FORTUNA INTERNATIONAL HOLDINGS LIMITED
廣益國際集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 530)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

The board of directors (the "Board" or the "Directors") of Fortuna International Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 together with comparative figures for the corresponding year in 2004 as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2005

	Notes	**2005** **HK$'000**	2004 HK$'000 (Restated)
TURNOVER			
– Continuing operations		**25,813**	141,619
– Discontinuing operations		**–**	2,475
		25,813	144,094
Cost of sales		**(16,772)**	(136,061)
Gross profit		**9,041**	8,033
Other revenue and gains	5	**14,971**	16,541
Selling and distribution costs		**(825)**	(1,023)
Administrative expenses		**(31,681)**	(37,739)
Amortisation of goodwill		**–**	(22,329)
Impairment of goodwill		**(109,319)**	–
Impairment of long term investment		**(800)**	–
Loss on disposal of available-for-sale equity investment		**(525)**	–
Gain on disposal of short term investments		**188**	–
Net loss on deconsolidation of subsidiaries	6	**(16,061)**	–
Provision for bad and doubtful debts		**(12,027)**	(13,919)
Other operating expenses, net		**(8)**	(1,678)
LOSS FROM OPERATING ACTIVITIES	7	**(147,046)**	(52,114)
Finance costs	8	**(1,977)**	(4,068)
Share of profit of associates		**–**	6,266
LOSS BEFORE TAXATION			
– Continuing operations		**(149,023)**	(49,734)
– Discontinuing operations		**–**	(182)
		(149,023)	(49,916)
Taxation	9		
– Continuing operations		**(1,438)**	(663)
– Discontinuing operations		**–**	–
LOSS AFTER TAXATION		**(150,461)**	(50,579)
ATTRIBUTABLE TO:			
Equity holders of parent		**(150,640)**	(50,682)
Minority interest		**179**	103
		(150,461)	(50,579)
LOSS PER SHARE	11		
Basic		**(1.14) cents**	(0.48) cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,956**	5,426
Investment properties		**33,170**	73,520
Goodwill		**455**	124,426
Interests in associates		**–**	–
Long term investment		**–**	800
Available-for-sale equity investments		**–**	5,536
Total non-current assets		**37,581**	209,708
CURRENT ASSETS			
Inventories		**859**	8,485
Trade receivables	12	**3,960**	12,568
Prepayments, deposits and other receivables		**10,151**	29,407
Short term investments		**759**	3,731
Current tax refundable		**181**	–
Pledged bank deposits		**–**	3,009
Cash and cash equivalents		**41,764**	40,514
Total current assets		**57,674**	97,714
CURRENT LIABILITIES			
Trade payables	13	**7,283**	16,426
Accrued liabilities and other payables		**32,171**	22,927
Current tax payable		**–**	694
Interest-bearing bank and other borrowings		**4,547**	41,846
Finance lease payables		**1,053**	1,836
Due to a minority shareholder		**750**	–
Total current liabilities		**45,804**	83,729
NET CURRENT ASSETS		**11,870**	13,985
TOTAL ASSETS LESS CURRENT LIABILITIES		**49,451**	223,693
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**13,567**	42,881
Finance lease payables		**475**	313
Deferred taxation		**–**	43
Total non-current liabilities		**14,042**	43,237
Net assets		**35,409**	180,456
EQUITY			
Share capital		**136,018**	130,018
Reserves		**(100,788)**	49,360
Equity attributable to equity holders of the parent		**35,230**	179,378
Minority interests		**179**	1,078
Total equity		**35,409**	180,456

Notes

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which also include the 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. They have been prepared under the historical cost convention except for the periodic remeasurement of investment properties and short term investments as further explained below.

2. ADOPTION OF NEW AND REVISED HKFRSs

In 2005, the Group had adopted the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The 2004 comparative figures have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effect of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS – Int 15	Operating Leases – Incentives
HKAS – Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 27, 28, 33, 37, 38 and HKAS – Int 15 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

The adoption of HKAS 1 has affected the presentation of minority interest, which are now shown as equity, and share of net after tax results of associates. These changes have been applied retrospectively.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 32 and HKAS 39 – Financial Instruments

In prior years, the Group classified its investments in equity securities as long term investment and investment securities which were held for non-trading purposes and were stated at their cost less any impairment losses on an individual basis. Upon the adoption of HKAS 39, these long term investment and investment securities held by the Group at 1 January 2005 in the amounts of HK$800,000 and HK$5,536,000, respectively, were designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

There are no material adjustments arising from the adoption of the new policies for unquoted equity investments not carried at fair value.

