M DREAM INWORLD LIMITED
聯夢活力世界有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code:8100)

ANNUAL REPORT 2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the this report.

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange for the purpose of giving information with regard to the company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Koh Tat Lee, Michael *(Chairman)*
Chen, Domingo
Choong Ying Chuan

Non-executive Director
Wong Kean Li

Independent Non-executive Directors
Cheung Wai Shing
Ray Chu
Tsang Kwok Wai

COMPLIANCE OFFICER

Koh Tat Lee, Michael

AUTHORISED REPRESENTATIVES

Koh Tat Lee, Michael

AUDIT COMMITTEE

Cheung Wai Shing
Ray Chu
Tsang Kwok Wai

REGISTERED OFFICE

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

5A Teda Building
87 Wing Lok Street
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield international
(Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Liu Chong Hing Bank Limited

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

STOCK CODE

8100

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Koh Tat Lee, Michael, aged 39, has been an executive director since 23 April 2003. Mr. Koh is responsible for overseeing the general management and formulating strategic plans for the Group. In addition, he is in charge of product development and sales and marketing strategies. Mr. Koh has more then ten years of experience in the telecommunications industry and has worked at Bell South and AT&T in the United States and was promoted to technical director before he left AT&T. During his tenure as vice-president at First Pacific Company Limited from 1994 to 1997, Mr. Koh founded a private company called Tuntex Telecom in Taiwan and assumed the post of president for the period from 1995 to 1997. Mr. Koh holds a master degree in electrical engineering and a master degree in industrial engineering from Columbia University in the United States.

Mr. Chen, Domingo, aged 50, is the Chief Operating Officer of the Company. Mr. Chen jointed the Company as an independent non-executive director on 20 July 2004. He was appointed executive director on 11 November 2004. He has over 25 years experience in the fields of information technology, marketing and financial management. Mr. Chen received master degree in business administration from Northwestern University, Chicago, USA and The Hong Kong University of Science and Technology. Mr. Chen has previously worked for CLP Power Hong Kong Group, Littauer Technologies Co., Ltd. (a public company listed on KOSDAQ in the Republic of Korea), Peoples Telephone Company Limited and Pacific Link Communications Limited.

Dr. Choong Ying Chuan, aged 50, has over 25 years of experience in the field of information technology. He joined the Company on 1 November 2004. Dr. Choong received his Doctor of philosophy degree in 1982 from the University of Bath, UK.

NON-EXECUTIVE DIRECTOR

Mr. Wong Kean Li, aged 34, has been appointed non-executive director since 20 May 2004. He is the president and executive director of Softbank Investment International (Strategic) Limited, a company incorporated in Hong Kong and the shares of which are listed on the main board of the Stock Exchange. Mr. Wong holds an MA in Law from Cambridge University, England. He was formerly the vice-president and senior counsel for business development of hongkong.com Corporation and chinadotcom Corporation respectively, as well as an associate lawyer with international law firm Clifford Chance, specializing in China law and corporate and Internet/technology matters.

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wai Shing, aged 35, has been appointed since 6 September 2006. Mr. Cheung obtained a Master Degree of Science in Finance from the University of Michigan-Dearborn. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung has more than twelve years of experience in accounting and finance in various esteemed companies in Hong Kong.

Mr. Tsang Kwok Wai, aged 36, has been appointed since 6 September 2006. Mr. Tsang obtained a Bachelor Degree of Business Administration and is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. Mr. Tsang has fourteen years of progressive experience in financial management and corporate development. At present Mr. Tsang runs his own firm and practices public accounting.

Mr. Ray Chu, aged 44, obtained a Bachelor Degree of Science in Building Science of Civil Engineering from the University of Southern California. Mr. Chu has about twenty years of experience in engineering and project management in the USA, Hong Kong and China.

CHAIRMAN STATEMENT

To all shareholders of M Dream Inworld Limited,

I am announcing the results of M Dream Inworld Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2005 with a burden heart.

This has been a slow year for the Company. The turnover of the Group for the year was approximately HK$14 million.

The Group is constantly exploring new business opportunities in order to achieve better returns for our shareholders. The operations of subsidiaries of the Group expanded from solely system solution provision to other areas. Although the company did not fair well in its pursue of online game and mobile value added services, the management will continue to work hard to seek greener pasture in the future.

Our new substantial shareholders, namely Temasek Holdings (Private) Limited and Lippo Group, had showed patient and understanding on the slow development.

Elipva the Group's system integration business is slowing gaining ground in South East Asia. The Group will continue to explore opportunity to bring Elipva to the North Asia market to create win/win situation. The Group also enriches its customer base by Elipva's customer list which includes various government authorities, financial institutions and multinational companies.

I would like to thank the Board of Directors and all of the Group's employees for their hard work, support and dedication.

Mr. Koh Tat Lee, Michael
Chairman

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2005.

BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 30 July 2001 as an exempted company with limited liability under the Companies Laws of the Cayman Islands. Its shares have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 31 December 2001.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") published by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and are supplemented by the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The basis of preparation of the financial statements is set out in Note 2 to the financial statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are detailed in Note 9 to the financial statements.

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the year ended 31 December 2005 is set out in Note 5 to the financial statements.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 31 December 2005 are set out in the consolidated income statement on page 27 of this annual report.

FINANCIAL SUMMARY

A summary of past financial information is set out page 93 of this annual report.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the Company's share capital and share option scheme are set out in Note 14 and 35(b) to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set up in note 8 to the financial statement.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 15 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes outstanding as at 31 December 2005 are set out in Note 16 to the financial statements.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 37 to the financial statements.

MANAGEMENT CONTRACTS

No director, except Dr. Choong Ying Chuan, has any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation). Dr. Choong is employed as the Chief Executive officer of Elipva Limited, a wholly owned subsidiary of the Company, whose contract is on a two year term commencing on 29 October 2004.

COMPETING INTEREST

As at the date of this report none of the directors, or the management shareholders of the Company has any interest in a business which competes or may compete with the business of the Group.

DIRECTORS

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

	Appointed on	Resigned on
Executive director		
Mr. Koh Tat Lee, Michael		
Mr. Chen, Domingo		
Mr. Choong Ying Chuan		
Mr. Wong Shui Fun		16 Dec. 2005
Mr. Xu Hanjie		31 Oct. 2005
Non-executive director		
Mr. Wong Kean Li		
Dr. Lee Siu Lung, James	01 Mar. 2005	23 May 2006
Mr. Tay Yew Beng, Peter		22 May 2006
Mr. Ng Yat Cheung		15 Aug. 2005
Independent non-executive director		
Mr. Cheung Wai Shing	06 Sept. 2006	
Mr. Tsang Kwok Wai	06 Sept. 2006	
Mr. Chu, Ray	06 Sept. 2006	
Mr. Leigh Man Sung, Camballaw	14 April 2005	07 June 2006
Mr. Ng Wing Hang, Patrick	31 Aug. 2005	22 May 2006
Mr. Wong, Robert		02 June 2005
Mr. Yeung Chun Wai, Anthony		14 April 2005
Ms. Sung, Hilda		5 June 2006

In accordance with Article 99 and 116 of the Company's Articles of Association, directors Mr. Cheung Wai Shing, Mr. Tsang Kwok Wai, Mr. Chu, Ray, Mr. Chen, Domingo and Dr. Choong Ying Chuan shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACT

None of the directors had any interests in any contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the ordinary shares of the Company

Name of director	Personal interests	Corporate interests	Total interests	Percentage of interests
Mr. Koh Tat Lee, Michael	–	323,104,376 *(Note 1)*	323,104,376	12.39%
Dr. Choong Ying Chuan	2,563,930	46,089,697 *(Note 2)*	48,653,627	1.87%

Notes:

1. These shares are held by Dynamate Limited of which the entire issued share capital is beneficially owned by Mr. Koh Tat Lee, Michael. Accordingly, Mr. Koh is deemed to be interested in the shares beneficially owned by Dynamate Limited.

2. These shares are held by eMatrix Pte Limited of which 83.33% of the entire issued capital is beneficially owned by Dr. Choong Ying Chuan. Accordingly, Dr. Choong is deemed to be interested in the shares beneficially owned by eMatrix Pte Limited.

Save as disclosed above, as at 31 December 2005, none of the Directors or chief executives of the Company had any other 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 SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Apart from those as disclosed under the heading "Share Options" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors and chief executives, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS

Pre-IPO share option scheme

On 14 December 2001, the Pre-IPO Share Option Scheme was approved and adopted by a written resolution of all the Shareholders. The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution of certain directors and employees of the Group to the growth of the Group and/or the listing of the Shares on GEM.

No options granted under the Pre-IPO Share Option Scheme were outstanding up to the date of the approval of the financial statements.

Share option scheme

The Company has also adopted a share option scheme on 14 December 2001 ("Share Option Scheme") under which the directors may at their discretion grant options to employees (whether under full-time or part-time employment) and directors (whether executive, non-executive or independent non-executive) of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. An aggregate of 129,220,000 options were outstanding under the share option scheme up to the date of approval of the financial statements.

Particulars and movements during the year ended 31 December 2005 of the outstanding share options granted under the Share Option Scheme were as follows:–

Name or Category of participant	As at 1 January, 2005	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December, 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options
Mr. Wong Shui Fun	10,000,000	–	–	–	(10,000,000)	–	31 March, 2004	31 March, 2004 to 30 March, 2014	HK$0.060
	6,000,000		–	–	(6,000,000)	–	20 May, 2004	20 May, 2004 to 19 May, 2014	HK$0.036
Mr. Xu Hanjie	16,000,000		–	–	(16,000,000)	–	20 May, 2004	20 May, 2004 to 19 May, 2014	HK$0.036
Mr. Wong Kean Li	16,000,000		–	–	–	16,000,000	20 May, 2004	20 May, 2004 to 19 May, 2014	HK$0.036
Mr. Chen Domingo	22,000,000		–	–	–	22,000,000	24 November, 2004	24 November, 2004 to 23 November 2014	HK$0.034
Dr. Chung Ying Chuan	16,000,000		–	–	–	16,000,000	24 November, 2004	24 November, 2004 to 23 November, 2014	HK$0.034
Employees	17,000,000	–	–	–	–	17,000,000	9 October, 2003	9 October, 2003 to 8 October, 2013	HK$0.076
Employees	1,500,000	–	–	–	–	1,500,000	31 March, 2004	31 March, 2004 to 30 March, 2014	HK$0.060
Employees	35,400,000	–	–	–	–	35,400,000	20 May, 2004	20 May, 2004 to 19 May, 2014	HK$0.036
Employees	16,000,000	–	–	–	(1,500,000)	14,500,000	30 June, 2004	30 June, 2004 to 29 June, 2014	HK$0.047
Employees	9,060,000	–	–	–	(2,240,000)	6,820,000	24 November, 2004	1 July, 2005 to 23 November, 2014 *(Note 1)*	HK$0.034
Employees	10,000,000	–	–	–	(10,000,000)	–	24 November, 2004	24 November, 2004 to 23 November, 2014	HK$0.034
Total	174,960,000	–	–	–	(45,740,000)	129,220,000			

Note 1: Options granted to these grantees are entitled to exercise (i) half of the options granted to them after 30 June, 2005; (ii) the remaining options after 31 December, 2005.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the following persons (not being directors or chief executives of the Company whose interest are disclosed above) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 or Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the group, or substantial shareholder required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Number of shares held	Percentage of the Company's share capital
Temasek Holdings (Private) Limited *(Note 1)*	507,862,364	19.48%
Singapore Technologies Telemedia Pte Ltd *(Note 1)*	507,862,364	19.48%
STT Communications Ltd *(Note 1)*	507,862,364	19.48%
stt Ventures Ltd *(Note 1)*	507,862,364	19.48%
Yu Chung Choi, Chaucer	307,000,000	11.78%
Madam Lidya Suryawaty *(Note 2)*	204,870,228	7.86%
Dr. Mochtar Riady *(Note 2)*	204,870,228	7.86%
Lanius Limited *(Note 2)*	204,870,228	7.86%
Lippo Cayman Limited *(Note 2)*	204,870,228	7.86%
Lippo Limited *(Note 2)*	204,870,228	7.86%
Lippo China Resources Limited *(Note 2)*	204,870,228	7.86%
HKCL Holdings Limited *(Note 2)*	204,870,228	7.86%
Hongkong Chinese Limited *(Note 2)*	204,870,228	7.86%
Allwin Asia Inc. *(Note 2)*	204,870,228	7.86%
Dynamate Limited *(Note 3)*	323,104,376	12.39%
Koh Tat Lee, Michael *(Note 3)*	323,104,376	12.39%
Shenzhen Ingen Technology Company Limited	147,440,000	5.66%

Notes:

1. These shares are held by stt Ventures Limited, which is a wholly-owned subsidiary of STT Communications Limited ("STTC"). 99.99% of the interest of STTC is in turn held by Singapore Technologies Telemedia Pte Ltd, which is in turn a wholly-owned indirect subsidiary of Temasek Holdings (Private) Limited. Accordingly, Temasek Holdings (Private) Limited, Singapore Technologies Telemedia Pte Ltd and STTC are deemed to be interested in the shares beneficially owned by stt Ventures Limited.

