	**$ 309,542**	$ 742,142
Cash and cash equivalents	*18*	**38,967,253**	49,387,783
		$ 39,276,795	$ 50,129,925
Current liabilities			
Other payables	*19*	**1,379,222**	3,483,557
Net current assets		**$ 37,897,573**	$ 46,646,368
NET ASSETS		**$ 171,005,472**	$ 183,813,667
CAPITAL AND RESERVES			
Share capital	*20*	**$ 6,471,140**	$ 6,471,140
Reserves	*21(a)*	**164,534,332**	177,342,527
TOTAL EQUITY		**$ 171,005,472**	$ 183,813,667
Net asset value per share	*23*	**$ 0.264**	$ 0.284

Approved and authorised for issue by the board of directors on 19 April 2006

Lawrence H. Wood)
) *Directors*
To Chun Kei)

The notes on pages 44 to 92 form part of these financial statements.

Balance Sheet

at 31 December 2005 (Expressed in Hong Kong dollars)

	Note	**2005**	2004
Non-current assets			
Property, plant and equipment	*12*	**$ 498,024**	$ –
Interest in subsidiaries	*13*	**128,852,069**	–
Available-for-sale securities	*15*	**10,576,950**	–
		$ 139,927,043	$ –
Current assets			
Other receivables	*17*	**$ 309,534**	$ –
Cash and cash equivalents	*18*	**38,950,370**	–
		$ 39,259,904	$ –
Current liabilities			
Other payables	*19*	**1,375,684**	–
Net current assets		**$ 37,884,220**	$ –
NET ASSETS		**$ 177,811,263**	$ –
CAPITAL AND RESERVES			
Share capital	*20*	**$ 6,471,140**	$ –
Reserves	*21(b)*	**171,340,123**	–
TOTAL EQUITY		**$ 177,811,263**	$ –

Approved and authorised for issue by the board of directors on 19 April 2006

Lawrence H. Wood)
) *Directors*
To Chun Kei)

The notes on pages 44 to 92 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005 (Expressed in Hong Kong dollars)

	Note	2005	2004
Total equity at 1 January		**$ 183,813,667**	$ 181,726,729
Net income and expense recognised directly in equity:			
Changes in fair value of available-for-sale securities	*21*	**$ (1,009,055)**	$ (5,900,000)
Exchange differences on translation of financial statements of associates in the People's Republic of China ("PRC")	*21*	**926,969**	131,601
Net income and expense for the year recognised directly in equity		**$ (82,086)**	$ (5,768,399)
Net (loss)/profit for the year	*21*	**(12,726,109)**	6,251,287
Changes in fair value of available-for-sale securities transferred to the consolidated income statement on disposal	*21*	**–**	(13,459,950)
Total recognised income and expense for the year		**$ (12,808,195)**	$ (12,977,062)
Movements in equity arising from capital transactions:			
Issue of shares by ING Beijing, the former holding company of the Group	*20(b)*	**$ –**	$ 15,064,000
Total equity at 31 December		**$ 171,005,472**	$ 183,813,667

The notes on pages 44 to 92 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2005 (Expressed in Hong Kong dollars)

	Note	2005	2004 (Restated)
Operating activities			
(Loss)/profit before taxation		**$ (12,726,109)**	$ 5,833,729
Adjustments for:			
– Depreciation		**14,229**	–
– Interest income		**(1,071,862)**	(89,522)
– Dividend income from listed securities		**(550,000)**	(1,006,380)
– Gain on deemed disposal of associates		**(3,065,080)**	(11,202,890)
– Gain on disposal of available-for-sale securities		**–**	(16,938,629)
– Share of losses of associates		**8,552,351**	12,614,506
Operating loss before changes in working capital		**$ (8,846,471)**	$ (10,789,186)
Decrease in other receivables		**432,600**	788,741
(Decrease)/increase in other payables		**(2,104,335)**	1,866,062
Increase/(decrease) in amount due to an associate		**152**	(86)
Cash used in operations		**$ (10,518,054)**	$ (8,134,469)
Hong Kong Profits Tax paid		**–**	(4,582,442)
Net cash used in operating activities		**$ (10,518,054)**	$ (12,716,911)
Investing activities			
Payment for purchase of property, plant and equipment		**$ (512,253)**	$ –
Interest received from bank deposits		**1,071,862**	83,732
Refund of investment deposit		**5,715,068**	–
Dividends received from listed securities		**550,000**	1,006,380
Dividends received from an associate		**2,658,852**	3,004,344
Payment for purchase of available-for-sale securities		**(9,386,005)**	–
Proceeds from disposal of available-for-sale securities, net of expenses		**–**	28,475,729
Net cash generated from investing activities		**$ 97,524**	$ 32,570,185

Consolidated Cash Flow Statement (Cont'd)

for the year ended 31 December 2005 (Expressed in Hong Kong dollars)

	Note	**2005**	2004 (Restated)
Financing activities			
Proceeds from issue of new shares by ING Beijing		**$ –**	$ 15,064,000
Net cash from financing activities		**$ –**	$ 15,064,000
Net (decrease)/increase in cash and cash equivalents		**$ (10,420,530)**	$ 34,917,274
Cash and cash equivalents at 1 January		**49,387,783**	14,470,509
Cash and cash equivalents at 31 December	*18*	**$ 38,967,253**	$ 49,387,783

The notes on pages 44 to 92 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 REORGANISATION

The Company was incorporated in the Cayman Islands on 1 August 2003 as an exempted company with limited liability under the Companies Law, Cap.22 (Laws of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation proposal whereby ING Beijing Investment Company Limited ("ING Beijing"), the former holding company of the Group, would become a wholly owned subsidiary of the Company to be implemented by way of a scheme of arrangement under section 166 of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong ("the Scheme") as set out in a document dated 13 January 2005 issued to the shareholders of ING Beijing, the Company became the holding company of the Group on 13 April 2005, the effective date of the Scheme. This was accomplished by the Company acquiring the entire issued share capital of ING Beijing, the then holding company of the other subsidiaries of the Group, as set out in note 13 to the financial statements.

The listing of the shares of ING Beijing was withdrawn from The Stock Exchange of Hong Kong Limited ("HKSE") and the Company's shares were listed on the HKSE by way of introduction on 13 April 2005.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2005 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale securities and trading securities are stated at their fair values as explained in the accounting policy set out in note 2(f).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

As the Scheme became effective on 13 April 2005, the effect of the Scheme is not reflected in the Company's financial statements for the year ended 31 December 2004. However, all of the entities which took part in the Scheme were under common control before and immediately after the Scheme becoming effective and, consequently, there was a continuation of the risks and benefits to the controlling party that existed prior to the combination. The results of the Group for the years ended 31 December 2004 and 2005 have been prepared using the basis of merger accounting in accordance with Hong Kong Accounting Guideline 5 "Merger accounting for common control combinations" issued by the HKICPA.