In prior years, the investment in listed securities were stated at costs less any provisions for impairment in values on an individual basis. Upon the adoption of HKAS 39, these investment securities held by the Group at 1 January 2005 in the amount of HK$3,731,000 were designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognized in the income statement.

The Group has applied HKAS 39 prospectively in accordance with the transitional provisions of HKAS 39.

(b) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. In accordance with the transitional provisions of HKAS 40, the opening balance of retained profits and the results for the comparative period have been restated to reflect this change retrospectively. The effects of the above change are summarised in note 3 below.

(c) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date of which the instruments are granted.

The adoption of HKFRS 2 has had no impact on the retained profits as at 31 December 2003 and at 31 December 2004. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the revised accounting policy.

The Group has taken advantage of the transitional provisions of HKFRS 2 under which the new recognition and measurement policies have not been applied to options granted after 7 November 2002 and vested before 31 December 2004.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstance indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

According to the transitional provisions of HKFRS 3, goodwill previously eliminated against the retained earnings remains eliminated against the retained earnings and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 3 below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(e) HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

HKFRS 5 requires a component of the Group to be classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The Group has applied HKFRS 5 prospectively in accordance with the transitional provisions of HKFRS 5, which has resulted in a change in accounting policy on the recognition of a discontinued operation.

(f) HKAS-Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of investment properties.

Upon the adoption of HKAS-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in note 3 below. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

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

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRSs 1 & 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Explanation for the Evaluation of Mineral Resources
HKFRS 6	Explanation for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Special Market – Waste Electrical and Electronic Equipment

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

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

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 (Amendment), HKAS 39 (Amendment) regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 (Amendments), HKFRS 6, HK(IFRIC)-Int 5 and HK(IFRIC)-Int 6 do not apply to the activities of the Group, HK(IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

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

The effects of the changes in accounting policies described in note 2 above on the results for the current year and prior year are as follows:

Analysis of increase/(decrease) in profit for the year by line items presented according to their function.

(a) Income statement items

	HKAS 1 *HK$'000*	**HKAS 36** *HK$'000*	**HKAS 40** *HK$'000*	**Total Effect** *HK$'000*
For the year ended 31 December 2005				
Impairment of losses of goodwill arising from acquisitions of subsidiaries	**–**	**(109,319)**	**–**	**(109,319)**
Valuation gain on investment properties	**–**	**–**	**280**	**280**
Increase/(decrease) in net profit for the year	**–**	**(109,319)**	**280**	**(109,039)**
For the year ended 31 December 2004				
Decrease in share of results of associates	(2,554)	–	–	(2,554)
Decrease in income tax expenses	2,554	–	–	2,554
Decrease in net profit for the year	–	–	–	–

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised as below:

(b) Balance sheet items

	As at 31 December 2004 (Originally stated)	Retrospective adjustment HKAS 1	As at 31 December 2004 (Restated)	Adjusted on 1 January 2005 HKAS 40	As at 1 January 2005 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties	73,520	–	73,520	–	73,520
Deferred tax liabilities	(43)	–	(43)	–	(43)
Other net assets	106,979	–	106,979	–	106,979
Total assets and liabilities	180,456	–	180,456	–	180,456
Minority interests	(1,078)	1,078	–	–	–
	179,378	1,078	180,456	–	180,456
Share capital	130,018	–	130,018	–	130,018
Share premium	562,543	–	562,543	–	562,543
Accumulated profits/(losses)	(705,759)	–	(705,759)	3,484	(702,275)
Investment property revaluation reserve	3,484	–	3,484	(3,484)	–
Other reserves	189,092	–	189,092	–	189,092
Equity holders of the parent	179,378	–	179,378	–	179,378
Minority interest	–	1,078	1,078	–	1,078
Total equity	179,378	1,078	180,456	–	180,456

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

The Group was previously engaged in manufacturing and trading of Shao Xing wine and such operation was disposed of during last year. The Group is currently organised into nine operating divisions, namely, property investment, skin and health care, trading of jewellery, trading of steel, trading of wine, artwork design, Japanese restaurant, trading of glass eel and trading of other products.

Intersegment sales and transfers are transacted through negotiations between the respective segments.

Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

2005
Group

	Continuing Operations									Discontinuing Operations		
	Property investment *HK$'000*	Skin and health care *HK$'000*	Trading of jewellery *HK$'000*	Trading of steel *HK$'000*	Trading of wine *HK$'000*	Artwork design *HK$'000*	Japanese restaurant *HK$'000*	Trading of glass eel *HK$'000*	Trading of other products *HK$'000*	Manufacturing and trading of Shao Xing wine *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:												
Sales to external customers	–	258	3,652	–	2,336	1,092	10,064	8,383	28	–	–	25,813
Intersegment sales	–	–	–	–	–	–	–	–	–	–	–	–
Other revenue and gains	7,281	151	3	–	43	22	132	4	1,715	–	–	9,351
Total	7,281	409	3,655	–	2,379	1,114	10,196	8,387	1,743	–	–	35,164
Segment results	(1,278)	(43,597)	(40,185)	–	(874)	(26,021)	478	402	(8,919)	–	–	(119,994)
Unallocated income												5,585
Unallocated expenses												(32,637)
Loss from operating activities												(147,046)
Finance costs												(1,977)
Share of profit of associates												–
Loss before taxation												(149,023)
Taxation												(1,438)
Loss after taxation												(150,461)
Attributable to:												
Equity holders of parent												(150,640)
Minority interest												179
												(150,461)

2005
Group

	Continuing Operations									Discontinuing Operations		
	Property investment *HK$'000*	Skin and health care *HK$'000*	Trading of jewellery *HK$'000*	Trading of steel *HK$'000*	Trading of wine *HK$'000*	Artwork design *HK$'000*	Japanese restaurant *HK$'000*	Trading of glass eel *HK$'000*	Trading of other products *HK$'000*	Manufacturing and trading of Shao Xing wine *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment assets	48,444	54	1,845	–	3,708	2,740	5,473	8,385	25	–	–	70,674
Unallocated assets												24,581
Total assets												95,255
Segment liabilities	16,577	10,631	9,996	–	1,897	5,020	2,296	591	9,798	–	–	56,806
Unallocated liabilities												3,040
Total liabilities												59,846
Other segment information:												
Depreciation and amortisation	1	–	124	–	8	1,413	502	26	–	–	–	2,074
Unallocated amounts												41
Total												2,115
Impairment of goodwill	3,525	42,459	28,685	–	–	23,835	–	–	10,815	–	–	109,319
Capital expenditure	–	–	–	–	4	–	6	186	–	–	–	196

2004

Group

	Continuing Operations									Discontinuing Operations		
	Property investment *HK$'000*	Skin and health care *HK$'000*	Trading of jewellery *HK$'000*	Trading of steel *HK$'000*	Trading of wine *HK$'000*	Artwork design *HK$'000*	Japanese restaurant *HK$'000*	Trading of glass eel *HK$'000*	Trading of other products *HK$'000*	Manufacturing and trading of Shao Xing wine *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:												
Sales to external customers	–	11,899	39,068	81,148	2,124	3,159	–	–	4,221	2,475	–	144,094
Intersegment sales	–	–	–	6,229	–	–	–	–	–	–	(6,229)	–
Other revenue and gains	11,648	398	720	271	141	1	–	–	6	–	–	13,185
Total	11,648	12,297	39,788	87,648	2,265	3,160	–	–	4,227	2,475	(6,229)	157,279
Segment results	6,916	(24,506)	(5,230)	(1,001)	(890)	(11,045)	–	–	(14,328)	(182)	–	(50,266)
Unallocated income												3,356
Unallocated expenses												(5,204)
Loss from operating activities												(52,114)
Finance costs												(4,068)
Share of profit of associates												6,266
Loss before taxation												(49,916)
Taxation												(663)
Loss after taxation												(50,579)
Attributable to:												
Equity holders of parent												(50,682)
Minority interest												103
												(50,579)

2004
Group

	Continuing Operations									Discontinuing Operations		
	Property investment *HK$'000*	Skin and health care *HK$'000*	Trading of jewellery *HK$'000*	Trading of steel *HK$'000*	Trading of wine *HK$'000*	Artwork design *HK$'000*	Japanese restaurant *HK$'000*	Trading of glass eel *HK$'000*	Trading of other products *HK$'000*	Manufacturing and trading of Shao Xing wine *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment assets	101,169	45,704	40,770	50,368	4,910	27,986	–	–	11,272	–	–	282,179
Unallocated assets												25,939
Total assets												308,118
Segment liabilities	5,455	12,310	5,269	4,456	960	3,666	–	–	7,078	–	–	39,194
Unallocated liabilities												88,468
Total liabilities												127,662
Other segment information:												
Depreciation and amortisation	196	12,076	5,296	2,624	51	2,759	–	–	1,910	–	–	24,912
Unallocated amounts												25
Total												24,937
Capital expenditure	10,704	1,327	9	3	37	221	–	–	172	–	–	12,473