2. These shares are held by Allwin Asia Inc., which is a wholly-owned indirect subsidiary of Hongkong Chinese Limited. 60.97% of the interest of Hongkong Chinese Limited is in turn held by HKCL Holdings Limited, which is in turn a wholly-owned indirect subsidiary of Lippo China Resources Limited. 71.13% of the interest of Lippo China Resources Limited is in turn indirectly held by Lippo Limited.

Lippo Cayman Limited is the holding company of Lippo Limited through direct holding and through wholly-owned subsidiaries, one of which is Lippo Capital Limited which controls an approximate 50.47% interest in Lippo Limited.

Lanius Limited is the registered shareholder of the entire issued share capital of Lippo Cayman Limited and is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius Limited is accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady is not the registered holder of any shares in issued share capital of Lanius Limited.

According, Madam Lidya Suryawaty, Dr. Mochtar Riady, Lanius Limited, Lippo Cayman Limited, Lippo Limited, Lippo China Resources Limited, HKCL Holdings Limited and Hongkong Chinese Limited are deemed to be interested in the shares beneficially owned by Allwin Asia Inc.

3. These shares are held by Dynamate Limited of which the entire issued capital is beneficially owned by Mr. Koh Tat Lee, Michael. Accordingly, Mr. Koh is deemed to be interested in the shares beneficially owned by Dynamate Limited.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rules 5.34 to 5.45 of the GEM Listing Rules. The audit committee members as at the date of this report are Mr. Cheung Wai Shing, Mr. Tsang Kwok Wai and Mr. Chu, Ray. They are the independent non-executive directors of the Company. The audit committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee met on a quarterly basis during the year ended 31 December 2005.

The Company's financial statements for the year ended 31 December 2005 have been reviewed and discussed by the audit committee before any disclosure and release of information.

BOARD PRACTICES AND PROCEDURES

The Company has compiled with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the year ended 31 December 2005.

AUDITORS

HLB Hodgson Impey Cheng retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Koh Tat Lee, Michael
Chairman

CORPORATE GOVERNANCE REPORT

The board of directors would like to present this Corporate Governance Report for the year ended 31 December 2005.

In November 2004, The Stock Exchange of Hong Kong Limited ("the Stock Exchange") promulgated the Code on Corporate Governance Practices contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("the GEM Listing Rules") which sets out corporate governance principles ("the Principles") and code provisions ("the Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the Principles and on best effort basis complied with the Code Provisions except the following:–

(1) the Code Provision on internal controls which are to be implemented for accounting periods commencing on or after 1 July 2005;

(2) the Code Provision A2.1 which requires the separation of the roles of Chairman and Chief Executive Officer; and

(3) the Code Provision B1.1 which requires the establishment of a remuneration committee with specific written terms of reference.

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

THE BOARD

(1) Responsibilities

The Board should assume responsibility for leadership and control of the Company and is collectively be responsible for promoting the success of the Company. All directors should take decisions objectively in the interests of the Company.

The board should meet regularly and at least four times a year at approximately quarterly intervals. Reasonable notice should be given to all directors before each meeting.

The board should agree procedures to enable directors, upon reasonable request, to seek independent professional advice at the Company's expense.

All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures and all applicable rules are followed.

(2) Composition

The composition of the Board reflects the balance of skills and experience appropriate for the requirements of the Company's business and for the exercise of independent judgement.

The Company have received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the GEM Listing Rules.

(3) Appointments, re-election & removal of directors

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

According to the Company's Articles of Association all directors appointed to fill a casual vacancy should be subject to elections by shareholders at the first annual general meeting. A common consent by the Board is that all directors should retire by rotation at least once every three years including those appointed for a specific term.

Any director resigns or being removed should give explanations and reasons to the Board.

Although the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and retirement of directors and assessing the independence of independent non-executive directors.

(4) Training for directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so to ensure that he/she has appropriate understanding of the business and operations of the Company, and he/she is fully aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A2.1 stipulates the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Chairman should be responsible for the management of the board of directors, whereas the daily management of business operations should rest with the Chief Executive Officer.

When the resource of the Company improves it will recruit a suitable candidate to become the Chief Executive Officer of the Company. At the moment the management of business operations is also conducted by the Chairman of the Company.

BOARD COMMITTEES

(1) Remuneration Committee

Code Provision B1.1 stipulates that an issuer should establish a Remuneration Committee with specific written terms of reference and a majority of the members of the Remuneration Committee should be independent non-executive directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and senior management.

Although the Company has not established its Remuneration Committee, the directors met once during the year 2005 and discussed the remuneration policy and structure. The Company will arrange for the setting up of a Remuneration Committee of the Company in accordance with the said Code Provision.

(2) Audit Committee

The main duties of the Audit Committee include the following:–

(a) To monitor the integrity of the Company's financial statements and its financial reports and accounts, and to review significant financial reporting judgements contained on them.

(b) To consider any significant or unusual items that are, or may need to be, reflected in financial reports and accounts, and give due consideration to matters raised by the Company's qualified accountant, compliance officer or external auditors.

(c) To review the relationship with the external auditors by reference to the work performed by them, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of auditors.

(d) To review the Company's financial controls, internal control and risk management systems.

The Audit Committee held three meetings during the year ended 31 December 2005 to review the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes and the re-appointment of external auditors.

The Audit Committee held a meeting to review the annual results and the reporting of it for the year ended 31 December 2005.

DEALINGS FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has relied on Rules 5.48 to 5.67 of the GEM Listing Rules as the required standard of dealings in respect to any dealings of the Company's securities by the Company's directors.

General and specific enquiries has been made to all directors and they all confirmed they have complied with said GEM Listing Rules during the year ended 31 December 2005.

The Company will establish written guidelines to further govern directors in dealing of the Company's securities.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of such rights to demand a poll are included in all circulars to shareholders and will be explained during the proceedings of meeting. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained at the meeting.

Results on any voting conducted by poll will be posted on the website of the Stock Exchange by way of an announcement on the business day following the shareholders' meeting.

The general meetings of the company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as the chairmen of the board committees or, in their absence, other members of the respective committees and, where applicable, the independent board committee, are normally available to answer questions at the shareholders' meetings.

The Company continues to enhance communications and relationships with its investors. Executive directors and senior management are always open to dialogue with investors and analysts to keep them abreast of the Company's developments. Investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

The company is an investment holding company. When the Company offered its initial public offering in December 2001, its subsidiaries focused on the provision of system solutions in the Asian region with a primary focus in Hong Kong, Mainland China and Singapore.

In retrospect, the Company had tried to venture into new business area like mobile value added business and online game operations in China in the previous year. However, these projects were rather unsuccessful. Our subsidiary in Singapore Elipva Limited ("Elipva") which specialized in the provision of system solutions, including e-services/consulting, internet application software and enterprise software/services such as e-business applications, identity and access management, security infrastructure, human capital and financial management, system and enterprise applications integration. The major customers of Elipva include various financial institutions, multinational companies as well as government agencies in Singapore. The performance of the system solution business was acceptable in view of the slower economics pickup in Singapore.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK$14 million for the year ended 31 December 2005, representing a decrease of 47.06% compared to the turnover for the year ended 31 December 2004 of approximately HK$27 million from continuing operations.

Loss for the year

The consolidated loss of the Group for the year was approximately HK$138 million.

Liquidity and financial resources

The Group has faced extremely tight liquidity situation during the year as some financing exercises were called off.

Capital structure

There has been no change in the capital structure of the Company during the year.

Foreign exchange exposure

During the year the business activities of the Group were mainly denominated in Hong Kong dollars, Renminbi and Singapore dollars. The directors did not consider the Group was significantly exposed to any foreign currency exchange risk.

Significant investments

The Group had no significant investments during the year.

Material acquisitions and disposals

The Group had no material acquisition during the year. A disposal of subsidiaries was carried out during the year and the details are set in note 33 to the financial statements.

Gearing ratio

As at 31 December 2005 the gearing ratio of the Group was 784% (2004: 31%)

Employee information

Currently the Group has about 30 employees (2004: 170) working in Hong Kong and Singapore. The Group remunerates its employees based on their experience, performance and values they contribute to the Group.

Contingent liabilities

As at 31 December 2005 the Group had no contingent liabilities (2004: nil).

OUTLOOK

Year 2005 was a slow year for the Group. The Group will continue to grow organically by strengthening its technical edge and bringing ingenious offerings to the market. Although, the company has stopped operation for its MMORPG (Massively Multiplayer Online Role Play Game) and sold off its mobile value added service subsidiary; the company will actively look for opportunity to invest or acquire company in China.

AUDITORS' REPORT

國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

AUDITORS' REPORT TO THE SHAREHOLDERS OF M DREAM INWORLD LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 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.

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, 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, except that the scope of our work was limited as explained below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group and the Company, 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 below:

(i) Limitation of audit scope relating to the absence of books and records of a subsidiary, Hangzhou M Dream Zone Company Limited ("M Dream Zone") and in relation to the respective loss on disposal of M Dream Zone on 2 September 2005

As mentioned in note 2(a) to the financial statements, the Group has disposed of 100% equity interests in subsidiaries, M Dream Mobile Entertainment Limited and Hangzhou M Dream Zone Company Limited (hereinafter referred to as the "M Dream MEL Group") on 2 September 2005. In the absence of sufficient documentary evidence, we were unable to carry out any audit procedures to verify the occurrence of this disposal and whether such disposal was legally and properly transacted.

The consolidated financial statements have incorporated the unaudited management accounts of M Dream Zone from 1 January 2005 to the date of disposal. Due to the fact that the books and records of this subsidiary were not made available to us, we were unable to ascertain that income statements of these disposed subsidiaries for the period from 1 January 2005 to 2 September 2005 (date of disposal) so consolidated are fairly stated.

With regard to the above limitations, we were not provided with sufficient appropriate audit evidence to determine whether the disposal was legitimate and whether the related loss on disposal of approximately HK$27,421,000 was fairly stated in the financial statements and whether the details of the disposal had been properly disclosed in the financial statements for the year.

(ii) Limitation of audit scope relating to the absence of books and records in respect of a subsidiary of the Company, 活力世界(上海)網絡技術有限公司(**"**活力上海**"**)

As explained in note 2(a) to the financial statements, in the absence of books and records of 活力上海, we were unable to carry out any procedures to verify its financial position as at 31 December 2005 and its performance for the year then ended was properly consolidated into the Group's financial statements.