Accordingly, the results of the Group for the year ended 31 December 2005 include the financial results of the companies which now comprise the Group for the period from 1 January 2005 (or the date of incorporation if later) to 31 December 2005 as if the current group structure had been in existence and remained unchanged throughout the period. The comparative figures as at 31 December 2004 and for the year ended 31 December 2004 have been presented on the same basis.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

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

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

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)), unless the investment is classified as held for sale.

(d) Associates and jointly controlled entities

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

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investments in associates and jointly controlled entities recognised for the year (see notes 2(e) and (h)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates and jointly controlled entities *(Continued)*

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

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

(e) Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(h)). In respect of associates and jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(h)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(h)) which are recognised directly in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

(g) Property, plant and equipment

Items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(h)).

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

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

–	Leasehold improvements	3 years
–	Furniture and fixtures	3 years

The useful life of an asset is reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

– For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– investments in subsidiaries, associates and jointly controlled entities (except for those classified as held for sale); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Other receivables (including investment deposit)

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(h)).

(j) Other payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

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

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

(m) Income tax

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Income tax *(Continued)*

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Income tax *(Continued)*

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

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

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

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

  – the same taxable entity; or

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

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(ii) Interest income

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

(p) Translation of foreign currencies

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

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(r) Related parties

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

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, tax balances, corporate and financing expenses.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarised in note 2. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 29).

The following is a summary of the effect of the changes in accounting policies for the annual accounting period beginning on 1 January 2005 which have been reflected in these financial statements.

Notes to the Financial Statements (Cont'd)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Restatement of prior periods and opening balances

(i) Consolidated income statement for the year ended 31 December 2004

	As previously reported	HKAS 32 and HKAS 39 *(note 3(b))*	HKAS 31 *(note 3(c))*	HKAS 1 *(note 3(d))*	As restated
Group turnover	$ 1,095,902	$ –	$ –	$ –	$ 1,095,902
Other net loss	(13,539)	–	–	–	(13,539)
Gain on deemed disposal of associates	11,202,890	–	–	–	11,202,890
Gain on disposal of available-for-sale securities	–	16,938,629	–	–	16,938,629
Gain on disposal of non-trading listed investments	16,938,629	(16,938,629)	–	–	–
Operating expenses	(10,775,647)	–	–	–	(10,775,647)
Profit from operations	$ 18,448,235	$ –	$ –	$ –	$ 18,448,235
Share of losses of associates	(14,168,595)	–	(2,909,273)	4,463,362	(12,614,506)
Share of losses of jointly controlled entities	(2,909,273)	–	2,909,273	–	–
Profit before taxation	$ 1,370,367	$ –	$ –	$ 4,463,362	$ 5,833,729
Income tax	4,880,920	–	–	(4,463,362)	417,558
Profit for the year	$ 6,251,287	$ –	$ –	$ –	$ 6,251,287

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Restatement of prior periods and opening balances *(Continued)*

(ii) Consolidated balance sheet at 31 December 2004

	As previously reported	HKAS 32 and HKAS 39 *(note 3(b))*	HKAS 31 *(note 3(c))*	HKAS 1 *(note 3(d))*	As restated
Non-current assets					
Interest in associates	$ 65,114,939	$ –	$ 23,452,360	$ –	$ 88,567,299
Interest in jointly controlled entities	23,452,360	–	(23,452,360)	–	–
Available-for-sale securities	–	13,600,000	–	–	13,600,000
Non-trading investments	13,600,000	(13,600,000)	–	–	–
Investment deposit	35,000,000	–	–	–	35,000,000
	$137,167,299	$ –	$ –	$ –	$137,167,299

The changes in accounting policies resulted in the reclassification of certain assets of the Group and did not have any financial impact on the Group's results for the year ended 31 December 2004 and consolidated net assets as at 31 December 2004.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

With effect from 1 January 2005, in order to comply with HKAS 32 and HKAS 39, the Group has changed its accounting policies relating to financial instruments to those as set out in notes 2(f) and 2(h) to 2(j). Further details of the changes are as follows:

(i) Investments in equity securities

In prior years, investments held for trading were stated in the balance sheet at fair value. Changes in fair value were recognised in the consolidated income statement as they arise. Non-trading investments were stated in the balance sheet at fair value. Changes in fair value were recognised in the investment revaluation reserve until the investment was sold, collected or otherwise disposed of or until there was objective evidence that the investment was impaired, at which time the relevant cumulative gain or loss was transferred from the investment revaluation reserve to the consolidated income statement.

With effect from 1 January 2005, and in accordance with HKAS 39, all investments, with the exception of securities held for trading purposes and certain unquoted equity investments, are classified as available-for-sale securities and carried at fair value. Changes in the fair value of available-for-sale securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired. There are no material adjustments arising from the adoption of the new policies for securities held for trading purposes and unquoted equity investments not carried at fair value. Further details of the new policies are set out in note 2(f).

(ii) Description of transitional provisions and effect of adjustments

The adoption of HKAS 32 and HKAS 39 only resulted in a re-designation of all non-trading investments as available-for-sale securities as shown in note 3(a). Such re-designation has no financial effect on the current and prior accounting periods except for the change in presentation.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Joint ventures (HKAS 31, Interests in joint ventures)

In prior years, a jointly controlled entity was defined as an entity which operated under a contractual arrangement between the Group and other parties, where the contractual arrangement established that the Group and one or more of the other parties shared joint control over the economic activity of the entity. An investment in a jointly controlled entity was accounted for in the Group's financial statements under the equity method and was initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the jointly controlled entity's net assets.

With effect from 1 January 2005, in accordance with HKAS 31, joint control exists only when the strategic financial and operating decisions of the joint venture require the venturers' unanimous consent. As a result of this, management reviewed the nature of an investment previously accounted for as an interest in a jointly controlled entity and concluded that this investment should be reclassified as an investment in an associate. The reclassification has been applied retrospectively. Such reclassification has no effect on the current and prior accounting periods except for the change in presentation as shown in note 3(a).

(d) Changes in presentation of shares of associates' and jointly controlled entities' taxation (HKAS 1, Presentation of financial statements)

In prior years, the Group's share of taxation of associates and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 January 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates and jointly controlled entities accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 3(a).

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(e) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options to subscribe for shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the Group recognises the fair value of such share options as an expense with a corresponding increase recognised in a capital reserve within equity. Further details of the new policy are set out in note 2(l)(ii).

The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(i) all options granted to employees on or before 7 November 2002; and

(ii) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

Since the options granted by ING Beijing, the former holding company of the Group, fall within category (i), the change in accounting policy has no impact on the Group's net assets and results for the current and prior periods. Details of the share option scheme are set out in note 22.

