1. GENERAL

The Company is a limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is disclosed in the corporate information of the annual report. The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company. The principal activities of the Company and its subsidiaries (the "Group") are investment holding, treasury investments and the provision of mortgage finance and other related services.

Prior to 12th September, 2005, the ultimate holding company of the Company was Lippo Cayman Limited which is incorporated in the Cayman Islands. Subsequent to the completion of acquisition of 74.8 per cent. shareholdings in the Company on 12th September, 2005, the ultimate holding company of the Company has been changed to Allied Group Limited ("Allied Group"), a limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

Financial instruments

In the current year, the Group and the Company have applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the application of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities
The Group and the Company have applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Debt and equity securities previously accounted for under the benchmark treatment of Statement of Standard Accounting Practice ("SSAP") 24

Until 31st December, 2004, the Group and the Company classified and measured its debt and equity securities in accordance with the benchmark treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities were classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" were carried at cost less impairment losses (if any) while "other investments" were measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments were carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group and the Company have classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

Following the application of HKAS 39, the Group has reclassified all investment securities which are previously grouped under "investment securities" to "available-for-sale financial assets" on 1st January, 2005. There is no effect on remeasurement as the investments have been fully impaired as at 31st December, 2004. The Group and the Company have also reclassified its investments in listed and unlisted securities of HK$45,334,000 which are held for trading purpose and are previously grouped under "other investments in securities" to "investments held-for-trading" on 1st January, 2005. There is no material effect on remeasurement as the accounting policy on measurement of the Group's and the Company's other investments in securities as at 31st December, 2004 is the same as that for investments held-for-trading.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group and the Company have classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition.

Bad and doubtful debts

In previous years, allowance for bad and doubtful debts was made having regard to those losses that, although not yet specifically identified, are known from experience to be present in the Group's and the Company's portfolio of loans and advances. In determining the level of allowance required, management considers numerous factors including but not limited to, domestic and international economic conditions, the composition of loan portfolio and prior loan loss experience.

On application of HKAS 39, impairment allowances for advances assessed individually are calculated using a discounted cash flow analysis at original effective interest rate. Collective assessment of impairment for individual insignificant items or items where no impairment has been identified on an individual basis is made using formula based approaches and statistical methods. Impairment allowances for advances will be presented as individually assessed and collectively assessed instead of specific and general allowances. There will be no significant change in the net charge for allowances to the income statement.

Effect of the changes in accounting policies

The above changes to the Group's and the Company's accounting policies as a result of the new HKFRSs have had no material effect on the Group's and the Company's financial results for the year.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Potential impact arising on the new accounting standards not yet effective

The Group and the Company have not early applied the following new standards and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards and interpretations will have no material impact on the financial statements.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance.

Basis of consolidation

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

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

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

Interests in subsidiaries

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

Revenue recognition

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

(ii) dealings in securities and disposals of investments are recognised on the trade dates when the relevant contract notes are exchanged.

(iii) dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when they fall due.

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities are set out below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

The Group's and the Company's other financial liabilities include other creditors and accruals which are subsequently measured at amortised cost, using the effective interest rate method.

Impairment losses

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Operating leases

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

Taxation

As at 31st December, 2005, a deferred tax asset of HK$3,396,000 in relation to unused tax losses has been recognised in the Group's and the Company's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a reversal or additional recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal or additional recognition takes place.