(iii) Limitation of audit scope relating to the absence of books and records in respect of a subsidiary, 聯夢在綫軟件(上海)有限公司 ("Shanghai Online")

As explained in note 2(a) to the financial statements, a wholly owned subsidiary of the Company, Shanghai Online was established in the People's Republic of China (the "PRC") during the year ended 31 December 2005. In the absence of books and records, we were unable to obtain any sufficient reliable financial information relating to the financial position of Shanghai Online as at 31 December 2005, its cash flow and its performance for the year then ended. In particular, included in the consolidated income statements of the Group for the year ended 31 December 2005 were administrative expenses of approximately HK$4,598,000 of Shanghai Online. As there was no reliable information available to us to ascertain the nature and accuracy of the aforesaid administrative expenses of approximately HK$4,598,000, we were unable to ascertain whether such expenses included in the consolidated income statements of the Group for the year ended 31 December 2005 are fairly stated.

(iv) Limitation of audit scope relating to revenue recognition

Included in the consolidated income statements is an amount of approximately HK$281,000 recognised as revenue under the stage of completion method as set out in note 2(q) to the financial statements. Due to lack of proper documentation of timesheets and cost incurred, we were unable to obtain adequate evidence and satisfactory explanation to ascertain whether work-in-progress was properly and adequately taken as recognised revenue in the consolidated income statements.

(v) Limitation of audit scope relating to share option scheme

As explained in note 35(b) to the financial statements, the Company has adopted a share option scheme on 14 December 2001, over which the directors of the Company may at their discretion grant options to employees and directors of the Group to subscribe for ordinary shares in the Company. Due to the absence of sufficient documentary evidence and lost of the scheme documents, we were unable to classify and verify whether the share options being cancelled or lapsed to the extent of 45,740,000 options during the year ended 31 December 2005 were accurate and whether the outstanding share options to the extent of 129,220,000 as at 31 December 2005 were accurate. Consequently, we were unable to determine the effect of the share option scheme on the Group's financial statements.

(vi) Limitation of audit scope relating to Other Receivable

Included in the consolidated balance sheet of the Group as at 31 December 2005 is Other Receivable of approximately HK$1,311,000 before impairment, which was receivable from High Land Logistics Express Limited. No reliable information is available to us to assess the nature of such receivable. Accordingly, we have been unable to obtain sufficient reliable audit evidence either to ascertain whether the amount can be recovered in full, or to determine whether the impairment loss of approximately HK$1,311,000 was properly made by the directors of the Group for the year ended 31 December 2005.

(vii) Limitation of audit scope relating to Trade Receivables

Included in the consolidated balance sheet of the Group as at 31 December 2005 are Trade Receivables of approximately HK$9,750,000 and HK$11,918,000, which are receivables from 浙江怡天信息產業有限公司 and 杭州怡天科技有限公司respectively. No reliable information are available to us to in respect of such receivables. Accordingly, we have been unable to obtain sufficient reliable audit evidence either to ascertain whether the amount can be recovered in full, or to determine whether the impairment loss of approximately HK$9,750,000 and HK$11,918,000 are properly made by the directors of the Group for the year ended 31 December 2005.

(viii) Non-compliance with the rules governing the listing of securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

As aforementioned in (i) above, the Company has disposed of 100% equity interests in M Dream MEL Group on 2 September 2005. We were unable to determine whether this transaction constitute to a notifiable transaction under Chapter 19 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). As no disclosure was made by the Company, such non-disclosure may constitute to a breach of the GEM Listing Rules and the validity of the transaction is uncertain. Further details relating to the disposal of M Dream MEL Group are described in note 33 to the financial statements.

(ix) Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made as set out in note 2(a) to the financial statements which explains the circumstances giving rise to the fundamental uncertainties relating to the net loss and net liabilities position of the Group. These financial statements have been prepared on a going concern basis, the validity of which depends upon future profitable operations and the funds being available to the Group to carry on its business and to meet its debts and when they fall due in the foreseeable future. The financial statements do no include any adjustments that may be required if the Group failed to obtain the necessary financial support from its controlling substantial shareholder. We have considered that appropriate disclosures have been made in the financial statements concerning this situation, but the evidence available to us was limited. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumption made by the directors of the Company in preparing the financial statements on a going concern basis, as set out in note 2 to the financial statements, is fair and reasonable. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the going concern basis, which may have a consequential significant effect on the results for the year and its liquidity position as at 31 December 2005. These fundamental uncertainties relating to whether the going concern basis is appropriate are so extreme that we have disclaimed our opinion.

AUDITORS' REPORT

Any adjustment found to be necessary in respect of note (i) to (ix) might have had a material effect on the net assets of the Group as at 31 December 2005 and the results for the year then ended, and the related disclosures in these financial statements.

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.

Qualified Opinion: Disclaimer on View Given by the Financial Statements

Because of the significance of the possible effect of the limitations in the evidence available to us relating to the matters referred to above, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2005 and of its loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the matter referred to above,

- We have not obtained all information and explanations that we considered necessary for the purpose of our audit.

- We were unable to determine whether proper books of account had been kept.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 29 September 2006

CONSOLIDATED BALANCE SHEET

as at 31 December 2005 (in HK Dollars)

	Notes	2005 HK$'000	2004 HK$'000 (restated)
ASSETS			
Non-current assets			
Goodwill	*6*	**–**	62,224
Intangible assets	*7*	**–**	1,180
Property, plant and equipment	*8*	**256**	1,486
		256	64,890
Current assets			
Inventories	*10*	**–**	16,162
Trade receivables	*11*	**4,939**	28,525
Prepayments, deposits and other receivables	*12*	**846**	9,140
Financial assets at fair value through profit or loss	*13*	**–**	2,904
Time deposits		**495**	6,941
Cash and bank balances		**458**	2,562
		6,738	66,234
Total assets		**6,994**	131,124
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	**26,069**	26,069
Reserves	*15*	**(73,941)**	64,110
		(47,872)	90,179
Minority interests		**–**	124
Total equity		**(47,872)**	90,303
LIABILITIES			
Non-current liabilities			
Convertible notes	*16*	**9,484**	9,097
Current liabilities			
Trade payables	*17*	**10,840**	13,377
Other payables and accruals		**14,070**	10,547
Short-term unsecured interest bearing loan	*18*	**17,578**	7,800
Amount due to a related party	*19*	**238**	–
Amounts due to directors	*20*	**2,656**	–
		45,382	31,724
Total liabilities		**54,866**	40,821
Total equity and liabilities		**6,994**	131,124
Net current (liabilities)/assets		**(38,644)**	34,510
Total assets less current liabilities		**(38,388)**	99,400

Approved by the Board of Directors on 29 September 2006 and signed on its behalf by:

Koh Tat Lee, Michael
Director

Chen, Domingo
Director

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

BALANCE SHEET

as at 31 December 2005 (in HK Dollars)

	Notes	2005 HK$'000	2004 HK$'000 (restated)
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**–**	104,786
Current assets			
Prepayments, deposits and other receivables	12	**28**	4,072
Financial assets at fair value through profit or loss	13	**–**	69
Cash and bank balances		**4**	1,016
		32	5,157
Total assets		**32**	109,943
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**26,069**	26,069
Reserves	15	**(66,810)**	63,934
Shareholders' funds		**(40,741)**	90,003
Non-current liabilities			
Convertible notes	16	**9,484**	9,097
Current liabilities			
Accruals		**3,929**	1,627
Short-term unsecured interest bearing loan	18	**17,578**	7,800
Amount due to a director	20	**2,600**	–
Amounts due to subsidiaries	21	**7,182**	1,416
		31,289	10,843
Total liabilities		**40,773**	19,940
Total equity and liabilities		**32**	109,943
Net current liabilities		**(31,257)**	(5,686)
Total assets less current liabilities		**(31,257)**	99,100

Approved by the Board of Directors on 29 September 2006 and signed on its behalf by:

Koh Tat Lee, Michael
Director

Chen, Domingo
Director

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

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2005 (in HK Dollars)

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Continuing operations			
Turnover	22	**14,432**	27,261
Cost of sales		**(11,774)**	(19,858)
Gross profit		**2,658**	7,403
Other revenue	22	**87**	412
Other income	22	**51**	–
Gain on liquidation of a subsidiary	32	**–**	1,027
Administrative expenses		**(25,629)**	(11,868)
Selling and distribution costs		**(274)**	(2,392)
Unrealised loss on financial assets at fair value through profit or loss		**–**	(5,072)
Realised loss on disposal of financial asset at fair value through profit and loss		**(927)**	–
Loss on disposal of property, plant and equipment		**(1,045)**	(1,059)
Amortisation of goodwill		**–**	(2,709)
Amortisation of intangible assets		**(146)**	(142)
Impairment loss recognised in respect of goodwill		**(32,347)**	–
Impairment loss recognised in respect of intangible assets		**(1,034)**	(1,367)
Impairment loss recognsied in respect of inventories		**(20,169)**	(870)
Impairment loss recognised in respect of trade receivables		**(21,821)**	(1,528)
Impairment loss recognised in respect of deposits paid		**(3,842)**	–
Impairment loss recognised in respect of other receivables		**(3,345)**	–
Loss from operations	23	**(107,783)**	(18,165)
Finance costs	24	**(2,136)**	(418)

CONSOLIDATED INCOME STATEMENT (Continued)

for the year ended 31 December 2005 (in HK Dollars)

	Notes	**2005** *HK$'000*	2004 *HK$'000* (restated)
Loss before taxation		**(109,919)**	(18,583)
Taxation	*25*	**–**	–
Loss for the year from continuing operation		**(109,919)**	(18,583)
Discontinued operations			
(Loss)/profit for the period from discontinued operations	*34*	**(27,977)**	1,586
Loss for the year		**(137,896)**	(16,997)
Net loss from ordinary activities attributable to	*26*		
– Equity holders of the Company		**(137,772)**	(16,854)
– Minority Interest		**(124)**	(143)
		(137,896)	(16,997)
Loss per share			
From continuing and discontinued operation			
Basic	*27*	**(HK5.28 cents)**	(HK0.98 cents)
Diluted	*27*	**N/A**	N/A
Loss per share			
From continued operation			
Basic	*27*	**(HK4.21 cents)**	(HK1.07 cents)
Diluted	*27*	**N/A**	N/A

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005 (in HK Dollars)

	Attributable to equity holders of the Company								
	Share Capital	Share Premium	Contributed Surplus	Exchange Reserves	Convertible notes Reserve	Accumulated Loss	Subtotal	Minority Interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(restated)	(restated)	(restated)	(restated)	(restated)
Balance as at 1 January 2004, as previously stated	12,426	42,818	7,396	–	–	(33,291)	29,349	–	29,349
Effect of adoption of HKAS 1	–	–	–	–	–	–	–	237	237
Balance as at 1 January 2004, as restated	12,426	42,818	7,396	–	–	(33,291)	29,349	237	29,586
Placing of shares	1,500	20,491	–	–	–	–	21,991	–	21,991
Issuance of shares as purchases consideration	12,143	48,869	–	–	–	–	61,012	–	61,012
Issuing expenses	–	(5,448)	–	–	–	–	(5,448)	–	(5,448)
Liquidation of a subsidiary	–	–	(970)	–	–	–	(970)	–	(970)
Acquisition of a subsidiary	–	–	–	–	–	–	–	30	30
Net loss for the year	–	–	–	–	–	(17,149)	(17,149)	(143)	(17,292)
Issue of convertible notes	–	–	–	–	1,099	295	1,394	–	1,394
Balance as at 31 December 2004 and 1 January 2005	26,069	106,730	6,426	–	1,099	(50,145)	90,179	124	90,303
Balance as at 31 December 2004 and 1 January 2005, as previously stated	26,069	106,730	6,426	–	–	(50,440)	88,785	–	88,785
Effect of adoption of									
– HKAS 1	–	–	–	–	–	–	–	124	124
– HKAS 39	–	–	–	–	1,099	295	1,394	–	1,394
Balance as at 31 December 2004 and 1 January 2005, as restated	26,069	106,730	6,426	–	1,099	(50,145)	90,179	124	90,303
Exchange realignment	–	–	–	(279)	–	–	(279)	–	(279)
Net loss for the year	–	–	–	–	–	(137,772)	(137,772)	(124)	(137,896)
Balance as at 31 December 2005	**26,069**	**106,730**	**6,426**	**(279)**	**1,099**	**(187,917)**	**(47,872)**	**–**	**(47,872)**