5. OTHER REVENUE AND GAINS

	2005 **HK$'000**	2004 *HK$'000*
Other revenue		
Bank interest income	**23**	133
Dividend income	**160**	32
Other interest income	**–**	2,428
Reversal of impairment provision on property, plant and equipment	**–**	4,669
Rental income from leasing of property, plant and equipment	**929**	958
Others	**4,166**	1,270
	5,278	9,490
Gains		
Gain on disposal of property, plant and equipment	**–**	3,773
Gain on disposal of subsidiaries	**2,804**	3,278
Fair value gains on investment properties	**280**	–
Fair value gains on investment securities	**535**	–
Gain on disposal of investment properties	**6,074**	–
	9,693	7,051
	14,971	16,541

6. NET LOSS ON DECONSOLIDATION OF SUBSIDIARIES

The Group has an equity interest of 75% in Jafoon Limited and two of its wholly-owned subsidiaries (the "Jafoon Group"), which are engaged in the steel trading business. During the course of preparation of the interim results for the period ended 30 June 2005, we had received the unaudited management accounts of Jafoon Group for the interim results announcement purposes. The details of the income statement and financial position of Jafoon Group, as included in the unaudited interim results for the period ended 30 June 2005, were summarized as follow:-

	HK$'000
Turnover	86,597
Profit after taxation	1,122
Total assets as at 30 June 2005	57,611
Total liabilities as at 30 June 2005	(52,022)

Since the commencement of the annual audit, a series of requests from the Group demanding for the submission of management accounts for audit purposes had been ignored by the Jafoon Group management. In mid April 2006, professional parties such as financial and legal advisors were engaged to investigate the case. They concluded that the financial records of Jafoon Group were incomplete and not satisfactory for audit purposes. And the Group was also suspicious that there might be changes in Jafoon Group management.

As the Group is unable to exercise its control of the Jafoon Group in particular its ability to exercise significant influence over the financial and operating policies and to obtain financial information. The Directors consider that the Group has lost the ability to exercise effective control over the Jafoon Group. For the sake of an appropriate presentation in order to allow the public to evaluate the performance of the Group, the Jafoon Group is excluded from the consolidation. The details of net loss on deconsolidation of subsidiaries are as follow:-

	HK$'000
Share of net assets value as at 31 December 2004	3,229
Unamortised goodwill as at 31 December 2004	12,832
Net loss on deconsolidation of subsidiaries	16,061

7. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging:

	2005 *HK$'000*	2004 *HK$'000*
Cost of inventories sold	**16,772**	136,061
Auditors' remuneration	**968**	583
Depreciation	**2,115**	2,608
Employee benefits expenses (excluding directors' remuneration):		
Wages and salaries	**9,275**	13,389
Pension scheme contributions	**424**	799
Less: Forfeited contributions	**–**	–
Net pension contributions*	**424**	799
	9,699	14,188
Provision for inventories	**–**	458
Minimum lease payments under operating leases on land and buildings	**3,550**	1,972
Exchange losses, net	**(45)**	33

* *There were no forfeited retirement scheme contributions available at the balance sheet date to reduce contributions in future years (2004: Nil).*

8. FINANCE COSTS

	2005 *HK$'000*	2004 *HK$'000*
Interest on bank borrowings and overdrafts wholly repayable within five years	**1,622**	2,774
Interest on other borrowings wholly repayable within five years	**12**	247
Interest on bank borrowings wholly repayable after five years	**280**	948
Interest on finance leases	**63**	99
	1,977	4,068

9. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005	2004
	HK$'000	*HK$'000*
Provision for the year:		
Group		
Continuing operations		
Current – Hong Kong		
Charges for the year	**273**	903
Under provision in prior years	**(97)**	4
Deferred	**1,262**	(244)
	1,438	663
Discontinuing operations		
Current – Elsewhere	**–**	–
Share of taxation attributable to associates	**–**	2,554
Total charge for the year	**1,438**	3,217

As at 31 December 2005, the Group has no significant potential deferred tax liabilities (2004: Nil) for which provision has not been made.

The Group has estimated tax losses arising in Hong Kong of approximately HK$127,132,000 (2004: HK$70,081,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset has not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

10. DISCONTINUING OPERATIONS

On 19 March 2004, the Company entered into a conditional agreement to dispose of its entire interest in the issued share capital of an indirect wholly-owned subsidiary, All Paramount International Limited ("All Paramount"), to an independent third party at a consideration of approximately HK$45.8 million (the "Disposal"). The principal asset of All Paramount was 49% equity interest in Dong Feng Shao Xing Wine Co., Ltd. Details of the Disposal were set out in the Company's circular despatched to shareholders of the Company dated 15 April 2004.

The Disposal resulted in the discontinuance of the manufacturing and trading of Shao Xing wine business in 2004.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders of HK$150,640,000 (2004: HK$50,682,000) and the weighted average number of 13,209,763,431 ordinary shares (2004: 10,565,957,570) in issue during the year, as adjusted to reflect the rights issue completed during the year.