(f) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, the definition of related parties as disclosed in note 2(r) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

4 TURNOVER

The principal activity of the Group is the holding of equity investments primarily in companies or entities with significant business interests or involvement in the PRC. In particular, the Group focuses on investing in sino-foreign joint ventures in the PRC and companies with substantial operations or investments in the PRC.

Share of associates' turnover represents the Group's share of associates' invoiced value of goods sold.

Group turnover represents interest income and dividend income from listed securities. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2005	2004
Interest income from deposits with banks	**$ 1,071,862**	$ 89,522
Dividend income from listed securities	**550,000**	1,006,380
	$ 1,621,862	$ 1,095,902

5 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments which are based on the nature of business of its associates and other investee companies. No geographical segment information is presented as the revenue of the Group and its associates and the Group's results were substantially derived from the PRC.

The Group's associates and other investee companies comprise the following main business segments:

Manufacture of industrial products: Electronic and electrical instruments.

Manufacture of consumer products: Audio-visual products.

Real estate: Development of residential and commercial properties for sale.

Commercial banking: Provision of commercial banking products and services.

(Expressed in Hong Kong dollars unless otherwise indicated)

5 SEGMENT REPORTING *(Continued)*

Segment revenue includes the Group's share of associates' turnover. Other segment information includes only that relating to the Group.

	Segment revenue		Segment results	
	Group and share of associates' turnover		Contribution to (loss)/profit before taxation	
	2005	2004	**2005**	2004 (Restated)
Manufacture of industrial products	**$ 69,840,250**	$ 46,167,527	**$ (2,778,892)**	$ (3,776,217)
Manufacture of consumer products	**550,000**	1,006,380	**281,418**	17,377,399
Real estate	**–**	–	**(5,103,298)**	(553,265)
Commercial banking	**–**	–	**(104,245)**	–
Unallocated	**1,071,862**	89,522	**(5,021,092)**	(7,214,188)
	$ 71,462,112	$ 47,263,429	**$(12,726,109)**	$ 5,833,729

	Segment assets		Segment liabilities	
	2005	2004	**2005**	2004
Manufacture of industrial products	**$ 19,585,032**	$ 23,452,360	**$ –**	$ –
Manufacture of consumer products	**11,400,000**	13,600,000	**–**	–
Real estate	**91,047,893**	100,114,939	**–**	–
Commercial banking	**10,576,950**	–	**–**	–
Unallocated	**39,774,819**	50,129,925	**(1,379,222)**	(3,483,557)
	$172,384,694	$ 187,297,224	**$ (1,379,222)**	$ (3,483,557)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 SEGMENT REPORTING *(Continued)*

	Depreciation		Capital expenditure incurred	
	2005	2004	**2005**	2004
Commercial banking	**$ –**	$ –	**$ 9,386,005**	$ –
Unallocated	**14,229**	–	**512,253**	–
	$ 14,229	$ –	**$ 9,898,258**	$ –

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	2005	2004
(a) Other net gain/(loss)		
Net foreign exchange loss	**$ (21,836)**	$ (13,539)
Write back of accruals for project fees and unclaimed dividends	**499,977**	–
Sundry income	**9,174**	–
	$ 487,315	$ (13,539)
(b) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plan	**$ 6,000**	$ 933
Salaries, wages and other benefits	**1,057,808**	798,667
	$ 1,063,808	$ 799,600

Notes to the Financial Statements (Cont'd)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 (LOSS)/PROFIT BEFORE TAXATION *(Continued)*

(c) Operating expenses

	2005	2004
Administrative fees *(Note)*	**$ 777,641**	$ 690,000
Audit fee	**818,000**	800,000
Review fee for interim financial report	**280,000**	250,000
Custodian fee	**50,000**	60,000
Depreciation	**14,229**	–
Operating lease charges for premises	**174,264**	–
Legal and secretarial fees	**955,091**	3,068,964
Management fees *(Note)*	**3,661,575**	3,559,617
Other operating expenses	**2,617,215**	2,347,066
	$ 9,348,015	$ 10,775,647

Note: Administrative fees are paid to ING Management (Hong Kong) Limited, a wholly owned subsidiary of ING Groep N.V.. ING Groep N.V. is a substantial shareholder of the Company. The administrative fee is charged at a fixed amount per annum.

Management fees are paid to Baring Capital (China) Management Limited ("BCCM"). BCCM is also a wholly owned subsidiary of ING Groep N.V. The management fee is calculated at the rate of 2% per annum of the net asset value of the Company. The Company's independent non-executive directors have reviewed these transactions. Details of their review are disclosed under the paragraph "Continuing connected transaction" in the report of the directors.

(d) Share of losses of associates

	2005	2004 (Restated)
Share of losses of associates	**$ 10,598,695**	$ 17,077,868
Share of associates' taxation	**(2,046,344)**	(4,463,362)
	$ 8,552,351	$ 12,614,506

(Expressed in Hong Kong dollars unless otherwise indicated)

6 (LOSS)/PROFIT BEFORE TAXATION *(Continued)*

		2005		2004
(e)	Gain on disposal of available-for-sale securities			
	Skyworth Digital Holdings Limited			
	Sales proceeds, net of expenses	**$**	**–**	$ (28,475,729)
	Original cost		**–**	11,537,100
		$	**–**	$ (16,938,629)

The gain on disposal for the year ended 31 December 2004 included $13,459,950 which was transferred from the fair value reserve.

7 INCOME TAX

(a) Income tax in the consolidated income statement represents:

			2004
	2005		(Restated)
Over-provision of Hong Kong Profits Tax in respect of prior years	**$**	**–**	$ (417,558)

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2005 in the financial statements as the Group earned no profits assessable to Hong Kong Profits Tax for the year.

Notes to the Financial Statements (Cont'd)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX *(Continued)*

(b) Reconciliation between actual tax credit and accounting (loss)/profit at applicable tax rate:

	2005	2004 (Restated)
(Loss)/profit before taxation	**$ (12,726,109)**	$ 5,833,729
Notional tax on (loss)/profit before tax calculated at 17.5% (2004: 17.5%)	**$ (2,227,069)**	$ 1,020,903
Tax effect of non-deductible expenses	**3,047,283**	4,095,646
Tax effect of non-taxable income	**(820,214)**	(5,116,549)
Over-provision in respect of prior years	**–**	(417,558)
Actual tax credit	**$ –**	$ (417,558)

(c) There is no significant deferred taxation.