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005 (in HK Dollars)

	Note	2005 HK$'000	2004 HK$'000 (restated)
Cash flows from operating activities			
Loss/(profit) before taxation			
continuing operations		**(109,919)**	(18,583)
discontinued operation	34	**(27,977)**	2,150
		(137,896)	(16,433)
Adjustments for:			
Finance cost			
continuing operations		**2,136**	418
discontinued operation	34	**2**	–
Interest income		**(16)**	(9)
Depreciation		**530**	549
Gain in disposal of property, plant and equipment		**(4)**	–
Amortisation of intangible assets		**146**	142
Amortisation of goodwill		**–**	2,709
Unrealised holding loss on financial assets at fair value through profit or loss		**–**	5,072
Realised loss on disposal of financial assets at fair value through profit or loss		**927**	–
Loss on disposals of property, plant and equipment		**1,045**	1,059
Loss on disposals of subsidiaries		**27,421**	–
Impairment loss recognised in respect of inventories		**20,169**	–
Impairment loss recognised in respect of intangible assets		**1,034**	1,367
Impairment loss recognised in respect of trade receivables		**21,821**	1,528
Impairment loss recognised in respect of deposits paid		**3,842**	–
Impairment loss recognised in respect of other receivables		**3,345**	–
Impairment loss recognised in respect of goodwill		**32,347**	–
Gain on liquidation of subsidiary		**–**	(1,027)
Operating loss before working capital changes		**(23,151)**	(4,625)
Increase in inventories		**(4,007)**	(13,665)
Decrease/(increase) in trade receivables		**(2,759)**	(25,148)
Decrease/(increase) in prepayments, deposits and other receivables		**1,081**	(6,112)
Decrease/(increase) in trade payables		**(2,537)**	10,710
Increase in other payables and accruals		**7,371**	4,479
Increase/(decrease) in amounts due to directors		**2,656**	(217)
Increase in amount due to a related party		**238**	–
Cash used in operations		**(21,108)**	(34,578)
Profits tax in The People's Republic of China (paid)/ Hong Kong profits tax refunded		**–**	(564)
Net cash outflow from operating activities		**(21,108)**	(35,142)

CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the year ended 31 December 2005 (in HK Dollars)

	Note	2005 *HK$'000*	2004 *HK$'000* (restated)
Cash flows from investing activities			
Interest received		**16**	9
Purchases of property, plant and equipment		**(840)**	(537)
Sales proceeds on disposals of property, plant and equipment		**101**	–
Cash effect on acquisition of subsidiaries	*28*	**–**	7,787
Cash effect on formation of a subsidiary		**–**	31
Cash effect on disposal of subsidiaries		**3,541**	–
Net cash outflow from investing activities		**2,818**	7,290
Cash flows from financing activities			
Interest paid		**(38)**	(313)
Proceeds from issue of convertible bond		**–**	10,500
Proceeds from placing of shares		**–**	25,050
Short term unsecured interest bearing loan		**9,800**	7,800
Repayment of short term unsecured interest bearing loan		**(22)**	–
Share issue expenses		**–**	(5,448)
Convertible notes issue expenses		**–**	(400)
Net cash inflow from financing activities		**9,740**	37,189
Net decrease in cash and cash equivalents		**(8,550)**	9,337
Cash and cash equivalents at the beginning of the year		**9,503**	166
Cash and cash equivalents at the end of the year		**953**	9,503
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**458**	2,562
Time deposit		**495**	6,941
		953	9,503

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

1. CORPORATE INFORMATION

M Dream Inworld Limited (the "Company") was incorporated in the Cayman Islands on 30 July 2001 under the Companies Law (2001 Revision) of the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The principal place of business in Hong Kong is Room A, 5th Floor, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong.

The Company has it primary listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 9 to the financial statements.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 September 2006.

During the year, the Company disposed its wholly owned subsidiary M Dream Mobile Entertainment Limited ("M Dream MEL"). M Dream MEL owns 100% equity interest in Hangzhou M Dream Zone Co. Limited ("M Dream Zone"), which principal activity is provision of mobile game and value added services. The transaction was completed on 2 September 2005.

After the disposals, the Group does not participate in any mobile game activity. This mobile game activity represents the discontinued operation of the Group. Further details are disclosed in note 34 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretation ("Ints") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the GEM Listing Rules of the Stock Exchange.

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

(a) Basis of preparation *(Continued)*

The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The financial statements have been prepared from the books and records maintained by the Company and its subsidiaries. However, due to the significant staff and management turnover of 活力世界 (上海) 網絡技術有限公司 ("活力上海") and 聯夢在綫軟件(上海)有限公司 ("Shanghai Online"), both of which are wholly owned subsidiaries, whose operations principally comprise of development and sale of internet application solution services and provision of online game services respectively. During the year, certain underlying books and records of both 活力上海 and Shanghai Online were either lost, or could not be located for the year ended 31 December 2005. Most of the original staff and management of both 活力上海 and Shanghai Online left and consequently the directors could not satisfactorily substantiate or otherwise support the transactions undertaken by both 活力上海 and Shanghai Online and the directors can not ensure the nature, timing, completeness, appropriateness, classification and disclosures in respect of the transactions undertaken by both 活力上海 and Shanghai Online and the related balances as included in these financial statements or whether any additional disclosures are required.

As explained in note 33, the Company has disposed 100% equity interest in M Dream Mobile Entertainment Limited and Hangzhou M Dream Zone Co. Limited (the "M Dream Zone") (hereinafter referred to as the "M Dream MEL Group") on 2 September 2005. Due to the limitation to assess the books and records of the entities that have already been disposed on 2 September 2005, the directors can only obtain the unaudited management account of M Dream MEL Group for the period ended 2 September 2005. The directors are unable to represent that all transactions entered into M Dream MEL Group have been included and disclosed in the financial statements.

In view of the above, the directors have taken such steps as they consider practicable, in all material respects, to improve the accuracy of the account balances based on the information which they consider to be reliable and have made provisions as they consider appropriate in the preparation of the financial statements.

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

(a) Basis of preparation *(Continued)*

In preparing the financial statements, the directors have given consideration to the future liquidity of the Group in light of its net current liabilities and net liabilities of approximately HK$38,644,000 and HK$47,872,000 as at 31 December 2005 and reported net loss amounted to approximately HK$137,896,000. (Please refer to note 41(b)).

These financial statements have been prepared on a going concern basis, the validity of which depends upon future profitable operations and the funds being available to the Group to carry on its business and to meet its debts and when they fall due in the foreseeable future. If the going concern basis is not used, adjustments would have to be made to the financial statement to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as currents assets and liabilities, respectively.

The adoption of new/revised HKFRSs

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

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

(a) Basis of preparation *(Continued)*

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 the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures 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
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of new/revised HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 20, 23, 27, 33, 36, 37 and 38 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now shown within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year.

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

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

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

(a) Basis of preparation *(Continued)*

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss. It has resulted in the recognition of assets at fair value and the change in the recognition and measurement of hedging activities.

Under HKAS 32, convertible notes issued are split into their liability and equity components at its fair value which is determined by using a market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible note reserves until the notes are either converted (in which case it is transferred to share premium) or redeemed (in which case it is released directly to retained earnings).

In prior years, convertible notes were stated at face value. The finance cost was accrued using effective interest rate method. The issuance costs incurred for the arrangement of convertible note were charged to the income statement in the year of issue. Retrospective application is required for adoption of HKAS 32.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. With effect from 1 April 2005, the Group recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in share-based reserve. The share-based payment reserve is transferred to share capital and share premium, together with the exercise price when the option holders exercise its rights. In prior year, no amount was recognised when options were granted. If the option holders 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. As a transitional provision, the cost of share option granted after 7 November 2002 and had not yet vested on 1 January 2005 shall expense retrospectively in the income statement of the respective periods.

Upon the adoption of HKFRS 2, with effect from 1 January 2005, the Group should recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in an employee share-based payment reserve. The employee share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights. In prior years, no amount was recognised when options were granted. If the opinion holders 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. As a transitional provision, the cost of share option granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

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

(a) Basis of preparation *(Continued)*

Due to absence of sufficient documentary evidence, and lost of the scheme documents, the directors were unable to represent the effect to the consolidated financial statements for effect of the share option scheme upon adoption of HKFRS 2.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

– Amortised on a straight line basis over 10 to 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

The adoption of HKFRS 5 has resulted in a change in accounting policy on the recognition of a discontinued operation. Prior to the application of HKFRS 5, the Group would have previously recognised a discontinued operation at the earlier of when the Group enters into a binding sale agreement and the board of directors have approved and announced a formal disposal plan. HKFRS 5 now requires an operation to be classified as discontinued when the criteria to be classified as held for sale have been met or the Group has disposed the operation. Held for sale is when the carrying amount of an operation will be recovered principally through sale transaction and not through continuing use. The result of this change in accounting policy is that a discontinued operation is recognised at a later point than the previous accounting policy due to the recognition criteria being stricter under HKFRS 5.

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

– HKAS 16 – initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

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

(a) Basis of preparation *(Continued)*

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

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

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – prospectively after 1 January 2005.

(i) Effect of the consolidated assets and liabilities as at 31 December 2005 and 2004

	HKAS 39 Financial Instruments	HKFRS 3 Business Combinations	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2004			
Decrease in investment in securities	(2,904)	–	(2,904)
Increase in financial assets at fair value through profit or loss	2,904	–	2,904
Decrease in accumulated amortisation	–	(7,838)	(7,838)
Decrease in goodwill	–	7,838	7,838
Decrease in convertible notes	(1,403)	–	(1,403)
Increase in bond interest payable	9	–	9
	(1,394)	–	(1,394)
At 31 December 2005			
Decrease in convertible notes	(1,016)	–	(1,016)
Increase in bond interest payable	9	–	9
	(1,007)	–	(1,007)

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

(a) Basis of preparation *(Continued)*

(ii) Effect of the balance of equity as at 1 January 2005

	HKAS 39 Financial Instruments *HK$'000*
At 31 December 2004	
Increase in convertible notes reserve	1,099

There was no impact on opening balance of equity as at 1 January 2004 from the adoption of HKFRS 2 and HKFRS 3.

(iii) Effect of the consolidated income statements for the year ended 31 December 2004 and 2005

	HKAS 39 Financial Instruments *HK$'000*
At 31 December 2004	
Increase in finance costs	105
Increase in basic loss per share	0.01
Decrease in diluted loss per share	N/A

	HKAS 39 Financial Instruments *HK$'000*
At 31 December 2005	
Increase in finance costs	389
Increase in basic loss per share	0.01
Decrease in diluted loss per share	N/A

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

(a) Basis of preparation *(Continued)*

(iii) Effect of the consolidated income statements for the year ended 31 December 2004 and 2005 (Continued)

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
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 Contacts
HKFRSs 1 & 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosure
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 Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

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

(a) Basis of preparation *(Continued)*

HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKAS 1 from annual periods beginning 1 January 2007.

HKAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit and loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as at 31 March 2005 and 2006.

HKAS 39 (Amendment) – The Fair Value Option changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on or after 1 January 2006.

HKAS 39 and HKFRS 4 (Amendment) – Financial Guarantee requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date.

HKFRS 7 – Financial Instruments: Disclosures introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32 – Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS.

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

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company its subsidiary company made up to the end of the financial year. All significant intercompany transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only.

The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated income statement from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Segment capital expenditure is the total cost incurred during the year to segment assets (both tangible and intangible) that are expected to be used for more than one year. Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

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

(d) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(e) Intangible assets

Intangible assets, representing Technical know how and Patents and Computer Software acquired are stated at cost less accumulated amortisation and impairment loss. Amortisation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Technical know-how	: 20 years
Patents	: 10 years
Membership database	: 1 year

Intangible assets are reviewed periodically for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is determined based on estimated discounted future cash flows of the cash-generating unit at the lowest level to which the asset belongs. The recoverable amount is the higher of value in use and net selling price.