Diluted loss per share for the year ended 31 December 2005 has not been disclosed, because there is no outstanding share option as at 31 December 2005.

The diluted loss per share for the year ended 31 December 2004 has not been shown as the exercise prices of the outstanding share options of the Company were higher than the average market price of the Company's shares during the year and therefore the share options were not dilutive.

12. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 days, except for certain well-established customers where the credit terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In view of the aforementioned and that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivable are non-interest bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, and net of provisions, is as follows:

	2005	2004
	HK$'000	*HK$'000*
Current to 3 months	**3,781**	5,210
3 to 6 months	**72**	82
Over 6 months	**107**	7,276
	3,960	12,568

13. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	2005	2004
	HK$'000	*HK$'000*
Current to 3 months	**1,003**	8,888
3 to 6 months	**439**	714
Over 6 months	**5,841**	6,824
	7,283	16,426

SUMMARY OF AUDITORS' REPORT

The Company's auditors have qualified their report on the Group's financial statements for the year ended 31 December 2005. The report includes the following paragraphs:

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 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. However the evidence available to us was limited as set out in detail in the following paragraphs.

As more fully explained in note 6 above, a 75%-owned subsidiary company, Jafoon Limited (incorporated in Hong Kong) and its two wholly-owned subsidiaries (together the "Jafoon Sub-Group"), have been deconsolidated as from 1 January 2005 and a loss on deconsolidation of HK$ 16,061,000 has been recognised in the consolidated income statement in order to eliminate all net assets relating to that sub-group due to inability to obtain the appropriate financial information. In our opinion the circumstances, being a deficiency of financial information, do not meet the criteria for derecognition as a subsidiary companies.

Financial information for the six month period to 30 June 2005 indicate that the omission of information in respect of the Jafoon Sub-Group would have a material effect on the stated amounts of Group current assets, Group current liabilities and Group non-current liabilities. However, insufficient financial information is available in respect of the Jafoon Sub-Group for the year ended 31 December 2005 to quantify the effect of derecognition as a subsidiary companies and we have been unable to undertake alternative procedures to obtain the necessary information. Additionally, the net loss on deconsolidation of subsidiaries amounting to HK$16,061,000 would not have been required to be recognised in the consolidated income statement had this sub-group not been deconsolidated.

Qualified Opinion: Disclaimer on view given by financial statements

Because of the significance of the possible effects of the limitation in evidence available to us, as set out in the Basis of Opinion section of our report above, we are unable to form an opinion as to whether the financial statements present fairly the state of affairs of the Group as at 31 December 2005 or of the Group's loss and cash flows for the year then ended. In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2005. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

As the directors were not able to obtain all the information that we required in relation to our audit, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit. Proper books of account have not been maintained in respect of the affairs of the deconsolidated subsidiaries but have been in other regards.

FINAL DIVIDEND

The Directors did not recommend the payment of final dividend for the year ended 31 December 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's turnover for the year ended 31 December 2005 (the "Year") was approximately HK$25.8 million (2004: HK$144.1 million) and net loss attributable to the shareholders was approximately HK$150.6 million (2004: HK$50.7 million). Turnover for the Year decreased by approximately HK$118.3 million which represented a decrease of 82%. The substantial decrease in turnover was mainly attributable to the deconsolidation of the results of Jafoon Group from the consolidated financial statements of the Group. Details are stated in the paragraph headed "Trading of steel" below. However the decrease in turnover was partly compensated by the two new businesses set up during the Year. In April 2005, the Group acquired Pacific Glory Holdings Limited, a company which operated a Japanese restaurant and contributed approximately HK$10.1 million during the Year. In October 2005, a new glass eel trading business was set up which contributed approximately HK$8.4 million in just two-month time during the Year. The increase in net loss attributable to the shareholders of approximately HK$99.9 million was mainly due to the impairment of goodwill of approximately HK$109.3 million.

Business review
The business model of the Group was undergoing a structural change during the Year. The Group had commenced reviewing its business at the beginning of the Year in a plan to trim and restructure unsatisfactory operations. The Group had taken active steps in down-sizing the unsatisfactory operations, such as the skin and health care business, the artwork design business and the trading of jewellery business. At the same time, the Group had allocated its resources in developing new businesses and seeking for new investments. In light of its new strategic move, the Group had strengthened its Board composition by inviting Mr. Wong Tak Chung, Andrew to take up an executive role on 20 September 2005 so as to cater for future expansion and to refine the Group's management, corporate governance and business structure.