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION

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

	Directors' fees	Salaries, allowances and benefits in kind	2005 Total
Executive directors			
Liu Xiao Guang	$ 30,000	$ –	$ 30,000
Cheng Bing Ren	30,000	–	30,000
Lawrence H Wood	30,000	660,000	690,000
Liu Xue Min	21,615	–	21,615
Yu Sek Kee	8,384	–	8,384
Independent non-executive directors			
Fung Tze Wa	52,603	–	52,603
To Chun Kei	52,603	–	52,603
Kwong Chun Wai Michael	52,603	–	52,603
	$ 277,808	$ 660,000	$ 937,808

	Directors' fees	Salaries, allowances and benefits in kind	2004 Total
Executive directors			
Liu Xiao Guang	$ 30,000	$ –	$ 30,000
Cheng Bing Ren	30,000	–	30,000
Lawrence H Wood	30,000	660,000	690,000
Liu Xue Min	30,000	–	30,000
	$ 120,000	$ 660,000	$ 780,000

No remuneration was paid to the independent non-executive directors during the year ended 31 December 2004.

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2004: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2004: one) individual are as follows:

		2005		2004
Salaries and other emoluments	**$**	**120,000**	$	18,667
Retirement scheme contributions		**6,000**		933
	$	**126,000**	$	19,600

The emoluments of the one (2004: one) individual with the highest emoluments are within the band of $Nil – $1,000,000.

10 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of $7,611,788 (2004: $Nil) which has been dealt with in the financial statements of the Company.

11 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $12,726,109 (2004: profit of $6,251,287) and 647,114,000 ordinary shares in issue during the year (2004: weighted average of 540,395,967 ordinary shares), being the shares that would have been in issue throughout the year if the Scheme as set out in note 1 to the financial statements had become effective on 1 January 2004.

(Expressed in Hong Kong dollars unless otherwise indicated)

11 (LOSS)/EARNINGS PER SHARE *(Continued)*

(a) Basic (loss)/earnings per share *(Continued)*

The weighted average number of ordinary shares in issue are calculated as follows:

	2005	2004
Issued ordinary shares at 1 January	**647,114,000**	539,514,000
Effect of issue of shares by ING Beijing	–	881,967
Weighted average number of ordinary shares at 31 December	**647,114,000**	540,395,967

(b) Diluted (loss)/earnings per share

There were no potential ordinary shares during the year ended 31 December 2005.

Diluted earnings per share was not shown for the year ended 31 December 2004 as the potential ordinary shares were anti-dilutive.

12 PROPERTY, PLANT AND EQUIPMENT

The Group and Company

	Leasehold improvements	**Furniture and fixtures**	**Total**
Cost:			
At 1 January 2005	$ –	$ –	$ –
Additions	401,733	110,520	512,253
At 31 December 2005	$ 401,733	$ 110,520	$ 512,253
Accumulated depreciation:			
At 1 January 2005	$ –	$ –	$ –
Charge for the year	11,159	3,070	14,229
At 31 December 2005	$ 11,159	$ 3,070	$ 14,229
Net book value:			
At 31 December 2005	$ 390,574	$ 107,450	$ 498,024

There was no property, plant and equipment held throughout the year ended 31 December 2004.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INTEREST IN SUBSIDIARIES

	The Company	
	2005	2004
Unlisted shares, at cost	**$ 184,232,106**	$ –
Capital distribution from a subsidiary (Note)	**(53,257,464)**	–
	$ 130,974,642	$ –
Amounts due from subsidiaries, net of impairment losses	**51,162,744**	–
Amount due to a subsidiary	**(53,285,317)**	–
	$ 128,852,069	$ –

The amounts due from subsidiaries are unsecured, interest free and not expected to be recovered within one year.

The amount due to a subsidiary, ING Beijing, is unsecured, interest free and expected to be settled within one year.

The following wholly owned subsidiaries are intermediate investment holding companies. The class of shares held is ordinary. All of these are subsidiaries as defined under note 2(c) and have been consolidated into the Group's financial statements as if the Scheme had become effective on 1 January 2004.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INTEREST IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation and operation	Issued and paid up capital held by the Company	Issued and paid up capital held by a subsidiary
ING Beijing Investment Company Limited (in members' voluntary liquidation)	Hong Kong	647,114,000 shares of HK$0.10 each	–
Kencheers Investments Ltd.	British Virgin Islands ("BVI")	–	1 share of US$1
Pacific Equity Venture Inc.	BVI	–	1 share of HK$1
Mobile Office Investments Ltd.	BVI	–	1 share of US$1
Success Journey Ltd.	BVI	–	1 share of US$1
Great Progress Ltd.	Mauritius	–	2 shares of US$1 each

Note: In November 2005, ING Beijing commenced members' voluntary liquidation and declared an interim distribution satisfied by assignment of its loans to subsidiaries in a total amount of $53,257,464 to the Company.

14 INTEREST IN ASSOCIATES

	The Group	
	2005	2004 (Restated)
Share of net assets	**$ 81,356,087**	$ 87,610,806
Amount due from an associate	**–**	964,435
Amount due to an associate	**(8,094)**	(7,942)
	$ 81,347,993	$ 88,567,299

The amount due from an associate is unsecured, interest free and expected to be recovered within one year.

The amount due to an associate is unsecured, interest free and not expected to be repaid within one year.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INTEREST IN ASSOCIATES *(Continued)*

The following list contains only the particulars of associates, all of which are unlisted companies held by the Group's subsidiaries, which principally affect the results or assets of the Group.

Name of the associate	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest held by the Group	Principal activity
China Property Development (Holdings) Limited	Incorporated	Cayman Islands	3,161 ordinary shares, 460 non-voting ordinary shares, 500 redeemable voting deferred shares and 2,567 deferred non–voting shares; all shares are at US$0.01 each	20.49% *(note (a)(i))*	Investment holding
Sound Advantage Limited	Incorporated	BVI	1 ordinary share of US$1	20.49% *(note (a)(i))*	Investment holding
Choice Capital Limited	Incorporated	BVI	1 ordinary share of US$1	20.49% *(note (a)(i))*	Investment holding
World Lexus Pacific Limited	Incorporated	Hong Kong	1,000,000 ordinary shares of HK$1 each	20.49% *(note (a)(i))*	Investment holding
Beijing Pacific Palace Real Estate Development Co Ltd	Sino-foreign joint venture	PRC	Registered and paid-up capital of US$12,000,000	20.49% *(note (a)(i))*	Property development
Beijing Far East Instrument Company Limited	Sino-foreign joint venture	PRC	Registered and paid-up capital of RMB151,926,184	26% *(note (b)(ii))*	Electronic and electrical instrument manufacturing

14 INTEREST IN ASSOCIATES *(Continued)*

Summary financial information on associates:

	Assets	Liabilities	Equity	Revenue	Loss
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
2005					
100 per cent	$ 1,301,031	$ (1,046,238)	$ 254,793	$ 199,544	$ (26,179)
Group's effective interest	437,281	(355,925)	81,356	69,840	(8,552)
2004					
100 per cent	$ 855,547	$ (617,033)	$ 238,514	$ 131,907	$ (27,889)
Group's effective interest	316,483	(228,872)	87,611	46,168	(12,615)

Details of contingent liabilities of the associates are disclosed in note 26.