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

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(g) Property, plant and equipment

i. Valuation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

ii. Depreciation

Depreciation is provided on the straight-line basis to write off the cost of each asset over its estimated useful life, and after taking into account their estimated residual value. The principal annual rates used for this purpose are as follows:

Leasehold improvements	: 20% or over the lease term, if shorter
Office equipment	: 20% – 25%
Furniture and fixtures	: 20%
Computer hardware and software	: 20% – 33%
Motor vehicles	: 25%

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

(g) Property, plant and equipment *(Continued)*

iii. Disposition

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the relevant asset and are recognised in the income statement on the date of retirement or disposal.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted-average method. The cost of finished goods and work in progress comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in ordinary course of business, less applicable selling expenses.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

(k) Investments

From 1 January 2004 to 31 December 2004:

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

Security is a bond or share or other negotiable instrument evidencing debts or ownership which is distinguished between equity and debt securities, is classified as held-to-maturity securities, investment securities and other investments.

Investments in other than held-to-maturity debt securities are accounted for using the benchmark treatment. Long-term investment securities are stated at cost less any provision for impairment losses. Investments in other than held-to-maturity debt securities and long-term investment securities are accounted for as other investments and are stated at fair values with unrealised gains or losses included in the income statement.

The transfer of a security between categories of investments are accounted for at fair value. At the date of the transfer, the security's unrealized holding gain or loss for a security transferred into the other investment category are recognised in net profit or loss immediately.

From 1 January 2005 onwards:

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

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

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

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

(k) Investments *(Continued)*

(b) Loans and receivables

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

(c) Held-to-maturity investments

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

(d) Available-for-sale financial assets

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

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

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

(k) Investments *(Continued)*

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

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

(l) Leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

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

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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

(n) Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible bond is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest rate method. The equity component is recognised in the convertible bonds reserve until either the bond are converted or redeemed.

If the notes are converted, the convertible notes reserve, together with the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the convertible bonds reserve is released directly to accumulated losses.

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

(o) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(iii) Transactions and balances

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– resulting exchange differences are recognised as a separate component of equity.

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

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

(p) Provision

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(q) Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i. Revenues from system solutions and the mobile value added services are recognised when the services are rendered or under the stage of completion basis when the outcome of the transaction can be estimated reliably;

ii. Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

iii. Interest income is recognised on a time-apportioned basis taking into account the principal outstanding and the effective interest rates applicable.

(r) Government Grant

Income-related government grants are credited to the profit and loss statement in the period to which they relate.

(s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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

(s) Taxation *(Continued)*

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it related to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(t) Employee benefits

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

ii. Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the income statement as incurred.

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

(t) Employee benefits *(Continued)*

iii. When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

iv. Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(u) Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(v) Related parties transactions

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is jointly-controlled entity;

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

(v) Related parties transactions *(Continued)*

(d) the party is a member of the family of any individual referred to in (a) or (d);

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is related party of the Group.

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

(w) 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 determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intro-segment pricing is based on similar terms as those available to other external parties.

3. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(b) Credit risk

Credit risk arising from the inability of a customer to meet the terms of the financial instrument contracts is generally limited to the amounts, if any, by which the customer's obligations exceed the obligations. The policy of the management is to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk. Therefore, material credit losses on risk management or other financial instruments are not expected.

(c) Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in short and long term.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Cash flow and fair value interest rate risk

As the Group has significant interest-bearing assets, the Group's income and operating cash flows are substantially dependent of changes in market interest rates.

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

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

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

(i) Estimated impairment of goodwill and intangible assets

The Group perform annual tests whether there has been impairment of goodwill and intangible assets in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value in use calculations.

4. CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS *(Continued)*

(ii) Trade and other receivables

The aged debt profile of trade and other receivables are reviewed on a regular basis to ensure that the debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of debtor balances are called into doubts, specific provisions for impairment loss are made based on credit status of the customers, the aged analysis of the trade and other receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade and other receivables for which provisions are not made could affect our results of operations.

(iii) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of fixed assets in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(iv) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS *(Continued)*

(v) Measurement of convertible notes

On issuance of convertible notes, the fair value of the liability component is determined by using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible notes reserve, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

(vi) Impairment of inventories

Impairment for slowing-moving inventories is made based on the aging and accomplishment of certain finished goods or work-in-progress. The assessment of the impairment amount required involving management judgement and estimate. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of work-in-progress and provision charge/write-back in the period in which such estimate has been changed.

(vii) Impairment loss of financial assets at fair value through profit or loss

The fair values of financial assets at fair value through profit or loss and financial liabilities are accounted for or disclosed in the financial statements and provision for impairment loss would be made whenever management of the Group considered that there is a permanent decline in future economic benefits associated with the financial assets. Estimation of the fair value and impairment loss involves significant judgement and could affect results of operations.

5. SEGMENT INFORMATION

Business segments

The Group mainly operated in the online gaming business, mobile gaming and value added service business and system solution provision business for the year ended 31 December 2005.

(a)

	Continuing Operations							
	System solution services		Online games		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
Segment revenue								
Sales to external customers	**14,277**	26,843	**–**	–	**155**	418	**14,432**	27,261
Segment results	**(42,151)**	(5,934)	**(18,201)**	(3,797)	**(15,084)**	(5,992)	**(75,436)**	(15,723)
Unallocated expenses							**(32,347)**	(2,442)
Loss from operations							**(107,783)**	(18,165)
Finance costs							**(2,136)**	(418)
Loss before taxation							**(109,919)**	(18,583)
Taxation							**–**	–
Loss for the year from continuing operations							**(109,919)**	(18,583)
Loss for the period from discontinued operations							**(27,977)**	1,586
Loss for the year							**(137,896)**	(16,997)

5. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

(b)

	Continuing Operations						Discontinued Operation			
	System solution services		Online games		Others		Mobile game and value added services		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
Segment assets	**6,853**	47,054	**32**	13,937	**109**	64,387	**–**	5,746	**6,994**	131,124
Segment liabilities	**18,743**	16,350	**2,332**	2,214	**33,791**	18,555	**–**	3,702	**54,866**	40,821
Other segment information:										
Depreciation	**494**	457	**–**	–	**24**	43	**12**	49	**530**	549
Capital expenditure	**771**	327	**–**	–	**36**	39	**33**	171	**840**	537
Amortisation of goodwill	**–**	1,943	**–**	–	**–**	–	**–**	766	**–**	2,709
Amortisation of intangible assets	**146**	142	**–**	–	**–**	–	**–**	–	**146**	142
Impairment loss on goodwill	**32,347**	–	**–**	–	**–**	–	**14,013**	–	**32,347**	–
Impairment loss on intangible assets	**1,034**	1,367	**–**	–	**–**	–	**–**	–	**1,034**	1,367
Impairment loss on inventories	**2,363**	870	**17,806**	–	**–**	–	**–**	–	**20,169**	870
Impairment loss on trade receivables	**21,821**	1,528	**–**	–	**–**	–	**–**	–	**21,821**	1,528
Impairment loss on deposits paid	**1,587**	–	**–**	–	**2,255**	–	**–**	–	**3,842**	–
Impairment loss on other receivables	**2,034**	–	**–**	–	**1,311**	–	**–**	–	**3,345**	–

5. **SEGMENT INFORMATION** ***(Continued)***

Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

The Group's business is principally managed in Mainland China, Singapore and Hong Kong. The Group's customers are mainly located in Mainland China, Singapore and Hong Kong.

2005

	Continuing operations				
	Hong Kong	PRC	Singapore	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	626	287	13,519	–	14,432
Other revenue	63	–	24	–	87
Other income	–	–	51	–	51
Unallocated expenses					(122,353)
Loss from operations					(107,783)
Finance costs					(2,136)
Loss for the year from continuing operations					(109,919)
Loss for the year from discontinued operation					(27,977)
Loss for the year					(137,896)

5. SEGMENT INFORMATION *(Continued)*

Geographical segment *(Continued)*

2004

	Continuing operations				
	Hong Kong *HK$'000* (restated)	PRC *HK$'000* (restated)	Singapore *HK$'000* (restated)	Others *HK$'000* (restated)	Total *HK$'000* (restated)
Revenue from external customers	–	22,354	4,610	297	27,261
Other revenue	182	128	83	19	412
Other income	–	–	–	–	–
Unallocated expenses					(45,838)
Loss from operations					(18,165)
Finance costs					(418)
Loss for the year from continuing operations					(18,583)
Loss for the year from discontinued operation					1,586
Loss for the year					(16,997)

6. GOODWILL

	HK$'000 **(restated)**
The Group	
Cost	
At 1 January 2004	20,775
Arising from acquisition of subsidiaries during the year	49,287
At 31 December 2004, as previously reported	70,062
Elimination of accumulated amortisation upon adoption of HKFRS 3	(7,838)
At 1 January 2005, as restated	62,224
Disposal of subsidiaries	(29,877)
At 31 December 2005	32,347
Accumulated amortisation & impairment	
At 1 January 2004	5,129
Charge for the year	2,709
At 31 December 2004, as previously reported	7,838
Elimination of accumulated amortisation upon adoption of HKFRS 3	(7,838)
Impairment loss recognised in respect of goodwill	32,347
At 31 December 2005	32,347
Carrying amount	
At 31 December 2005	–
At 31 December 2004	62,224

In prior years, Goodwill was amortised over a period of 10 to 20 years. Following the adoption of HKFRS 3, amortisation of goodwill has ceased since 1 January 2005. The accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date. Annual impairment review was performed.

6. GOODWILL *(Continued)*

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and business segment as follows:

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Provision of system solution services – PRC	–	14,013
Provision of system solution services – Singapore	–	18,334
Provision of mobile game and value added services – PRC	–	29,877
	–	62,224

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management covering a five year period. Cash flow beyond five year period is extrapolated using the estimated rate as stated below. The growth rates do not exceed the long term average growth rates for the business in which the CGU operates.

Key assumptions used for value in use calculation for impairment loss of system solution services – PRC and Singapore:

	2005
Gross margin	15% – 65%
Growth rate	–
Discount rate	10%

Due to continuous loss incurred by the business segments from provision of system solution services in PRC and Singapore, the directors of the Group reassessed the value of the goodwill and make full impairment loss of approximately HK$32,347,000.

7. INTANGIBLE ASSETS

The Group

	Technical know-how	**Patents**	**Membership database**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At cost:				
At 1 January 2004, 31 December 2004 and 31 December 2005	1,415	1,415	1,590	4,420
Amortisation:				
At 1 January 2004	47	94	1,590	1,731
Charge for the year	142	–	–	142
Impairment loss	46	1,321	–	1,367
At 31 December 2004 and 1 January 2005	235	1,415	1,590	3,240
Charge for the year	146	–	–	146
Impairment loss	1,034	–	–	1,034
At 31 December 2005	**1,415**	**1,415**	**1,590**	**4,420**
Carrying value:				
At 31 December 2005	**–**	**–**	**–**	**–**
At 31 December 2004	1,180	–	–	1,180

The directors of the Group considered that the value-in use of the Technical know-how and determine that the Technical know-how is not able to generate future economic benefits to the Group. Therefore, a full impairment loss has been made to its recoverable amount.

8. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold Improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Computer hardware and software HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At 1 January 2004	619	553	34	1,812	874	3,892
Additions of subsidiaries *(note 31)*	45	114	80	2,957	–	3,196
Additions	5	155	6	371	–	537
Disposals	(623)	–	–	(416)	(874)	(1,913)
At 31 December 2004 and 1 January 2005	46	822	120	4,724	–	5,712
Additions	501	8	30	301	–	840
Disposals of subsidiaries *(note 33)*	–	(77)	(58)	(312)	–	(447)
Disposals	(492)	(655)	(70)	(2,336)	–	(3,553)
At 31 December 2005	**55**	**98**	**22**	**2,377**	**–**	**2,552**
Depreciation and Impairment losses:						
At 1 January 2004	227	69	20	1,353	67	1,736
Acquisition of subsidiaries *(note 31)*	17	77	16	2,685	–	2,795
Charge for the year	116	75	15	311	32	549
Written back on disposal	(340)	–	–	(415)	(99)	(854)
At 31 December 2004 and 1 January 2005	20	221	51	3,934	–	4,226
Charge for the year	104	34	14	378	–	530
Disposals of subsidiaries *(note 33)*	–	(8)	(8)	(33)	–	(49)
Written back on disposal	(95)	(159)	(36)	(2,121)	–	(2,411)
At 31 December 2005	**29**	**88**	**21**	**2,158**	**–**	**2,296**
Net book value:						
At 31 December 2005	**26**	**10**	**1**	**219**	**–**	**256**
At 31 December 2004	26	601	69	790	–	1,486

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**7,785**	7,785
Amounts due from subsidiaries	**147,958**	131,818
	155,743	139,603
Less: Impairment loss on investments in subsidiaries	**(7,785)**	–
Impairment loss on amounts due from subsidiaries	**(147,958)**	(34,817)
	–	104,786

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

The directors of the Group had reviewed the net asset values of the Company's subsidiaries as at 31 December 2005 and considered full provision for impairment in values should be made in respect of the investment in subsidiaries and the amounts due by subsidiaries to their net recoverable values.

Particulars of the principal subsidiaries of the Company are as follows:

Name of company	**Place of Incorporation/ Establishment and operation**	**Particulars of issued and paid-up share capital/ registered capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	Indirect	
Inworld International Limited	British Virgin Islands	Ordinary US$328	100%	–	Investment holding
Wai Shui Company Limited	British Virgin Islands	Ordinary US$2	100%	–	Investment holding
M Dream Online Limited	British Virgin Islands	Ordinary US$10,000	–	60%	Provision of online game services

9. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of Incorporation/ Establishment and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
M Dream Media (China) Limited	Hong Kong	Ordinary HK$1	–	100%	Provision of media service
M Dream MEL Holdings Limited	British Virgin Islands	Ordinary US$1	–	100%	Investment holding
Elipva Limited	Singapore	Ordinary S$10,614,988	–	100%	Provision of system integration services
Elipva Inc.	United States of America	Ordinary US$100	–	100%	Dormant
深圳華瑞源實業有限公司	The People's Republic of China ("PRC")	Registered capital RMB10,000,000	–	95%	Provision of system solutions services
Inworld (Hong Kong) Limited	Hong Kong	Ordinary HK$3	–	100%	Provision of system solutions service
Inworld System (HK) Limited	Hong Kong	Ordinary HK$3	–	100%	Provision of system solution service
Inworld Technology (HK) Limited	Hong Kong	Ordinary HK$2	–	100%	Provision of system solution service
Sunny World Company Limited	Macau	Registered capital MOP25,000	–	100%	Operations of cyber cafe
活力世界(上海)網絡技術有限公司*	PRC	Registered capital US$200,000	–	100%	Development and sale of internet application solution services
聯夢在綫軟件(上海)有限公司#	PRC	Registered capital US$1,000,000	–	100%	Provision of online game services

* Subsequent to the balance sheet date, 活力世界(上海)網絡技術有限公司 has been de-registered by the Commerce and Industry Bureau ("工商局") in PRC.

聯夢在綫軟件(上海)有限公司 was formed as a wholly-owned foreign enterprise in the PRC.

9. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company, which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

10. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Finished goods	**2,026**	3,127
Work in progress	**18,143**	13,905
Impairment loss recognised in respect of inventories	**(20,169)**	(870)
	–	16,162

The directors of the Group had considered the net realisable values and conditions of the Group's inventories as at 31 December 2005 and considered provision for impairment loss in values should be made in respect of the net realisable value.

11. TRADE RECEIVABLES

Trade receivables, which usually have credit term of 30 to 120 days, are recognised and carried at the original invoiced amount less provision for impairment loss. An aging analysis of trade receivables at the balance sheet date is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
0 – 90 days	**4,291**	3,669
91 – 180 days	**801**	13,785
Over 180 days	**21,668**	12,599
	26,760	30,053
Less: Impairment loss recognised in respect of trade receivables	**(21,821)**	(1,528)
	4,939	28,525

11. TRADE RECEIVABLES *(Continued)*

In the opinion of the directors of the Group, the carrying amounts of trade receivables approximate their fair values and impairment loss of trade receivables had been made after considering the recoverability of trade receivables.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)
Prepayments	**30**	117	**28**	48
Deposits paid	**4,055**	2,275	**303**	4,006
Other receivables (note)	**3,948**	6,748	**1,311**	18
	8,033	9,140	**1,642**	4,072
Less: Impairment loss recognised in respect of deposits paid	**(3,842)**	–	**(303)**	–
Impairment loss recognised in respect of other receivables	**(3,345)**	–	**(1,311)**	–
	846	9,140	**28**	4,072

Note: Amount of approximately HK$1,311,000 receivables from High Land Logistics Express Limited was included in "Other receivables".

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)
Held for trading				
Equity securities listed in Hong Kong, at fair value	–	2,904	–	69

14. SHARE CAPITAL

Authorised (ordinary share of HK$0.01 each):

	Notes	Number of shares	Amount HK$'000
At 1 January 2004		1,500,000,000	15,000
Increase during the year ended 31 December 2004	*(a)*	1,500,000,000	15,000
Increase during the year ended 31 December 2004	*(b)*	3,000,000,000	30,000
At 31 December 2004 and 2005		**6,000,000,000**	**60,000**
Issued and fully paid (ordinary shares of HK$0.01 each):			
At 1 January 2004		1,242,608,000	12,426
Shares issued pursuant to the placing	*(c)*	150,000,000	1,500
Share issued as consideration for acquisition	*(d)*	298,000,000	2,980
Share issued as consideration for share swap agreement	*(e)*	610,459,559	6,105
Share issued pursuant to MDC subscription agreement	*(f)*	152,941,176	1,529
Share issued pursuant to STT subscription agreement	*(g)*	152,941,176	1,529
At 31 December 2004 and 2005		**2,606,949,911**	**26,069**

14. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to a special resolution of the Company passed on 17 May 2004, the authorised share capital of the Company was increased from HK$15,000,000 to HK$30,000,000 by the creation of additional 1,500,000,000 shares of HK$0.01 each. Such new shares were rank pari passu in all respects with the existing shares.

(b) Pursuant to an ordinary resolution of the Company passed on 25 October 2004, the authorised share capital of the Company was increased from HK$30,000,000 to HK$60,000,000 by the creation of additional 3,000,000,000 shares of HK$0.01 each. Such new shares were rank pari passu in all respects with the existing shares.

(c) On 16 February 2004, Dynamate entered into the Placing and Underwriting Agreement with the Placing Agent, pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 150,000,000 existing Shares at the Placing Price on behalf of Dynamate. Dynamate is a company incorporated in the BVI and a substantial shareholder (as defined under the GEM Listing Rules) of the Company which is wholly owned by Mr. Koh Tat Lee, Michael. On the same day, Dynamate entered into the Subscription Agreement with the Company for the subscription of the Subscription Shares at the Subscription Price. Completion of the Placing took place on 19 February 2004 and completion of the Subscription took place on 25 February 2004. Details of placing existing shares and subscription of new shares were set in the circular of the Company dated 8 March 2004.

(d) On 17 March 2004, Inworld International Limited ("Inworld International"), a wholly owned subsidiaries of the Company, entered into the MEL Agreement with M Dream China under which and subject to the terms and conditions thereof, Inworld International has agreed to acquire the entire share capital of M Dream MEL at a consideration of HK$31,320,000.

Pursuant to the MEL Agreement, of the HK$31,320,000 consideration, HK$4,500,000 was satisfied in cash and the Company alloted and issued a total of 298,000,000 shares to M Dream China upon Completion.

Details of acquisition of subsidiaries were set in the major transaction of the Company dated 17 March 2004.

(e) On 30 July 2004, the Company entered into the Share Swap Agreement with certain shareholders of Elipva Limited in which they conditionally agreed to sell their shares in Elipva Limited by receiving 610,459,559 new Shares of the Company at HK$0.051 per share as the consideration for the acquisition of Elipva Limited. The completion date of this agreement was on 27 October 2004.

(f) On 30 July 2004, the Company entered into the MDC Subscription Agreement with M Dream China (Holdings) Limited in which M Dream China (Holdings) Limited conditionally agreed to subscribe for an aggregate of 152,941,176 new Shares of HK$0.051 each. The completion date of this agreement was on 27 October 2004.

(g) On 30 July 2004, the Company entered into the STT Subscription Agreement with stt Ventures Limited ("STT"), pursuant to which STT conditionally agreed to subscribe for an aggregate of 152,941,176 new Shares of the Company at HK$0.051 per share. The completion date of this agreement was on 27 October 2004.

14. SHARE CAPITAL *(Continued)*

Share option scheme

The Company has two share option schemes, further details of which are set out under the heading "Equity compensation benefits" in note 35 to the financial statements.

15. RESERVES

Group

	Share Premium	Contributed Surplus	Exchange Reserves	Convertible Bond Reserve	Accumulated Loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)	(restated)	(restated)
Balance as at 1 January 2004	42,818	7,396	–	–	(33,291)	16,923
Placing of shares	20,491	–	–	–	–	20,491
Issuance of shares as purchases consideration	48,869	–	–	–	–	48,869
Issuing expenses	(5,448)	–	–	–	–	(5,448)
Liquidation of a subsidiary	–	(970)	–	–	–	(970)
Net loss for the year	–	–	–	–	(17,149)	(17,149)
Balance as at 31 December 2004 and 1 January 2005	106,730	6,426	–	–	(50,440)	62,716
Effect of Adoption of HKAS 39 – Issue of convertible bond	–	–	–	1,099	295	1,394
Balance as at 31 December 2004 and 1 January 2005 (As Restated)	106,730	6,426	–	1,099	(50,145)	64,110
Exchange reliagnment	–	–	(279)	–	–	(279)
Net loss for the year	–	–	–	–	(137,772)	(137,772)
Balance as at 31 December 2005	**106,730**	**6,426**	**(279)**	**1,099**	**(187,917)**	**(73,941)**

15. RESERVES *(Continued)*

Company

	Share Premium HK$'000	Contributed Surplus HK$'000	Convertible Bond Reserve HK$'000 (restated)	Accumulated Loss HK$'000 (restated)	Total HK$'000 (restated)
Balance as at 1 January 2004	42,818	2,985	–	(22,523)	23,280
Placing of shares	20,491	–	–	–	20,491
Issuance of shares					
As purchases consideration	48,869	–	–	–	48,869
Issuing expenses	(5,448)	–	–	–	(5,448)
Net loss for the year	–	–	–	(24,652)	(24,652)
Balance as at 31 December 2004 and 1 January 2005	106,730	2,985	–	(47,175)	62,540
Effect of Adoption of HKAS 39					
– Issue of convertible bond	–	–	1,099	295	1,394
Balance as at 31 December 2004 and 1 January 2005 (As Restated)	106,730	2,985	1,099	(46,880)	63,934
Net loss for the year	–	–	–	(130,744)	(130,744)
Balance as at 31 December 2005	**106,730**	**2,985**	**1,099**	**(177,624)**	**(66,810)**

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited set out in the Company's prospectus dated 18 December 2001, over the nominal value of the shares of the Company issued in exchange thereof.

(b) The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the shares of the Company issued in exchange thereof.

(c) Under the Companies Law (2001 Second Revision) of the Cayman Islands, a company may make distributions to its members out of the contributed surplus account under certain circumstances. In addition, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. At 31 December 2005, in the opinion of the Directors, the Company did not have reserves available for cash distribution and/or distribution in specie in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands (2004: HK$51,706,000).