Skin and health care business
All retail outlets had been closed down during the Year in order to cut down staff costs and minimise the impact of the inflating rental costs. Despite continuous effort of the Board in restructuring its unsatisfactory operations, the Group's result suffered from the shrinkage of the skin and health care business during the Year. The results of the skin and health care business of the Group was unsatisfactory as the business was bombarded by the increasing numbers of large competing cosmetic chain store outlets. In view of the restructuring of the business, impairment of goodwill for the skin and health care segment of the Group was made during the Year.

Trading of jewellery
The Excel Harvest group is principally engaged in the importing and wholesale of diamonds. Turnover of the jewellery trading of the Excel Harvest group decreased during the Year and a record of turnover of only HK$3.65 million (2004: HK$39 million) was due to the deliberate trimming down of the operation by the Board. The trading of jewellery business had never been satisfactory to the Board due to the keen competition of the industry and the increasing material costs. Although the turnover was big, the profit margin for the jewellery business was small. In order to minimise the loss to the Group attributable to the jewellery business, the Board resolved to trim down the jewellery trading business and allocate its resources to the new eel trading business and the restaurant operation of the Group.

Trading of steel
Jafoon Group is 75% owned by the Group and is principally engaged in the trading of steel. Despite turnover attributed to the sale of stainless steel was big (approximately HK$81 million for the year ended 31 December 2004), the operation suffered a loss of approximately HK$1 million. The loss was mainly due to the high cost of sales and expensive operating costs. After reviewing the business, the Board noticed that the business showed no improvement in the first half of the Year. In view of the poor operating environment for stainless steel business, the Board considered that it would not be beneficial for the Group to allocate substantial resources to the operation. Attempts had been made by the Group to seek for potential buyer in order to dispose of Jafoon Group during the second half of the Year. However, due to the poor business environment of the steel trading business, such attempts were not successful. Since then, the Board noticed that there were signs of non-cooperation of the managerial level of Jafoon. For example, for the purpose of reviewing the performance of the business and for the purpose of seeking new strategic partners for the business, the Board had from time to time requested the management of all its subsidiaries to provide updated management accounts for the Board's review. Since December 2005, the management of Jafoon Group had been reluctant in providing the accounts for the Board's review and as such, the Board found it difficult to exercise its decision and administrative power over the business of Jafoon Group. The Board had also experienced failures in attempts of demanding proper accounting records from Jafoon Group in the second half of the Year for the preparation of the annual audit. The Board had tried various ways to assert its influence over the operation and financial of Jafoon Group. Professional parties such as financial and legal advisors were engaged by the Board to investigate the financial records of Jafoon in mid April 2006 and discovered that records were not adequate for audit purpose. During the investigation on the accounting records of Jafoon Group, the Board was suspicious that there might be a change in the management of the daily operation of Jafoon Group during the second half of the Year without the knowledge of the Board. The Board has resolved to set up an investigation committee and will continue to seek for professional advise on this matter. Announcement was made by the Company on 11 April 2006 to inform the public and its shareholders of the situation. Accordingly, the financial statements of Jafoon Group had been excluded from the consolidated financial statements of the Group for the Year.

The financial statements of the Group for the Year was prepared on a deconsolidated basis that Jafoon Group's result for the Year from was excluded from the consolidated financial statements of the Group with effect from 1 January 2005. The Company has excluded all inadequate and deficient financial information of Jafoon Group of the Year and only presented those financials which are fully supported by proper documentation. The Board considers that for the sake of demonstrating to the public the impact of Jafoon Group's business on the Group's result and to allow the public to have a fair judgment on the performance of the Group, the presentation of the results on a deconsolidated basis is appropriate in the circumstances.

The Board had tried various ways to assert its influence over the operation and financial of Jafoon Group.

The financial statements of the Group for the Year was prepared on a deconsolidated basis that Jafoon Group's result for the Year from was excluded from the consolidated financial statements of the Group with effect from 1st January 2005. The Company has excluded all inadequate and deficient financial information of Jafoon Group of the Year and only presented those financials which are fully supported by proper documentation. The Board considers that for the sake of demonstrating to the public the impact of Jafoon Group's business on the Group's result and to allow the public to have a fair judgment on the performance of the Group, the presentation of the results on a deconsolidated basis is appropriate in the circumstances.

Restaurant operation

Pacific Glory Holdings Limited, which was acquired by the Group in April 2005, operated a Japanese restaurant had a turnover of approximately HK$10.1 million and a net profit of approximately HK$480,000 for the Year. The acquisition of Pacific Glory Holdings Limited during the year was a strategic move of the Group to diversify its business into an industry with growth potential. Due to the recovery of the general economic condition and the increasing spending power of tourists and local people in Hong Kong, the Group considered that the restaurant business would continue to provide profits to the Group.