Impairment allowances for mortgage loans

The policy for impairment allowances for mortgage loans of the Group and the Company is based on the evaluation of collectability and aged analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these mortgage loans, including the current creditworthiness, and the past collection history of each loan. If the financial conditions of customers of the Group and the Company were to deteriorate, resulting in an impairment of their ability to make repayments, additional allowances may be required.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's major financial instruments include mortgage loans, listed equity securities and unlisted investment funds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group and the Company had listed equity securities and unlisted investment funds denominated in foreign currencies, which expose the Group and the Company to foreign currency risk. To minimize currency risk exposure, management of the Group and the Company have disposed all the non Hong Kong listed securities and investment funds which were denominated in foreign currencies during the year. As at the balance sheet date, all assets and liabilities of the Group and the Company are denominated in Hong Kong dollars and henceforth there was no exposure to exchange rate risk. The Group and the Company currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(ii) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Company have no material exposure to fair value interest rate risk as the fixed-rate mortgage loan is repayable within 6 months. The Group's and the Company's exposure to cash flow interest rate risk is caused by both the mortgage loans and bank deposits. Interest income will fluctuate because of changes in market interest rates. The Group and the Company are currently debt-free and the management of the Company believes that the Group's and the Company's exposure to the cash flow interest rate risk is insignificant as most mortgage loans and bank deposits are relatively short term.

(iii) Equity price risk

The Group's and the Company's investments held-for-trading are measured at fair value at each balance sheet date. Therefore, the Group and the Company are exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet and balance sheet. In order to minimize the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue loans. In addition, the Group and the Company review the recoverable amount of each individual loan and advance at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

6. REVENUE

Revenue represents interest income on mortgage loans and gross income on treasury investments which includes sales proceeds from securities trading, interest income on bank deposits and dividend income.

An analysis of the revenue of the Group by principal activity is as follows:

	2005	2004
	HK$'000	*HK$'000*
Mortgage finance:		
Interest on mortgage loans	**205**	482
Treasury investments:		
Interest on bank deposits	**4,084**	1,136
Sales proceeds of investments held-for-trading	**68,333**	–
Sales proceeds of other investments in securities	**–**	186,857
Other investment income	**937**	1,207
	73,559	189,682

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions – mortgage finance and treasury investments. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

(a) the mortgage finance segment engages in the provision of mortgage finance and other related services; and

(b) the treasury investments segment includes securities trading, interest income on bank deposits and dividend income.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below:

	2005			
	Mortgage finance *HK$'000*	Treasury investments *HK$'000*	Corporate and other operations *HK$'000*	Total *HK$'000*
Revenue	205	73,354	–	73,559
Other income	128	73	–	201
	333	73,427	–	73,760
Segment result/profit before taxation	299	5,482	(4,546)	1,235
Taxation				–
Profit for the year				1,235
Segment assets	5,207	212,652	3,585	221,444
Segment liabilities	364	–	470	834
Other information:				
Capital additions	–	–	(12)	(12)
Depreciation	–	–	(16)	(16)
Impairment allowances for mortgage loans	(34)	–	–	(34)
Loss on disposal of plant and equipment	–	–	(38)	(38)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

	2004			
	Mortgage finance *HK$'000*	Treasury investments *HK$'000*	Corporate and other operations *HK$'000*	Total *HK$'000*
Revenue	482	189,200	–	189,682
Other income	91	–	–	91
	573	189,200	–	189,773
Segment result/profit before taxation	573	17,069	(8,471)	9,171
Taxation				(886)
Profit for the year				8,285
Segment assets	3,052	213,543	4,124	220,719
Segment liabilities	522	128	694	1,344
Other information:				
Capital additions	–	–	(65)	(65)
Depreciation	–	–	(16)	(16)
Written back of allowance for bad and doubtful debts for mortgage loans	27	–	–	27
Unrealised loss on other investments in securities	–	(622)	–	(622)
Impairment loss on investment securities	–	–	(3,600)	(3,600)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

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

	2005				
	Hong Kong	**Singapore**	**Japan**	**Other**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue and other income	**29,782**	**30,788**	**13,129**	**61**	**73,760**
Segment result/profit before taxation	**4,201**	**(2,496)**	**(428)**	**(42)**	**1,235**
Taxation					**–**
Profit for the year					**1,235**
Segment assets	**221,444**	**–**	**–**	**–**	**221,444**
Other information:					
Capital additions	**(12)**	**–**	**–**	**–**	**(12)**