Notes:

(a) China Property Development (Holdings) Limited ("CPDH")

(i) On 1 November 2004, a convertible loan holder of CPDH, through its subsidiary, converted a portion of the convertible loan and accrued interest into 928 ordinary shares of US$0.01 each of CPDH at a conversion price of US$10,000 each. On the same date, 110 and 100 new ordinary shares of US$0.01 each of CPDH were allotted at par to the Group and another shareholder respectively. The loan conversion and allotment resulted in a gain on deemed disposal of $11,202,890 which was recognised in the consolidated income statement for the year ended 31 December 2004.

On 3 February 2005, 383 new ordinary shares of US$0.01 each of CPDH were allotted to certain related companies of a shareholder of CPDH at a price of US$10,000 each. Upon the allotment, the Group's profit sharing ratio and proportion of voting rights held were diluted from 37.37% to 33.42% and from 22.88% to 20.49% respectively. The allotment of shares resulted in a gain on deemed disposal of $3,065,080 which has been recognised in the consolidated income statement for the year.

14 INTEREST IN ASSOCIATES *(Continued)*

Notes (Continued):

(a) China Property Development (Holdings) Limited ("CPDH") *(Continued)*

(ii) CPDH, through its wholly owned subsidiaries, Sound Advantage Limited ("Sound Advantage") and Choice Capital Limited ("Choice Capital"), acquired an 80% equity interest in World Lexus Pacific Limited ("World Lexus") in 2002. World Lexus's sole asset is a wholly owned PRC subsidiary, Beijing Pacific Palace Real Estate Development Co Ltd ("Beijing Pacific Palace"), which is engaged in a property development project at the Lido area of Jiangtai Town, Chaoyang District, Beijing, the PRC ("Pacific Town project").

The Pacific Town project is a medium density residential area with a mixed development of high rise apartments and villas. The development of the project will be carried out in several phases. The completion certificate for Phase I is expected to be obtained in April 2006. Pre-sale of the properties in Phase IIA and Phase III commenced in September 2005 and December 2005 respectively. Resettlement work for Phase IIB and Phase III commenced during the current year.

(iii) CPDH acquired the remaining 20% equity interest in World Lexus from the former minority shareholders for a consideration of RMB40 million (equivalent to $38.5 million) in November 2004. Pursuant to the equity transfer agreement ("20% Equity Transfer Agreement"), CPDH is also required to reimburse the preliminary costs amounting to RMB45 million (equivalent to $43.3 million) of the Pacific Town project incurred by the minority shareholders prior to acquisition of the 80% equity interest in World Lexus by Sound Advantage and Choice Capital from the same minority shareholders in 2002. The settlement of the consideration is secured by the 20% equity interest in World Lexus.

CPDH has withheld part of the consideration and reimbursement costs to cover certain contingent liabilities of Beijing Pacific Palace and World Lexus as set out in notes 26(b) and (c). Due to disputes between the minority shareholders over the proportion which should be received by each shareholder, the balance of the consideration and reimbursement after deducting the amount withheld was settled by a payment to the Hong Kong High Court pursuant to an interpleader relief filed by CPDH.

(iv) During the year, CPDH paid total fees of US$995,000 (equivalent to $7.8 million) (2004: US$995,000, equivalent to $7.8 million) to certain related parties of the Group who act as fund manager, administrator and project manager pursuant to the private placement memorandum of CPDH dated 13 September 2003. These related parties are either companies wholly owned by ING Groep N.V. or companies in which a director of the Company is a member of the key management.

14 INTEREST IN ASSOCIATES *(Continued)*

Notes (Continued):

(b) Beijing Far East Instrument Company Limited ("Beijing Far East")

(i) The Group holds a 35% equity interest in Beijing Far East. Beijing Far East was classified as an interest in a jointly controlled entity in the Group's financial statements in prior years. As a result of the adoption of HKAS 31 as disclosed in note 3(c), this investment has been reclassified as an interest in an associate during the year.

(ii) In March 2002, the Group entered into a conditional agreement with Beijing Capital Group pursuant to which, the Group agreed to sell an equity interest of 9% in Beijing Far East for a consideration of approximately RMB14 million (equivalent to $13 million), subject to the fulfilment of certain conditions. The consideration is repayable over a period of 5 years. Up to 31 December 2005, the disposal has not been accounted for as the conditions have not been satisfied, including the settlement of the consideration. According to the agreement between the Group and Beijing Capital Group, Beijing Capital Group is required to transfer back the equity interest in Beijing Far East in relation to the unpaid portion of the consideration to the Group upon the expiry of the 5-year period ending 31 December 2006. The Group continues to account for the share of profit or loss attributable to the portion of equity interest for which consideration has not been settled. As such, although the legal interest in Beijing Far East held by the Group was 26% at 31 December 2005, the Group has accounted for 35% of the loss of Beijing Far East for the year. A director of the Company is also a member of the key management of Beijing Capital Group.

(c) Beijing North Star Hyundai Pipe Company Limited ("Beijing North Star")

During the year, the Group disposed of its entire 28% equity interest in Beijing North Star to a director of the Company for a nominal consideration. The carrying value of Beijing North Star was fully written off in prior years and the disposal did not result in a gain/loss to the Group.

Notes to the Financial Statements (Cont'd)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 AVAILABLE-FOR-SALE SECURITIES

		The Group		The Company	
	Note	**2005**	2004 (Restated)	**2005**	2004
Securities listed in Hong Kong	*(a)*	**$18,386,005**	$ 9,000,000	**$ 9,386,005**	$ –
Fair value adjustment		**3,590,945**	4,600,000	**1,190,945**	–
		$21,976,950	$ 13,600,000	**$10,576,950**	$ –
Investment in unlisted joint venture, at cost	*(b)*	**$ –**	$ 61,495,650	**$ –**	$ –
Less: Impairment losses		**–**	(61,495,650)	**–**	–
		$ –	$ –	**$ –**	$ –
Investment in unlisted company, at cost	*(c)*	**$ –**	$ 23,557,891	**$ –**	$ –
Less: Impairment losses		**–**	(23,557,891)	**–**	–
		$ –	$ –	**$ –**	$ –
		$21,976,950	$ 13,600,000	**$10,576,950**	$ –

Notes:

(a) The amount represents the Group's investments in Skyworth Digital Holdings Limited ("Skyworth Digital") and China Construction Bank Corporation ("CCB"), which shares are listed on the HKSE.

Trading in the shares of Skyworth Digital on the HKSE was suspended on 30 November 2004 due to alleged misappropriation of the company's assets by senior management. At 31 December 2004, the Group held 10,000,000 shares of Skyworth Digital which were stated at a directors' valuation of $1.36 per share. A fair value adjustment of $5,900,000 was charged to the fair value reserve at 31 December 2004.