Artwork design

The operation of the Group's provision of advertising services was restructured and scaled down during the Year as a result of a change of the key personnel of the management of the Daiwah Company Limited and its subsidiaries. The Group had been actively seeking for new management as well as business partners and alliances in the market during the Year in order to strengthen the business. However, such attempts were not successful and as a result, the business was hindered by the lack of new managerial staff and new investment opportunities.

Trading of glass eel

In October 2005, the Group has set up a new line for its trading business namely the wholesale of quality glass eel which is of higher profit margin and which requires less capital outlay. The setting up of the eel trading business during the Year was to take advantage from the "Malachite Green" incident which affected the prospect of the industry but resulted in low setting up costs for the business. The new eel trading business had started only for two months and already recorded a turnover of approximately HK$8.4 million and a net profit of approximately HK$400,000 for the Year.

The Group will source unaffected glass-eel from Europe. Overseas demand for eel products is still high and therefore the Group expects that the new business will provide a stable income and profits to the Group.

Profit guarantees

As stated in the annual report of the Company for the year ended 31 December 2004, the Directors were reviewing all means to recover compensation from the vendors whom had given profit guarantees for the business acquired by the Group. During the Year, legal advisors had been appointed and negotiations had been carried out with respective vendors. Advice was carefully studied by the Directors and necessary steps had been taken out by the Directors. The Directors would exploit all means, including settlements, negotiations or legal action against the vendors if necessary so as to protect the interest of the Group.

Prospects

Apart from setting up the new eel trading business and the acquisition of Pacific Glory Holdings Limited during the Year, the Company had entered into an agreement on 23rd December 2005 to acquire the entire interests in State Empire Limited at a consideration of approximately HK$101 million. State Empire Limited is an investment holding company holding the entire interest in Right Emperor Commercial Building. Right Emperor Commercial Building is a 24-storey commercial building situated in Central, which is one of the major commercial hub in Hong Kong. The acquisition was approved by the shareholders of the Company on 27 February 2006 and the Directors envisage that completion will be in June 2006. The Group believes that the acquisition will be able to bring about a stable rental income for the Group in the future and to improve the quality of the asset portfolio of the Group.

Another strategic move of the Group is the fund raising exercise by way of open offer in April 2006. The net proceeds form the open offer will be used to finance the acquisition of State Empire Limited instead of incurring substantial amount of mortgage loans. As such, the Group will not become a debt laden company as a result of the acquisition.

The Group is now under a transitional period of which the Board is actively cleaning up those poorly performed business and uncooperative subsidiaries. The Board admits that the Group's result for the Year had been affected by such actions taken by the Board and may continue to affect the future performance when the restructuring is still under progress. However, the Board believes that, with the devotion of the Directors, the addition of a new member to the Board and the synergy effect brought about by the new businesses, the Group will be able to step out of the currently poorly performed situation in the near future. The Board believes that the acquisition of the State Empire Limited and the setting up of the eel trading business are milestone of the Company which enable the Group to loosen the burden of its existing poorly performed business.

Financial Information

The Group financed its operations by cash generated from operations, proceeds from the exercise of share options, private placements of Company's shares and banking facilities granted by its principal bankers to its subsidiaries.

As at 31 December 2005, the Group's gearing ratio was 0.51 (2004: 0.47) (calculated on the basis of total bank and other borrowings over shareholders' fund).

The Group's total bank and other borrowings amounted to approximately HK$18 million (2004: HK$84.7 million) as at 31 December 2005. The bank and other borrowings are mainly secured by investment properties, time deposits, long term investment, and guarantees granted by directors of certain subsidiaries.

The Group's core operation was in Hong Kong and had limited exposure to the fluctuations in exchange rates. Bank balances and borrowings were mainly denominated in Hong Kong dollars.

Employees and remuneration policy

As at 31 December 2005, the Group has 59 employees (2004: 34). Total staff costs were approximately HK$9.7 million (2004: HK$14.2 million). Employee remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to Mandatory Provident Fund Scheme, share option scheme, medical allowances and other fringe benefits.

Contingent liability

The Group did not have any significant contingent liability at the balance sheet date.

Capital structure

(a) On 7 January 2005, 100,000,000 ordinary shares were issued at the price of HK$0.0198 per share for a total cash consideration of HK$1,980,000 upon the exercise of share options granted to staff and business partners of the Group.

(b) On 13 October 2005, 500,000,000 ordinary shares were issued at the price of HK$0.0112 per share for a total cash consideration of HK$5,600,000 upon the exercise of share options granted to business partners of the Group.

