

## Notes to Financial Statements

31 December 2005

### 1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at the balance sheet date, the parent of the Company (the "Immediate Holding Company") is Marble King International Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company (the "Ultimate Holding Company") is Polytec Holdings International Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the page 2 of the annual report.

During the year, the Company's principal activity was investment holding. The principal activities of the Company's subsidiaries are investment holding, properties investment, development and trading, securities investment and trading and manufacturing of ice and provision of cold storage service. There were no significant changes in the nature of the Group's principal activities during the year.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties and certain financial instruments, which are measure at fair values, as explained in the accounting policies set out in note 4.

The financial statements for the current period cover the 12 months period from 1 January 2005 to 31 December 2005. The corresponding amounts shown for the consolidated income statement, consolidated statement of changes in equity, cash flows and related notes cover a 13 months period from 1 December 2003 to 31 December 2004 and therefore may not be comparable with the amounts shown for the current year. The period covered by the 2004 consolidated financial statements was greater than 12 months because the directors of the Company determined to bring the balance sheet date in line with that adopted by most of the companies in Hong Kong, Macau and the Mainland China.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In current year, the Group has applied, for the first time, a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. The application of the new and revised HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new and revised HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting periods are prepared and presented:

#### (a) Goodwill

In prior periods, goodwill was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment. Upon the adoption of HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets", goodwill is not subject to amortisation but is tested annually for impairment, including in the year of its arisen in a business combination, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

The new policy has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the current year. This has increased the Group's profit after tax for the current year by HK\$855,000.

#### (b) Investment properties

In prior periods, the Group's share of changes in the fair value of the jointly controlled entity's investment properties were recognised as a share of investment property revaluation reserve and any related deferred tax was also recognised against the investment property revaluation reserve. The tax rate for determining whether any amounts of deferred tax should be recognised on the revaluation of investment properties would be the tax rate applicable to the sale of such investment properties.

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### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) Investment properties *(Continued)*

The Group has adopted HKAS 40 “Investment Property” and HKAS Interpretation 21 “Income Taxes — Recovery of Revalued Non-depreciation Assets” in the current year. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise, while under HKAS Interpretation 21 the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. Upon adoption of HKAS 40 and HKAS Interpretation 21, the Group’s share of changes in the fair value of the jointly controlled entity’s investment properties and any related deferred tax are recognised directly in the income statement. The tax rate for determining whether any amounts of deferred tax should be recognised on the revaluation of investment properties will be the tax rate applicable to the use of such investment properties, if the jointly controlled entity has no intention to sell such investment properties and such investment properties would have been depreciable had the jointly controlled entity accounted for the properties under HKAS 16 “Property, Plant and Equipment”.

These changes in accounting policy have been adopted retrospectively by increasing the opening balance of retained profits as of 1 January 2005 by HK\$61,680,000 (1 December 2003: nil) to include all of the previous changes, after deducting the related deferred tax, in the fair value of the jointly controlled entity’s investment properties shared by the Group, reducing the opening balance of interest in jointly controlled entities as of 1 January 2005 by HK\$808,000 (1 December 2003: nil) and reducing the opening balance of investment property revaluation reserve as of 1 January 2005 by HK\$62,488,000 (1 December 2003: nil). As a result of this new policy, the Group’s profit after tax for the year ended 31 December 2005 has increased by HK\$420,225,000 (1 December 2003 — 31 December 2004: HK\$61,680,000) of which HK\$105,047,000 (1 December 2003 — 31 December 2004: nil) is the increase in the change in fair change of properties and its related deferred tax of HK\$17,648,000 (1 December 2003 — 31 December 2004: nil) and HK\$332,826,000 is net increase in the share of result of the jointly controlled entities (1 December 2003 — 31 December 2004: HK\$61,680,000).

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### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (c) Leasehold land and buildings held for own use

In prior years, the leasehold land and buildings held for own use was accounted for at cost less accumulated depreciation and accumulated impairment, if any, and was included in the property, plant and equipment.