16. CONVERTIBLE NOTES

On 11 November 2004, the Company issued HK$10,500,000 4% convertible note due on 12 November 2007 (the "Notes"). The notes carry a right to convert either in whole or in part at any time on or after the date of issue of the Notes and prior to the close of business day on the fourteenth business day immediately preceding the maturity date in whole or any integral multiple of HK$100,000 (save for in respect of any Notes not issued in the denomination of HK$500,000 in which case in the full amount of such Notes) into fully paid shares of the Company having a par value of HK$0.01 at an initial conversion price of HK$0.038 per share (subject to adjustment) at any time on or after the date of issue of the Notes and prior to the close of business day on fourteenth business day immediately preceding the maturity date.

The shares issued upon conversion of the Notes shall rank pari passu in all respects with the fully paid shares in issue at the date of the conversion and be entitled to all dividends and other distributions to be paid or made if the record date of which fall on a day on or after the date of conversion.

The Group adopted HKAS 32 and 39 for the year ended 31 December 2005. The fair value of the liability component of the bond was determined upon issuance, using the prevailing market interest rate for similar debt without a conversion option and was carried as a current liability. The residual amount was assigned to the conversion option as the equity component that was recognised in shareholders' equity.

The net proceeds received from the issue of the convertible bond has been split between the liability and equity components as follows:

	The Group and the Company	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Face value of convertible bond issued on 11 November 2004	**10,500**	10,500
Equity Component	**(1,100)**	(1,100)
Liability component on initial recognition at 11 November 2004	**9,400**	9,400
Transaction costs	**(400)**	(400)
Amortised cost on initial recognition at 11 November 2004	**9,000**	9,000
Interest expense	**913**	105
Interest payables	**(429)**	(8)
Amortised costs at 31 December 2005	**9,484**	9,097

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 7.75% to the liability component.

17. TRADE PAYABLES

An aging analysis of trade payable at the balance sheet date is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 – 90 days	**673**	1,616
91 – 180 days	**634**	11,192
Over 180 days	**9,533**	569
	10,840	13,377

18. SHORT-TERM UNSECURED INTEREST BEARING LOAN

		Group and Company	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Softbank Investment International (Strategic) Limited ("Softbank Investment")	(i)	**7,778**	7,800
Best Profit Investment Limited ("Best Profit")	(ii)	**2,000**	–
Hong Kong Housing Loan Limited ("Housing Loan")	(iii)	**7,800**	–
		17,578	7,800

Notes:

(i) The amount due to Softbank Investment is unsecured, interest bearing at 5% and repayable on demand. Please also refer to note 37.

(ii) The amount due to Best Profit is unsecured, interest bearing at 8% per annum and repayable on 22 March 2006.

(iii) The amount due to Housing Loan is unsecured, interest bearing at 9% per annum and repayable on 1 September 2005.

19. AMOUNT DUE TO A RELATED PARTY

The amount due is unsecured, interest bearing at 9% and with no fixed terms of repayment.

20. AMOUNTS DUE TO DIRECTORS/A DIRECTOR

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mr. Chong Ying Chuan, Thomas	**56**	–	**–**	–
Mr. Wong Shui Fun	**2,600**	–	**2,600**	–
	2,656	–	**2,600**	–

The amounts due to directors are unsecured, interest-free and with no fixed term of repayment.

21. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest free and with no fixed terms of repayment.

22. TURNOVER AND REVENUE

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Turnover		
System solutions service income	**–**	22,233
Sales of software and hardware	**3,836**	4,610
Maintenance service income	**10,153**	313
Others	**443**	105
	14,432	27,261
Other revenue		
Interest income	**16**	9
Sundry income	**71**	403
	87	412
Other Income		
Gain on disposal of property, plant and equipment	**4**	–
Grant income	**47**	–
	51	–

23. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging/(crediting):

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Auditors' remuneration	**299**	280
Staff costs (excluding directors' remuneration):		
– Wages and salaries	**8,090**	3,789
– Retirement benefits contributions	**975**	200
Research expenses incurred	**230**	375
Exchange loss	**33**	24
Depreciation of owned assets	**530**	549
Amortisation of intangible assets	**146**	142
Amortisation of goodwill	**–**	2,709
Operating lease rentals in respect of land and buildings	**1,630**	985
Loss on disposal of property, plant and equipment	**1,045**	1,059
Impairment loss recognised in respect of intangible assets	**1,034**	1,367
Impairment loss recognised in respect of goodwill	**32,347**	–
Impairment loss recognised in respect of trade receivables	**21,821**	1,528
Impairment loss recognised in respect of deposit paid	**3,842**	–
Impairment loss recognised in respect of other receivables	**3,345**	–
Impairment loss recognised in respect of inventories	**20,169**	870
Unrealised loss on financial assets at fair value through profit or loss	**–**	5,072
Realised loss on financial assets at fair value through profit or loss	**927**	–
Gain on liquidation of a subsidiary	–	(1,027)

24. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Interest on short term bearing loan wholly repayable within five years	**2,136**	418

25. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Group and its subsidiaries operating in Hong Kong have no assessable profits for the year (2004: Nil).

Taxation on overseas profits is charged at the rates of taxation prevailing in the countries in which the companies operate. No overseas taxation has been made in the financial statements for the subsidiaries operating outside Hong Kong for the year (2004: HK$564,000).

The reconciliation of taxation provision to the loss per income statement is as follows:

The Group – for the year ended 31 December 2005

	Hong Kong		PRC		Singapore		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(94,085)		(10,025)		(5,809)		(109,919)	
Tax at appropriate tax rate	(16,465)	(17.50%)	(3,308)	(33.00%)	(1,162)	(20.00%)	(20,935)	(19.05%)
Tax effect of expenses not deductible for tax purposes	40,860	43.43%	1,215	12.12%	–	–	42,075	38.28%
Tax effect of income not taxable for tax purposes	(27,527)	(29.26%)					(27,527)	(25.04%)
Tax effect of recognized temporary difference	49	0.05%	–	–	–	–	49	0.04%
Tax effect of tax loss not recognised	3,083	3.28%	2,093	20.88%	1,162	20%	6,338	5.77%
Tax charge for the year	–	–	–	–	–	–	–	–

25. TAXATION *(Continued)*

The Group – for the year ended 31 December 2004 – as restated

	Hong Kong		PRC		Singapore		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(18,817)		(2,870)		3,104		(18,583)	
Tax at appropriate tax rate	(3,293)	(17.50%)	(144)	(5%)	621	20.00%	(2,816)	(15.15%)
Tax effect of expenses not deductible for tax purposes	3,763	20.00%	–	–	–	–	3,763	20.25%
Tax effect of income not taxable for tax purposes	(564)	(3.00%)			(791)	(25.48%)	(1,355)	(7.29%)
Tax effect of unrecognised temporary differences	(48)	(0.26%)	144	5%	–	–	96	0.51%
Tax effect of tax loss not recognised	142	0.75%	–	–	170	5.48%	312	1.68%
Tax charge for the year	–	–	–	–	–	–	–	–

No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements (2004: Nil).

The Group has not recognised deferred tax assets in respect of losses due to the unpredictability of the future profit streams. The tax losses do not expire under current tax legislation.

26. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2005 was HK$130,744,000 (2004: HK$24,357,000, as restated).

27. LOSS PER SHARE

(a) Basic loss/(earnings) per share

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Loss attributable to equity holders of the Company	**(137,772)**	(16,854)
Attributable to:		
Continuing operations	**(109,795)**	(18,440)
Discontinued operation *(note 34)*	**(27,977)**	1,586
	137,772	16,854
	No. of shares	*No. of shares*
Weighted average number of ordinary shares in issue	**2,606,949,911**	1,719,319,929
Basic (loss)/earnings per share		
– for loss for the year	**(HK 5.28 cents)**	(HK 0.98 cents)
– for loss from continuing operations	**(HK 4.21 cents)**	(HK 1.07 cents)
– for (loss)/profit from discontinued operation	**(HK 1.07 cents)**	HK 0.09 cents

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK$137,772,000 (2004: HK$16,854,000, as restated) and the weighted average of 2,606,949,911 (2004: 1,719,319,929) ordinary share in issue during the period.

(b) Diluted loss per share

No diluted loss per share has been presented because the exercise price of the Company's share options was higher than the average market price per share for the year and other potential ordinary shares are anti-dilutive.

28. DIVIDENDS

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

29. DIRECTORS' REMUNERATION

As at balance sheet date, the board of directors of the Company is currently composed of three executive directors, three non-executive directors and three independent executive directors. Directors' remuneration disclosed pursuant to the requirements of the Rules Governing the Listing of Securities on GEM and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Fee		Salaries And Bonus		Mandatory Provident fund		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)		(restated)		(restated)
NAME OF DIRECTORS								
Executive directors								
Mr. Koh Tat Lee, Michael	**–**	–	**2,116**	1,835	**–**	–	**2,116**	1,835
Mr. Domingo Chen	**–**	60	**906**	164	**–**	5	**906**	229
Mr. Choong Ying Chuan,Thomas	**–**	–	**769**	324	**35**	–	**804**	324
Mr. Wong Shui Fun	**–**	14	**75**	284	**–**	–	**75**	298
Mr. Xu Hanjie	**–**	–	**–**	58	**–**	–	**–**	58
Mr. Chui Siu Wah	**–**	–	**–**	117	**–**	6	**–**	123
Non-executive directors								
Mr. Wong Kean Li	**–**	185	**–**	–	**–**	–	**–**	185
Mr. Tay Yew Beng,Peter	**–**	16	**–**	–	**–**	–	**–**	16
Mr. Ng Yat Cheung	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Lee Siu Lung, James	**–**	–	**–**	–	**–**	–	**–**	–
Independent non-executive directors								
Mr. Wong Robert	**40**	51	**–**	–	**–**	–	**40**	51
Ms. Sung Hilda	**–**	21	**–**	–	**–**	–	**–**	21
Mr. Yeung Chun Wai, Anthony	**4**	13	**–**	–	**–**	–	**4**	13
Mr. Leung Chun Cheng	**–**	28	**–**	–	**–**	–	**–**	28
Mr. Cheong Man Hong	**–**	23	**–**	–	**–**	–	**–**	23
Mr. Ng Wing Hang, Patrick	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Leigh Man Sung, Camballaw	**–**	–	**–**	–	**–**	–	**–**	–
	44	411	**3,866**	2,782	**35**	11	**3,945**	3,204

During the year, there were no bonuses paid or payable to the directors (2004: Nil). No director waived or agreed to waive any remuneration during the year (2004: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group as a compensation for loss of office (2004: Nil).

30. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the period included three (2004: three) Directors, details of whose remuneration are set out in note 29 above. Details of the remuneration of the remaining two (2004: two) non-director, highest paid individuals, which each fell within the nil to HK$1,000,000 band, are as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**3,608**	556
Mandatory provident fund scheme contribution	**24**	18
	3,632	574

During the year, there were no bonuses paid or payable to any of the five highest paid individuals of the Group (2004: Nil). No Director waived or agreed to waive any remuneration during the period (2004: Nil). In addition no emoluments were paid by the Group to the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2004: Nil).

31. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2004, the Group acquired 100% interests in (i) M Dream Mobile Entertainment Limited and its subsidiary, Hangzhou M Dream Zone Company Limited (hereinafter referred to as the "MDream MEL Group") and (ii) Elipva Limited and its subsidiary, Elipva Inc (hereinafter referred to as the "Elipva Group"). No interest in subsidiaries was acquired by the Group during the year ended 31 December 2005. The effect of the acquisitions to the financial statements was as follows:

Net assets acquired:

	2005	M Dream MEL Group	Elipva Group	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	–	242	159	401
Trade receivables	–	471	2,894	3,365
Prepayments, deposits and other receivables	–	130	3,521	3,651
Cash and bank balances	–	761	9,351	10,112
Time deposits	–	–	2,175	2,175
Trade payables	–	(805)	(1,917)	(2,722)
Accruals and other payables	–	(121)	(3,695)	(3,816)
Minority interest	–	–	–	–
	–	678	12,488	13,166
Goodwill	–	30,642	18,645	49,287
	–	31,320	31,133	62,453
Satisfied by:				
Cash consideration	–	4,500	–	4,500
Shares	–	26,820	31,133	57,953
	–	31,320	31,133	62,453

Analysis of the net inflow in respect of the purchase of the subsidiaries:

	HK$'000
Cash consideration paid	(4,500)
Bank balances and cash acquired	10,112
Time deposits acquired	2,175
Net cash inflow in respect of the purchase of the subsidiaries	7,787

During the year ended 31 December 2004, the subsidiaries acquired contributed approximately HK$9,786,000 to the Group's turnover and contributed to the Group a gain of approximately HK$734,000. The subsidiaries acquired contributed approximately HK$3,807,000 to the Group's net operating cash out flows and gave rise to cash outflow in respect of investing activities of HK$306,000. There is no significant impact in respect of the Group's cash flow for financing and payment for tax.