15 AVAILABLE-FOR-SALE SECURITIES *(Continued)*

Notes (Continued):

Trading in the shares of Skyworth Digital resumed on 11 January 2006 with a closing market price of $1.09 per share on that day. During the period from 11 January to 31 March 2006, the shares of Skyworth Digital were traded at prices ranging from $1.09 to $1.44 per share.

At 31 December 2005, the investment in Skyworth Digital of 10,000,000 shares were stated at a directors' valuation of $1.14 per share, being the average market price of Skyworth Digital during the period from 11 January to 31 March 2006, after eliminating any exceptionally high or low prices. The directors consider this basis of valuation to be reasonable in view of the lack of a quoted market price of the shares of Skyworth Digital as at 31 December 2005. A fair value adjustment of $2,200,000 was charged to the fair value reserve at 31 December 2005.

During the year, the Group acquired a total of 3,954,000 ordinary shares of CCB. At 31 December 2005, the shares were stated at their fair value of $2.675 per share. A fair value adjustment of $1,190,945 was credited to the fair value reserve at 31 December 2005.

(b) During the year, the Group disposed of its entire 18% equity interest in Beijing Asia Pacific First Star Communications Technology Co Ltd ("APFS") to a director of the Company for a nominal consideration. The carrying value of APFS was fully written off in 2002 and the disposal did not result in a gain/loss to the Group.

(c) During the year, the Group disposed of its entire 10.44% equity interest in ChinaGo Limited ("ChinaGo") to a director of the Company for a nominal consideration. The carrying value of ChinaGo was fully written off in 2002 and the disposal did not result in a gain/loss to the Group.

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVESTMENT DEPOSIT

The amount represents the purchase consideration paid to acquire a 15% equity interest in a joint venture entity in the PRC in 2003 pursuant to a purchase agreement dated 10 November 2003. The PRC joint venture entity is engaged in the development of residential properties at the Taiyanggong Zone F in Beijing, the PRC. The purchase agreement has expired as the equity transfer was not effected by 31 October 2004 due to a delay.

According to a settlement agreement dated 10 May 2005, the investment deposit of $35 million plus compensation would be refunded by the vendor in two instalments on 30 June 2005 and 31 December 2005. The first instalment of $5.7 million was received in July 2005 and accounted for as a partial repayment of the investment deposit in the financial statements.

The vendor did not pay the final instalment due on 31 December 2005. The Group is negotiating with the vendor to settle the remaining balance by transfer of an equity interest in a company which holds certain investment properties in the PRC to the Group. Negotiation is ongoing and no agreement has been signed up to the date the financial statements are authorised for issue by the directors.

Based on the status of the negotiations and information available on the investment properties, the directors consider that no impairment loss for bad and doubtful debts is required at 31 December 2005.

17 OTHER RECEIVABLES

All of the other receivables are expected to be recovered within one year.

18 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005	2004	**2005**	2004
Deposits with banks	**$ 38,065,027**	$ 33,828,693	**$ 38,065,027**	$ –
Cash at bank and in hand	**902,226**	15,559,090	**885,343**	–
	$ 38,967,253	$ 49,387,783	**$ 38,950,370**	$ –

The effective interest rates of the deposits range from 2.75% to 3.78% per annum and all of them have a maturity of less than three months.

(Expressed in Hong Kong dollars unless otherwise indicated)

19 OTHER PAYABLES

All of the other payables are expected to be settled within one year.

20 SHARE CAPITAL

	Note	**Number of ordinary shares of $0.01 each**	**Amount**
Authorised:			
At 31 December 2003 and at 31 December 2004		10,000,000	$ 100,000
Increase in authorised share capital	*(a)*	11,990,000,000	119,900,000
Authorised share capital as at 31 December 2005		12,000,000,000	$ 120,000,000
Issued:			
Share capital at 31 December 2003 *		539,514,000	$ 5,395,140
Issue of shares by ING Beijing in December 2004	*(b)*	107,600,000	1,076,000
Share capital at 31 December 2004 * and issued share capital as at 31 December 2005	*(c)*	647,114,000	$ 6,471,140

* *Share capital at 31 December 2004 and 31 December 2003 is based on the number of shares that would have been issued by the Company as consideration for the acquisition of the shares of ING Beijing if the Scheme had been effective on 31 December 2004 and 31 December 2003 respectively.*

20 SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to a written resolution of the sole shareholder of the Company dated 4 November 2004, the authorised share capital of the Company was increased from $100,000 to $120,000,000 by the creation of 11,990,000,000 additional ordinary shares of $0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company conditional upon the Scheme becoming effective.

(b) On 29 December 2004, ING Beijing alloted and issued 107,600,000 new ordinary shares of $0.10 each to Sense Control International Limited at a price of $0.14 per share.

(c) Pursuant to the Scheme described in note 1 to the financial statements, the Company allotted and issued 637,114,000 ordinary shares of $0.01 each, credited as fully paid, and also credited as fully paid the 10,000,000 nil paid ordinary shares of $0.01 each, in consideration for the acquisition of the entire issued share capital of ING Beijing on 13 April 2005.

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RESERVES

(a) The Group

	Attributable to equity shareholders of the Company					
	Share premium *(note (c)(i))*	Special reserve *(note (c)(ii))*	Exchange reserves *(note (c)(iii))*	Fair value reserve *(note (c)(iv))*	Accumulated losses	Total
At 1 January 2004	$ 177,760,966	$ 368,892,958	$ 2,990,183	$ 23,959,950	$ (397,272,468)	$ 176,331,589
Profit for the year	–	–	–	–	6,251,287	6,251,287
Exchange differences on translation of financial statements of PRC associates	–	–	131,601	–	–	131,601
Transfer to consolidated income statement on disposal of available-for-sale securities	–	–	–	(13,459,950)	–	(13,459,950)
Changes in fair value of available-for-sale securities	–	–	–	(5,900,000)	–	(5,900,000)
Shares issued by ING Beijing *(note 20(b))*	–	13,988,000	–	–	–	13,988,000
At 31 December 2004	$ 177,760,966	$ 382,880,958	$ 3,121,784	$ 4,600,000	$ (391,021,181)	$ 177,342,527
At 1 January 2005	$ 177,760,966	$ 382,880,958	$ 3,121,784	$ 4,600,000	$ (391,021,181)	$ 177,342,527
Loss for the year	–	–	–	–	(12,726,109)	(12,726,109)
Exchange differences on translation of financial statements of PRC associates	–	–	926,969	–	–	926,969
Changes in fair value of available-for-sale securities	–	–	–	(1,009,055)	–	(1,009,055)
At 31 December 2005	$ 177,760,966	$ 382,880,958	$ 4,048,753	$ 3,590,945	$ (403,747,290)	$ 164,534,332

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RESERVES *(Continued)*

(b) The Company

	Share premium *(note (c)(i))*	Fair value reserve *(note (c)(iv))*	Accumulated losses	Total
At 1 January 2004, 31 December 2004 and at 1 January 2005	$ –	$ –	$ –	$ –
Issue of shares pursuant to the Scheme	177,760,966	–	–	177,760,966
Loss for the year	–	–	(7,611,788)	(7,611,788)
Changes in fair value of available-for-sale securities	–	1,190,945	–	1,190,945
At 31 December 2005	$ 177,760,966	$ 1,190,945	$ (7,611,788)	$ 171,340,123

(c) Nature and purposes of reserves

(i) Share premium

The excess of the value of the shares of ING Beijing acquired pursuant to the Scheme over the nominal value of the shares of the Company issued in exchange has been credited to the share premium account.