(c) By a special resolution passed on 20 March 2006, the share capital of the Company reorganised as follows:

  (i) cancelling paid up capital to the extent of HK$0.0099 on each ordinary share of the Company ("Share") so that the nominal value of each issued Share will be reduced from HK$0.01 to HK$0.0001 and each issued Share in the capital of the Company shall be treated as one fully paid up ordinary share of HK$0.0001 each in the capital of the Company ("Capital Reduction");

  (ii) subdivide each of the authorised but unissued Share of HK$0.01 into 100 ordinary shares of nominal value of HK$0.0001 each;

  (iii) subdivide each of the authorised but unissued convertible preference share of the Company of HK$1,000,000 each into 100 convertible preference shares of nominal value of HK$10,000 each;

  (iv) cancelling the entire amount standing to the credit of the share premium account of the Company as at 20 March 2006 ("Share Premium Reduction");

  (v) the transfer of the credit arising from the Share Premium Reduction and the Capital Reduction to the contributed surplus account of the Company and the application of the amount therein to set off against the entire accumulated losses of the Company as from time to time and be dealt with in accordance with the applicable laws, including the laws of Bermuda and the bye-laws of the Company.

(d) By an ordinary resolution passed on 20 March 2006, every 10 of the ordinary shares of the Company (both issued and unissued) of HK$0.0001 each be consolidated into one new share of HK$0.001 each and every 10 of the convertible preference shares of the Company of HK$10,000 each be consolidated into one new convertible perference share of HK$100,000 each ("Share Consolidation").

Charge of assets

As at 31 December 2005, the Group's investment properties of HK$22 million were pledged as security for banking facilities for certain subsidiaries.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' and relevant employees' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on The Stock Exchange Hong Kong Limited ("Listing Rules"). Having made specific enquiry to all the Directors of the Company, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the Year.

CORPORATE GOVERNANCE

With effect from 1 January 2005, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code on CGP") of the Listing Rules except for certain deviations in respect of the service term, rotation of directors and separate roles between chairman and chief executive officer, which are explained as follows:

Code Provision A.2.1 of the Code of CGP stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not appoint chairman and chief executive officer as the current Board members have their unique expertise and functions well within the Company. The Company Secretary assists the Board in setting out and finalizing the agenda, after taking into account any matters proposed by any other directors and ensure adequate information being received by the Directors in a timely manner in advance of the intended meeting date. All Directors have unrestricted access to the management for enquiries and to obtain information when required.

The Company has not fixed the term of appointment for non-executive directors. However, they are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with bye-law 91 of the bye-laws of the Company (the "Bye-laws"). This deviates from the provision A.4.1 of the Code on CGP which requires that Non-executive Directors be appointed for a specific term. The Board is of the view that the current practice of appointing Non-executive Directors without specific terms but otherwise subject to retirement by rotation and re-election by shareholders was fair and reasonable, and does not intend to change the current practice at the moment.

According to bye-law 99(B) of the Bye-laws, one-third of the Directors other than the Chairman and the Managing Director of the Company shall be subject to retirement by rotation. The above practice deviates from the provision A.4.2 of the Code on CGP which requires every Director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years. In order to comply with such code provision, an amendment to the Bye-laws of the Company has been proposed for approval by the shareholders of the Company at the forthcoming 2006 annual general meeting.

REMUNERATION COMMITTEE

The Company established a remuneration committee comprising three members, all of whom are independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent (Chairman of the Committee), Mr. Tso Hon Sai, Bosco and Mr. Cheng Wing Keung, Raymond.

The remuneration committee has reviewed and recommended to the Board the directors' fee for the independent non-executive directors.

AUDIT COMMITTEE

The Company established an audit committee comprising three members, all of whom are independent non-executive directors, namely Mr. Tso Hon Sai, Bosco (Chairman of the Committee), Mr. Kwok Chi Sun, Vincent and Mr. Cheng Wing Keung, Raymond.

The audit committee has reviewed the financial statements for the Year.

FULL DETAILS OF FINANCIAL INFORMATION

All the information required by paragraph 45 (1) to 45 (8) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Kwok Ying Chuen
Director

Hong Kong, 21 April 2006

As at the date of this announcement, Mr. Kwok Ying Chuen, Mr. Wong Tak Chung, Andrew and Mr. Yu Won Kong, Dennis are the executive directors; Mr. Tso Hon Sai, Bosco, Mr. Kwok Chi Sun, Vincent and Mr. Cheng Wing Keung, Raymond are the independent non-executive directors.

* *For identification purposes only*

Please also refer to the published version of this announcement in The Standard.