32. GAIN ON LIQUIDATION OF A SUBSIDIARY

Net liabilities disposed of:

	2005 HK$'000	2004 HK$'000
Cash and cash equivalents	–	9
Trade and other payables	–	(66)
Net liabilities	–	(57)
Contributed surplus released on liquidation	–	(970)
Gain on liquidation of a subsidiary	–	(1,027)

The subsidiary liquidated during the year ended 31 December 2004 did not have any significant impact on the Group's cash outflows, turnover and operating result.

33. DISPOSAL OF SUBSIDIARIES

In the opinion of the directors of the Group, the Group has disposed M Dream MEL Group on 2 September 2005, for a cash consideration of approximately HK$3,949,000. The operation of M Dream MEL Group is reported in the consolidated financial statements as a discontinued operation. Summary of the effects of the disposal of subsidiaries are as follow:

	2005 HK$'000
Net liabilities disposed of:	
Property, plant and equipment	398
Trade receivables	4,524
Other receivables	26
Cash and cash equivalents	408
Other payables	(3,389)
Accrual	(474)
	1,493
Goodwill	29,877
Loss on disposal of subsidiaries	(27,421)
	3,949
Satisfactory by:	
Cash consideration	3,949
Net cash inflow/(outflow) arising on disposal:	
Cash consideration	3,949
Cash and bank balances disposed of	(408)
	3,541

33. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the period from 1 January 2005 to the respective date of disposal, the above subsidiaries were engaged in provision of mobile game and value added services and contribute approximately HK$1,894,000 to the Group's turnover and approximately a loss of HK$556,000 to the Group's loss before taxation.

34. DISCONTINUED OPERATION

In additions to note 33 to the financial statements, the loss for the year form the discontinued operation which has been included in the consolidated income statement is analysed as follows:

	2005	2004
	HK$'000	*HK$'000*
Loss on Mobile game and value added services operation	**(556)**	1,586
Loss on disposal of Mobile game and value added services operation	**(27,421)**	–
	(27,977)	1,586
Basic (loss)/earnings per shares from discontinued operation	**(HK cents 1.07)**	HK cents 0.09
Diluted loss per shares from discontinued operation	**N/A**	N/A

The results of mobile game and value added services operation for the period from 1 January 2005 to 2 September 2005, which has been included in the consolidated income statement, were as follows:

	2005	2004
	HK$'000	*HK$'000*
Turnover	**1,894**	5,176
Cost of sales	**(672)**	(232)
Gross Profit	**1,222**	4,944
Other revenue	**1**	1
Administrative expenses	**(1,300)**	(1,553)
Selling and distribution costs	**(477)**	(1,242)
(Loss)/profit from operation	**(554)**	2,150
Finance costs	**(2)**	–
(Loss)/profit before taxation	**(556)**	2,150
Taxation	**–**	(564)
(Loss)/profit after taxation	**(556)**	1,586

The net assets of the discounted operation at 2 September 2005 (date of disposal) have been presented in note 33 to the financial statements.

34. DISCONTINUED OPERATION *(Continued)*

The net cash flow of the discounted operation for the period from 1 January 2005 to 2 September 2005 was as follows:

	HK$'000
Net operating cash inflow	2
Net investing cash outflow	(33)
Net financing cash flow	–
Total net cash inflow	31

35. EMPLOYEE BENEFITS

(a) Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

Under the Central Provident Fund (the "CPF") of Singapore, the Group contributed 16% of staff's relevant income and the contribution is charged to the income statement.

Under the MPF Scheme and CPF, there is no forfeited contribution which could be utilised to reduce the level of the contribution by the Group and therefore there was no such balance as at 31 December 2005.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong, Singapore and the PRC. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2005 in respect of the retirement of its employees.

35. EMPLOYEE BENEFITS *(Continued)*

(b) Equity compensation benefits

Pre-IPO share option scheme

Pursuant to the pre-IPO share option scheme adopted by the Company on 14 December 2001 ("Pre-IPO Share Option Scheme") for the purpose of recognition of the contribution of certain Directors and employees of the Group to the growth of the Group and/or to the listing of the Shares on GEM.

No options granted under the Pre-IPO Share Option Scheme were outstanding up to the date of the approval of the financial statements.

Share option scheme

Pursuant to the share option scheme adopted by the Company, on 14 December 2001 ("Share Option Scheme"), the Directors may at their discretion grant options to employees (whether in full-time or party-time employment) and Directors (whether executive, non-executive or independent non-executive) of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. The purpose of the Share Option Scheme is to provide incentive and to recognise the contribution of the employees.

The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company as at the date of this annual report. The number of Shares in respect of which options may be granted to any individual in any 12-month period up to the date of the grant is not permitted to exceed 1% of the issued share capital of the Company as at the date of the grant, unless approved by the shareholders of the Company in accordance with the Share Option Scheme.

Options may be exercised at any time from the date of the grant of the options to the date of expiry of the option as may be determined by the Directors which shall not exceed ten years from the date of the grant. The exercise price of the options is determined by the Directors, save that such price shall not be less than the highest of (i) the closing price of the Shares on the date of the grant; (ii) the average of the closing price per Share on the GEM for the five business days immediately preceding the date of grant and (iii) the nominal value of the Shares. Upon acceptance of the offer, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

35. EMPLOYEE BENEFITS *(Continued)*

(b) Equity compensation benefits *(Continued)*

Share option scheme (Continued)

There is no general requirement on the minimum period for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the board of Directors may make such grant subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance target to be achieved as the board of Directors may determined at its absolute discretion.

Subject to earlier termination by shareholders' resolution in the general meeting, the Share Option Scheme shall be valid and effective for a period of ten years commencing from 14 December 2001.

In the opinion of Directors of the Group, an aggregate of nil (2004: 160,900,000) options were granted by the Company during the period up to the date of approval of these financial statements which consists of nil executive directors, nil non-executive director and nil employees (2004: 4 executive directors, 1 non-executive director and 20 employees). However, the above-mentioned particulars cannot be verified because the Company does not keep proper books and records in respect of the share options scheme, which could lead to material effects in respect of the employee benefits incurred as share-based payments.

Movements in the share options during the year are as follows:

	2005 Number of Options	2004 Number of Options
Option outstanding at 1 January 2005/ 1 January 2004	**174,960,000**	32,000,000
Issued	**–**	160,900,000
Cancelled/Lapsed	**(45,740,000)**	(17,940,000)
Option outstanding at 31 December 2005/2004	**129,220,000**	174,960,000

None of the Directors and employees of the Group had exercised their share options during the year ended 31 December 2005.

36. OPERATING LEASE ARRANGEMENTS

The Group leases office properties under operating arrangement which is negotiated for terms of one to four years.

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follow:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**936**	1,291
In the second to fifth years, inclusive	**558**	1,806
	1,494	3,097

37. MATERIAL RELATED PARTY TRANSACTION

Saved as disclosed in note 19 and 20 to the financial statements, during the year, the Group had entered into transactions with related parties which, in the opinion of the Directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

Key management personnel

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Fee	**44**	411
Salaries and allowance	**3,866**	2,782
Mandatory provident fund	**35**	11
	3,945	3,204

38. LITIGATIONS

Case 1

An ex-employee had a claim against the Company in respect of dispute in outstanding salaries. According to the judgment from Labour Tribunal dated 3 June 2006, the Company should repay HK$493,524 adhere to a settlement proposal. As at report date, an amount of HK$293,524 is still outstanding.

Case 2

In regards to the short term unsecured interest bearing loan disclosed in note 18, Softbank Investment International (Strategic) Limited ("Softbank") has filed a claim of HK$7,800,000 against the Company. On 11 August 2006, the Company and Softbank have entered into a subscription agreement to settle the claim of HK$7,800,000 by payment of HK$784,345 as full and final settlement of all outstanding obligations the Group due to Softbank. As at report date, the amount of HK$784,345 was yet to be repaid.

Case 3

On 25 September 2006, a writ of summons and statement of claims were made by Best profit investment Limited against the Company for a sum of approximately HK$2,027,000. HK$2,027,000 comprised of principal of HK$2,000,000 and interest payable of approximately HK$27,000 with interest have been recognised in the consolidated financial statement as at 31 December 2005.

39. CAPITAL COMMITMENTS

At 31 December 2005, the Group does not have any significant commitments.

40. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had no significant contingent liabilities.

41. SUBSEQUENT EVENTS

Subsequent to the balance sheet date and saved as disclosed in note 9 and 37, the Group has entered into the following subsequent events.

(a) On 8 September 2006, the Company has settled its convertible notes of the aggregate principal amount of HK$10,500,000 by paying the note holder, Dynamic View Limited, HK$1,200,000 as full and final settlement. This settlement represents a gain to the Company approximately of HK$8,300,000 subsequent to the balance sheet date.

(b) The Company and an independent third party, Mr. Yu Shu Kuen has entered into a subscription agreement on 12 June 2006 in respect of proposed issue of HK$14.04 million redeemable convertible bonds for cash at par. As at report date of the financial statements, the issue of the convertible bonds is yet to be completed. Details are disclosed in announcement dated 19 July 2006.

42. COMPARATIVE FIGURES

Following the adoption of new HKASs and HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

43. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 September 2006.

FIVE YEAR FINANCIAL SUMMARY

31 December 2005 (in HK Dollars)

The following is a summary of the published results and of the assets and liabilities of the Group for each of two years ended 30 June 2003, the six months period ended 31 December 2003 and the two years ended 31 December 2005:

RESULTS

	For the Year ended 31 December 2005	For the Year ended 31 December 2004	Six months ended 31 December 2003	Year ended 30 June 2003	Year ended 30 June 2002
	HK$'000	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)
Turnover	**14,432**	27,261	614	1,558	6,746
Loss from operations	**(107,783)**	(18,165)	(5,673)	(19,185)	(4,584)
Finance costs	**(2,136)**	(418)	–	–	–
Loss before taxation	**(109,919)**	(18,583)	(5,673)	(19,185)	(4,584)
Taxation	**–**	–	–	–	–
Loss for the year from continuing operations	**(109,919)**	(18,583)	(5,673)	(19,185)	(4,584)
(Loss)/profit for the year from discontinud operation	**(27,977)**	1,586	–	–	–
Loss for the year	**(137,896)**	(16,997)	(5,673)	(19,185)	(4,584)
Net loss from ordinary activities attributable to					
– Equity holders of the Company	**(137,772)**	(16,854)	(5,569)	(19,113)	(4,442)
– Minority Interest	**(124)**	(143)	(104)	(72)	(142)
	(137,896)	(16,997)	(5,673)	(19,185)	(4,584)

FIVE YEAR FINANCIAL SUMMARY

31 December 2005 (in HK Dollars)

Assets and liabilities

	As at 31 December 2005	As at 31 December 2004	As at 31 December 2003	As at 30 June 2003	As at 30 June 2002
	HK$'000	*HK$'000* (restated)	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**6,994**	131,124	32,047	9,942	29,143
Total liabilities	**(54,866)**	(40,821)	(2,461)	(1,812)	(1,858)
Minority Interest	**–**	(124)	(237)	–	(72)
Shareholders' fund	**(47,872)**	90,179	29,349	8,130	27,213