	2004				
	Hong Kong	Singapore	Japan	Other	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue and other income	88,132	57,584	30,994	13,063	189,773
Segment result/profit before taxation	5,327	4,885	3,611	(4,652)	9,171
Taxation					(886)
Profit for the year					8,285
Segment assets	178,143	26,080	13,100	3,396	220,719
Other information:					
Capital additions	(65)	–	–	–	(65)

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after crediting (charging):

	2005	2004
	HK$'000	*HK$'000*
Employee benefits expense (including Directors' emoluments *(note 10)*):		
Wages and salaries	**(1,344)**	(1,859)
Retirement benefit costs *(note 28)*	**(28)**	(33)
	(1,372)	(1,892)
Depreciation	**(16)**	(16)
Auditors' remuneration	**(239)**	(170)
Loss on disposal of plant and equipment	**(38)**	–
Operating leases payments	**(832)**	(669)
Impairment allowances for mortgage loans	**(34)**	–
Written back of allowance for bad and doubtful debts for mortgage loans	**–**	27

9. TAXATION

	2005	2004
	HK$'000	*HK$'000*
Hong Kong		
Current tax	**–**	–
Deferred tax: *(note 25)*		
Current year	**–**	886
	–	886

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Tax losses carried forward amount to approximately HK$41,311,000.

Hong Kong Profits Tax is calculated at 17.5 per cent. (2004: 17.5 per cent.) of the estimated assessable profit for the year.

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

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation	**1,235**	9,171
Tax at the domestic income tax rate of 17.5 per cent. (2004: 17.5 per cent.)	**216**	1,605
Effect of different tax rates in other jurisdictions	**–**	630
Tax effect of income not taxable for tax purpose	**(892)**	(1,978)
Tax effect of expenses not deductible for tax purpose	**697**	682
Utilisation of tax losses previously not recognised	**(21)**	–
Others	**–**	(53)
Tax charge for the year	**–**	886

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 17 (2004: 11) Directors were as follows:

	Directors' fees	
	2005	2004
	HK$'000	*HK$'000*
Executive Directors:		
Akihiro Nagahara *(Chairman)*	**2**	–
Stephen Lo Kam Fai *(Chief Executive)*	**2**	–
Edwin Lo King Yau	**2**	–
David T. Yeh	**–**	15
Lee Jark Pui, O.B.E., J.P.	**–**	15
Jonathan Miles Foxall	**–**	15
Ng Tai Chiu	**–**	15
Non-Executive Directors:		
Ning Gaoning	**200**	100
Chan Wai Lam	**12**	15
Leon Chan Nim Leung	**156**	200
Michael Chan Kwok Shung	**6**	15
Independent Non-Executive Directors:		
Chan Bo Ching	**13**	–
Li Chak Hung	**13**	–
Yuen Wai Ho	**13**	–
Leung Nai Kong, B.B.S., J.P.	**63**	21
Tsui King Fai	**63**	20
Victor Yung Ha Kuk	**63**	20
Total emoluments	**608**	451

There were no arrangements under which a Director waived or agreed to waive any emoluments.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2004: one) were Directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining three (2004: four) individuals were as follows:

	2005	2004
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	**518**	1,061
Retirement benefit costs	**21**	30
	539	1,091

Their emoluments were within the following band:

	2005	2004
	Number of employees	*Number of employees*
Nil – HK$1,000,000	**3**	4

12. DIVIDENDS

No dividend was paid or proposed during 2005, nor has any dividend been proposed since the balance sheet date (2004: Nil).

13. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit for the year attributable to equity holders of the Company of HK$1,235,000 (2004: HK$8,285,000) and on 225,000,000 (2004: 225,000,000) ordinary shares in issue during the year.

No diluted earnings per share is presented for the years ended 31st December, 2005 and 2004 as there were no dilutive potential ordinary shares during these two years.