The application of the share premium account is governed by section 34 of the Companies Law of the Cayman Islands.

(ii) Special reserve

The special reserve represents the difference between the amount recorded as share capital issued by the Company pursuant to the Scheme and the amount recorded for the share capital of ING Beijing acquired.

(iii) Exchange reserves

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates. The reserves are dealt with in accordance with the accounting policy set out in note 2(p).

21 RESERVES *(Continued)*

(c) Nature and purposes of reserves *(Continued)*

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policy in note 2(f).

(d) Distributability of reserves

At 31 December 2005, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $171,340,123 (2004: $Nil).

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

22 EQUITY COMPENSATION BENEFITS

ING Beijing operated a share option scheme under which the Board of Directors of ING Beijing may grant options to employees of ING Beijing and its subsidiaries, including directors, to subscribe for shares of ING Beijing. Each option gave the holder the right to subscribe for one share. The subscription price will be the higher of:

(i) the closing price of the shares of ING Beijing as stated in the HKSE's daily quotation sheet on the date of grant (being a business day); and

(ii) the average closing price of the shares of ING Beijing as stated in the HKSE's daily quotations sheets for the five business days immediately preceding the date of grant.

(Expressed in Hong Kong dollars unless otherwise indicated)

22 EQUITY COMPENSATION BENEFITS *(Continued)*

At 31 December 2004, the number of outstanding options granted or outstanding was as follows:

Date options granted	Period during which the options are exercisable	Exercise price	Number of options granted and outstanding at 31 December 2003	Lapsed during the year	Number of options granted and outstanding at 31 December 2004
27 November 2001	28 May 2002 to 27 November 2004	$0.298	18,861,150	(18,861,150)	–
11 December 2001	28 May 2002 to 27 November 2004	$0.300	2,694,450	(2,694,450)	–
			21,555,600	(21,555,600)	–

There were no options granted or exercised during the year ended 31 December 2004.

The share option scheme of ING Beijing was terminated and a new share option scheme was adopted by the Company effective 13 April 2005. There were no new options granted or exercised under the old share option scheme from 1 January 2005 to 13 April 2005 and all outstanding share options lapsed in November 2004. Terms of the new share option scheme are similar to those of ING Beijing. During the period from 13 April 2005 to 31 December 2005, there were no options granted under the new share option scheme.

23 NET ASSET VALUE PER SHARE

The net asset value per share is computed based on the consolidated net assets of $171,005,472 (2004: $183,813,667) and 647,114,000 ordinary shares in issue as at 31 December 2005 (2004: 647,114,000 ordinary shares).

24 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group monitors its exposure to credit risks on an ongoing basis. Investments are normally liquid securities except those entered into for long term strategic purposes.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Except for the financial guarantees provided by an associate as disclosed in note 26(a), the Group does not provide any other guarantee which would expose the Group to credit risk.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

The Group has no borrowings and is not exposed to significant interest rate risk.

(d) Foreign currency risk

The Group is exposed to foreign currency risk as the operations and income of certain of the Group's investments are denominated in Renminbi ("RMB"). The fluctuation of the exchange rate of RMB against the Hong Kong Dollar ("HKD") affects the Group's results as remittances of retained earnings from these investments out of the PRC involve conversion from RMB to HKD.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2005 and 2004.

As set out in note 13, the Company had amounts due from subsidiaries. It is not practical to estimate the fair values of these amounts due to the related party nature of these instruments.

(f) Estimation of fair values

Fair value of securities is based on quoted market prices at the balance sheet date without any deduction for transaction costs, except for Skyworth Digital as disclosed in note 15(a).

(Expressed in Hong Kong dollars unless otherwise indicated)

25 COMMITMENTS

(a) Capital commitments

At 31 December 2005, the Group's share of the capital commitments of an associate, Beijing Pacific Palace, outstanding not provided for in the financial statements was as follows:

	2005	2004
Authorised and contracted for	$ 43,734,000	$ 45,570,000
Authorised but not contracted for	429,108,000	261,613,000
	$ 472,842,000	$ 307,183,000

(b) Operating lease commitments

At 31 December 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group and the Company	
	2005	2004
Within 1 year	$ 767,688	$ –
After 1 year but within 5 years	1,279,480	–
	$ 2,047,168	$ –

The Group leases a property under an operating lease. The lease runs for an initial period of three years, with an option to renew the lease upon expiry when all terms are renegotiated. The lease does not include any contingent rentals.

(Expressed in Hong Kong dollars unless otherwise indicated)

26 CONTINGENT LIABILITIES

At 31 December 2005, the Group's associates, Beijing Pacific Palace and World Lexus, had the following contingent liabilities. The Group's interest in these associates is disclosed in note 14. There are no contingent liabilities that arise because the Group is severally liable for all or part of the liabilities of the associates.

		2005	2004
(a)	The Group's share of the guarantees given by Beijing Pacific Palace to financial institutions in respect of financing provided to the buyers of the properties of the Pacific Town project	**$ 108,646,000**	$ 25,700,000

(b) In July 2004, Beijing Pacific Palace commenced legal proceedings against a consultancy company to recover a deposit paid of RMB14 million (equivalent to $13 million) in relation to the Pacific Town project plus compensation of RMB34 million (equivalent to $33 million) for the delay in resettlement work of Phase I. The consultancy company has made a counter claim of RMB20 million (equivalent to $19 million) against Beijing Pacific Palace for breach of contract.

According to the first judgement delivered in July 2005, the court dismissed the counter claim of the consultancy company and ordered it to repay RMB9 million (equivalent to $8.7 million) to Beijing Pacific Palace plus interest for the period from May 2002 to July 2005. Beijing Pacific Palace did not agree with the first judgement and filed an appeal with the court in August 2005. The final judgement was delivered in December 2005 whereby the court ordered the consultancy company to repay the entire amount of the deposit paid of RMB14 million plus interest for the period from May 2002 to the date of repayment. However, the claim of the compensation of RMB34 million by Beijing Pacific Palace was dismissed.