14. PLANT AND EQUIPMENT

	The Group and the Company Furniture and equipment *HK$'000*
COST	
At 1st January, 2004	282
Additions	65
At 31st December, 2004	347
Additions	12
Eliminated on disposals	(348)
At 31st December, 2005	11
DEPRECIATION	
At 1st January, 2004	279
Provided for the year	16
At 31st December, 2004	295
Provided for the year	16
Eliminated on disposals	(310)
At 31st December, 2005	1
CARRYING VALUES	
At 31st December, 2005	10
At 31st December, 2004	52

Furniture and equipment are depreciated on a straight-line basis at 20 per cent. to $33^1/_3$ per cent. per annum.

15. MORTGAGE LOANS

	The Group and the Company	
	2005	2004
	HK$'000	*HK$'000*
Fixed-rate loan receivable	**4,000**	–
Variable-rate loan receivables	**1,180**	3,052
	5,180	3,052
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the balance sheet date)	**4,457**	1,288
Non-current assets (receivables after 12 months from the balance sheet date)	**723**	1,764
	5,180	3,052

Fixed-rate loan receivable and variable-rate loan receivables are secured by mortgage loan properties, bearing interest at effective market interest rates.

Included in the carrying amount of loan receivables as at 31st December, 2005 is accumulated impairment allowances of HK$151,000 (Allowance for bad and doubtful debts in 2004: HK$465,000).

The aged analysis of the mortgage loans, based on payment due date, and net of allowance, is as follows:

	The Group and the Company	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**4,483**	1,070
31 – 180 days	**552**	868
181 – 365 days	**145**	250
Over 365 days	**–**	864
	5,180	3,052

The fair value of the Group's and the Company's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the effective interest rate at 31st December, 2005 approximates to the carrying amount of the loans.

16. IMPAIRMENT ALLOWANCES/ALLOWANCE FOR BAD & DOUBTFUL DEBTS FOR MORTGAGE LOANS

	The Group and the Company				
	2005		2004		
	Impairment allowances		Allowance for bad & doubtful debts		
	Individual	**Collective**	Specific	General	Total
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004	–	–	390	102	492
Allowance written back during the year	–	–	–	(27)	(27)
Transfer	–	–	13	(13)	–
At 1st January, 2005, as originally stated	–	–	403	62	465
Effect of application of HKAS 39	**403**	**62**	(403)	(62)	–
At 1st January, 2005, as restated	**403**	**62**	–	–	465
Allowance during the year	–	**34**	–	–	34
Amounts written off	**(348)**	–	–	–	(348)
Transfer	**91**	**(91)**	–	–	–
As 31st December, 2005	**146**	**5**	–	–	151

17. INVESTMENT SECURITIES

Investment securities as at 31st December, 2004 are set out below. Upon the application of HKAS 39 on 1st January, 2005, investment securities were reclassified to available-for-sale financial assets (see note 2 for details).

	The Group
	HK$'000
Unlisted equity securities, at cost	7,798
Impairment loss	(7,798)
	–

18. INVESTMENTS HELD-FOR-TRADING

Investments held-for-trading as at 31st December, 2005 include:

	The Group and the Company HK$'000
Equity securities listed in Hong Kong	**41,495**

The fair value of the above investments held-for-trading is determined based on the quoted market bid prices available on the relevant exchange.

19. OTHER INVESTMENTS IN SECURITIES

Other investments in securities as at 31st December, 2004 are set out below. Upon the application of HKAS 39 on 1st January, 2005, other investments in securities were reclassified to investments held-for-trading (see note 2 for details).

	The Group	The Company
	HK$'000	*HK$'000*
Listed equity securities, at market value:		
Hong Kong	6,154	6,154
Overseas	16,652	16,652
Unlisted investment funds, at fair value	22,528	–
	45,334	22,806

20. CASH AND BANK BALANCES

The amounts comprise cash held by the Group and the Company and short-term bank deposits at market interest rates with an original maturity of three months or less. The carrying amount of these assets at 31st December, 2005 approximates to the corresponding fair value.