Beijing Pacific Palace had provided for an impairment loss of RMB4 million (equivalent to $3.8 million) against the deposit in prior years. The remaining amount of RMB10 million (equivalent to $9.6 million) is recoverable from the former minority shareholders under the terms of the 20% Equity Transfer Agreement (note 14(a)(iii)) and has been deducted from the consideration payable to the minority shareholders. As the consultancy company may not have the ability to repay the entire amount of the deposit and only RMB10 million is recoverable under the 20% Equity Transfer Agreement, the impairment loss of RMB4 million has not been reversed at 31 December 2005 in the financial statements of Beijing Pacific Palace.

26 CONTINGENT LIABILITIES *(Continued)*

(c) In April 2005, a third party made a claim of RMB5.3 million (equivalent to $5.1 million) plus interest and damages against World Lexus for services rendered pursuant to certain agreements which amounted to a total of RMB9.4 million (equivalent to $9.0 million). As these agreements were not disclosed in the 20% Equity Transfer Agreement, this constitutes a breach of warranties included in the 20% Equity Transfer Agreement and CPDH has deducted the amount claimed by the third party from the consideration payable to the minority shareholders. As such, no provision has been made in the financial statements of World Lexus. In September 2005, the third party commenced legal proceedings in the Hong Kong High Court against World Lexus and subsequently, the former minority shareholders of World Lexus have filed an application to the court for an intervention to the litigation. The legal proceedings are still in progress as of the date the financial statements are authorised for issue by the directors.

(d) In April 2005, CPDH and the minority shareholders of World Lexus commenced arbitration proceedings in respect of the deductions involving the matters referred to in (b) and (c) above as well as certain other deductions which CPDH has made under the terms of the 20% Equity Transfer Agreement. In January 2006, one of the former minority shareholders made a counter claim of an unquantified amount in respect of loss of the development right relating to part of the Pacific Town project. The directors of CPDH are of the opinion that there are reasonable grounds to defend the counter claim and therefore, no provision is required at 31 December 2005. The arbitration proceedings are still in progress as of the date the financial statements are authorised for issue by the directors. The hearing is likely to be held in mid 2006.

(e) In July 2005, another third party made a claim of approximately RMB50 million (equivalent to $48 million) against World Lexus pursuant to an agreement entered into by the third party and World Lexus in 2001 for services rendered in connection with the Pacific Town project. This agreement was also not disclosed in the 20% Equity Transfer Agreement and constitutes a breach of warranties.

CPDH has included this claim as part of the arbitration proceedings in (d) above. Up to the date the financial statements are authorised for issue by the directors, World Lexus has not received further correspondence from the third party and no legal action has been formally taken by the third party. The directors of CPDH consider that no provision is required as any loss will be recoverable from the former minority shareholders under the terms of the 20% Equity Transfer Agreement.

(f) The directors of the Company, after considering the status of the above litigation and claims and the information provided by the directors of CPDH and World Lexus, are of the opinion that no provision or additional impairment loss is required to be made in the financial statements of the Group's associates which are used for equity accounting in the financial statements of the Group.

(Expressed in Hong Kong dollars unless otherwise indicated)

27 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group paid key management personnel compensation as follows:

	2005	2004
Salaries and other short-term employee benefits	$ **1,057,808**	$ 798,667
Retirement scheme contributions	**6,000**	933
	$ 1,063,808	$ 799,600

Total remuneration is included in "staff costs" (see note 6(b)).

28 COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of the changes in accounting policies, details of which are disclosed in note 3.

(Expressed in Hong Kong dollars unless otherwise indicated)

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2005 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
Amendments to HKAS 39	*Financial instruments:* Recognition and measurement:	
	– Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
	– The fair value option	1 January 2006
	– Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
– HKAS 1	Presentation of financial statements	1 January 2006
– HKAS 27	Consolidated and separate financial statements	1 January 2006
– HKFRS 3	Business combinations	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendments to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

Five year group financial summary

(Expressed in Hong Kong dollars)

Results

	2005	2004	2003	2002	2001
Group turnover	**$ 71,462,112**	$ 47,263,429	$ 49,293,541	$ 93,910,913	$ 1,073,971
(Loss)/profit for the year	**$(12,726,109)**	$ 6,251,287	$ 8,181,299	$ (19,990,416)	$(207,157,136)

Assets and liabilities

	2005	2004	2003	2002	2001
Non-current assets					
Property, plant and equipment	**$ 498,024**	$ –	$ –	$ –	$ –
Interest in associates	**$ 81,347,993**	$ 88,567,299	$ 92,851,572	$ 106,703,102	$ 27,008,268
Available-for–sale securities	**$ 21,976,950**	$ 13,600,000	$ 44,497,050	$ 35,111,580	$ 83,653,761
Investment deposit	**$ 29,284,932**	$ 35,000,000	$ 35,000,000	$ –	$ –
Current assets					
Current portion of convertible loan	**$ –**	$ –	$ –	$ –	$ 47,500,000
Other receivables	**309,542**	742,142	1,525,093	197,119	93,997
Cash and cash equivalents	**38,967,253**	49,387,783	14,470,509	31,629,055	20,381,864
	$ 39,276,795	$ 50,129,925	$ 15,995,602	$ 31,826,174	$ 67,975,861

Five year group financial summary

(Expressed in Hong Kong dollars)

Assets and liabilities *(Continued)*

	2005	2004	2003	2002	2001
Current liabilities					
Other payables	**$ 1,379,222**	$ 3,483,557	$ 1,617,495	$ 2,015,321	$ 2,298,788
Current taxation	**–**	–	5,000,000	5,000,000	5,000,000
	$ 1,379,222	$ 3,483,557	$ 6,617,495	$ 7,015,321	$ 7,298,788
Net current assets	**$ 37,897,573**	$ 46,646,368	$ 9,378,107	$ 24,810,853	$ 60,677,073
Net assets	**$171,005,472**	$ 183,813,667	$ 181,726,729	$ 166,625,535	$ 171,339,102
Share capital	**$ 6,471,140**	$ 6,471,140	$ 5,395,140	$ 5,395,140	$ 5,395,140
Reserves	**164,534,332**	177,342,527	176,331,589	161,230,395	165,943,962
Total equity	**$171,005,472**	$ 183,813,667	$ 181,726,729	$ 166,625,535	$ 171,339,102

The consolidated financial statements in relation to each of the five years ended 31 December 2001, 2002, 2003, 2004 and 2005 were prepared on the basis as set out in note 2(b) on page 45.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs is provided in note 3 to the financial statements. Figures for 2004 and 2005 have been adjusted for these new and revised policies in accordance with the transitional provisions and as disclosed in note 3. Earlier years have only been restated to the extent that the new accounting policies are adopted retrospectively as disclosed in note 3.