21. SHARE CAPITAL OF THE COMPANY

	2005 & 2004
	HK$'000
Authorised:	
300,000,000 ordinary shares of HK$1.00 each	**300,000**
Issued and fully paid:	
225,000,000 ordinary shares of HK$1.00 each	**225,000**

22. RESERVE

	The Company Accumulated losses *HK$'000*
At 1st January, 2004	(14,258)
Profit for the year	8,214
At 1st January, 2005	(6,044)
Profit for the year	1,694
At 31st December, 2005	(4,350)

23. INTERESTS IN SUBSIDIARIES

	The Company	
	2005 ***HK$'000***	2004 *HK$'000*
Unlisted shares, at cost	**2**	1

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

Name of Company	Place of Incorporation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company	Principal activities
Winbest Holdings Limited	British Virgin Islands	US$1	100%	Investment holding
The Building and Loan Agency (Asia) Limited (formerly known as Goldnet Investment Limited) ("BLA (Asia)") *(Note)*	Hong Kong	HK$2	100%	Money lending

Note: On 7th December, 2005, the Group and the Company acquired 100 per cent. of the issued share capital of, a shell company, BLA (Asia) for a cash consideration of HK$30,000 with a bank balance amounted to HK1,000. The difference between the consideration and bank balance is expensed to the income statement.

24. AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**7,906**	66,576
Provision for impairment loss	**(7,872)**	(44,190)
	34	22,386

The amounts due from subsidiaries are unsecured, interest-free, have no fixed repayment terms and are expected to be settled within one year.

25. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	The Group and the Company	
	2005	2004
	HK$'000	*HK$'000*
At 1st January	**3,396**	4,282
Deferred tax charged for the year *(note 9)*	**–**	(886)
At 31st December	**3,396**	3,396

Deferred tax asset has arisen from unused tax losses available for offsetting against future taxable profit.

At the balance sheet date, the Group and the Company have unused tax losses of approximately HK$41,311,000 (2004: HK$41,433,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$19,408,000 (2004: HK$19,408,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$21,903,000 (2004: HK$22,025,000) due to the unpredictability of future profit streams, and the unrecognised tax losses may be carried forward indefinitely.

26. OTHER CREDITORS AND ACCRUALS

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Other creditors and accruals	**834**	1,344

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Other creditors and accruals	**829**	1,181

Included in the Group's other creditors and accruals are other creditors of HK$583,000 (2004: HK$711,000), the aged analysis of which, based on payment due date, is as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**583**	711

The carrying amount of the Group's and the Company's other creditors and accruals at 31st December, 2005 approximates to the corresponding fair value.

27. OPERATING LEASES

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

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**57**	56

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**22**	56

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties. Leases are negotiated for an average term of one year and rentals are fixed for an average of one year.

28. RETIREMENT BENEFIT SCHEME

The Group and the Company participate in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group and the Company, in funds under the control of trustee.

For members of the MPF Scheme, the Group and the Company contribute 5 per cent. of relevant payroll costs to the scheme, which contribution is matched by the employee.

The total cost charged to the income statement of HK$28,000 (2004: HK$33,000) represents contributions payable to the scheme by the Group and the Company in respect of the current accounting period.

29. DISPOSAL OF SUBSIDIARIES

During the year, the Company disposed its subsidiaries, Galawin Limited, Sunshine Asia Limited, AAM Investments Limited, Goldjade Investment Limited and Smart Dragon Limited to Lippo China Resources Limited ("LCR"), a previous intermediate holding company of the Company, at an aggregate cash consideration of HK$123. There was no asset value of these subsidiaries at the date of disposal. The gain on disposal of these subsidiaries was HK$123.

During the year, these subsidiaries contributed HK$22,476,000 revenue and a loss of HK$700,000 to the Group's profit before tax from the beginning of the year to the date of disposal.

30. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following transactions with related parties:

(A) Income and expense items:

		The Group	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Rental paid to a previous intermediate holding company	*(a)*	**660**	669
Commission paid to a previous fellow subsidiary	*(b)*	**276**	803
Rental paid to an intermediate holding company	*(c)*	**15**	–
Commission paid to a fellow subsidiary	*(d)*	**6**	–

30. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) On 16th December, 2002, a tenancy agreement (the "Tenancy Agreement") was entered into between the Company and Prime Power Investment Limited ("Prime Power"), a wholly-owned subsidiary of LCR which in turn had been the previous intermediate holding company of the Company until 12th September, 2005 pursuant to which Prime Power agreed to let to the Company a portion of Room 2301, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of 3,316 square feet for a term of two years from 1st February, 2003 to 31st January, 2005, both days inclusive, at a monthly rental of HK$55,709, exclusive of rates, service charges and all other outgoings, for office use. On 16th January, 2005, the Tenancy Agreement was renewed for another two years from 1st February, 2005 to 31st January, 2007 at a monthly rental of HK$79,500 and subsequently both parties to it agreed on 18th June, 2005 to terminate the tenancy on 18th September, 2005 before its contractual expiry date. Rental expenses are charged in accordance with market rates.

(b) On 16th March, 2005, standard trading accounts agreements were entered into between the Company (for itself and its subsidiaries) and each of Lippo Securities Limited ("Lippo Securities") and Lippo Futures Limited ("Lippo Futures"), both are wholly-owned subsidiaries of Hongkong Chinese Limited which in turn is a subsidiary of LCR. Pursuant to the above trading accounts agreements, the Company and/or its subsidiaries would trade securities and/or futures investments through trading accounts operated by Lippo Securities and Lippo Futures for a term commencing from 31st March, 2004 to 31st December, 2006 with trading commissions paid and payable to Lippo Securities and Lippo Futures in respect of trading of securities and futures based on the relevant market rates at the time of each transaction. During the year, no futures transactions were entered into in accordance with the trading accounts agreement relating to trading of futures. The standard trading accounts agreements were terminated on 1st March, 2006. Commission paid is in accordance with market rates.

(c) On 15th August, 2005, a tenancy agreement was entered into between the Company and United Asia Finance Limited ("UAF"), the intermediate holding company of the Company pursuant to which UAF and the Company agreed to lease the premises at Room 2101, 21/F., Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong at a monthly rental of HK$3,000 for the period from 15th August, 2005 to 14th August, 2006. On 19th December, 2005, another tenancy agreement was entered into between BLA (Asia), one of the wholly-owned subsidiary of the Company, and UAF whereby BLA (Asia) agreed with UAF to lease the premises at Room 2102, 21/F., Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong at a monthly rental of HK$3,000 for the period from 19th December, 2005 to 18th December, 2006. Rental expenses are charged in accordance with market rates.

(d) On 21st November, 2005, standard client agreement relating to the sale and purchase of securities was entered into between the Company and Sun Hung Kai Investment Services Limited ("SHKIS"), an indirect non-wholly owned subsidiary of Allied Group which is the ultimate holding company of the Company. Pursuant to the above client agreement, the Company would trade securities trading and investments through a trading account operated by SHKIS with trading commissions paid and payable to SHKIS in respect of trading of securities based on the relevant market rates at the time of each transaction. Commission paid is in accordance with market rates.

30. RELATED PARTY TRANSACTIONS (continued)

(B) The Group and the Company acquired a wholly-owned subsidiary from a fellow subsidiary at a cash consideration of HK$30,000.

(C) The Group and the Company disposed of five subsidiaries to a previous intermediate holding company of the Company at an aggregate cash consideration of HK$123 (note 29).

31. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The key management of the Group comprises all Directors, details of their remuneration are disclosed in note 10. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.