Upon the adoption of HKAS 17 “Leases”, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be split reliably between land and buildings, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between land and buildings elements can be made reliably, the leasehold land are reclassified to prepaid lease payments use under operating lease, which are carried at cost and amortised on a straight-line basis over the lease term and are subject to impairment test, whereas the leasehold buildings are stated at cost less accumulated depreciation and impairment losses.

The new accounting policy has been applied retrospectively with the balances of leasehold land reclassified from property, plant and equipment to prepaid lease payments under operating lease. Apart from certain presentational changes with comparatives restated, this change in accounting policy does not have any material effect on the financial statements.

#### (d) Minority interests

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

Upon the adoption of HKAS 1 “Presentation of Financial Statements” and HKAS 27 “Consolidated and Separate Financial Statements”, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

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### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (d) **Minority interests** *(Continued)*

The presentation of minority interests in the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity for the comparative period has been restated accordingly.

#### (e) **Financial Instruments**

In the current year, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

##### *Classification and measurement of financial assets and financial liabilities*

The Group has 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.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group has 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. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method after initial recognition.

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### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (e) Financial Instruments *(Continued)*

##### *Classification and measurement of financial assets and financial liabilities (Continued)*

On 1 January 2005, the Group reclassified its other investments to held for trading investments. The reclassification has had no material impacts to the Group.

##### *Financial assets and financial liabilities other than debt and equity securities*

From 1 January 2005 onwards, the Group has 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 into one of the four categories. 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. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

##### *Derivatives*

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair value would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. There has been no material effect as the Group had no outstanding derivative as at 31 December 2004.

As a result of these new policies, the Group's change in fair value of derivative financial instruments for the year ended 31 December 2005 has increased by HK\$657,000 (1 December 2003 – 31 December 2004: nil).

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## 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

- (i) The effects of the changes in accounting policies described above on the results of the current year and of the prior period are as follows:

	Year ended 31 December 2005 HK\$'000	From 1 December 2003 to 31 December 2004 HK\$'000
Decrease in administrative expenses (note 3(a))	855	—
Increase in share of results of jointly controlled entities (note 3(b))	332,826	61,680
Gain arising from a change in fair value of investment properties (note 3(b))	105,047	—
Increase in income tax expenses (note 3(b))	(17,648)	—
Gain arising from a change in fair value of derivative financial instruments (note 3(e))	657	—
Increase in profit for the year/period	<u>421,737</u>	<u>61,680</u>
Increase in earnings per share		
— Basic	<u>34.43 cents</u>	<u>12.96 cents</u>
— Diluted	<u>29.90 cents</u>	<u>9.47 cents</u>

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### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

- (ii) The cumulative effects of the changes in accounting policies described above on the assets, liabilities, minority interests and equities as at 31 December 2004 are as follows:

	Originally stated <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Interests in jointly controlled entities <i>(note 3(b))</i>	298,067	(808)	297,259
Prepaid lease payments — non-current <i>(note 3(c))</i>	—	117,037	117,037
Property, plant and equipment <i>(note 3(c))</i>	154,523	(119,857)	34,666
Prepaid lease payments — current <i>(note 3(c))</i>	—	2,820	2,820
Total effects on assets and liabilities	<u>452,590</u>	<u>(808)</u>	<u>451,782</u>
Retained profits <i>(note 3(b))</i>	31,293	61,680	92,973
Investment properties revaluation reserve <i>(note 3(b))</i>	62,488	(62,488)	—
Minority interests <i>(note 3(d))</i>	—	40,728	40,728
Total effects on equities	<u>93,781</u>	<u>39,920</u>	<u>133,701</u>
Minority interests <i>(note 3(d))</i>	<u>40,728</u>	<u>(40,728)</u>	<u>—</u>

No financial effects from the changes in accounting policies to the Group's equity on 1 December 2003 is noted.



## Notes to Financial Statements

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### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

The Group has not early adopted the following new or revised HKFRSs, which are not yet effective, in the financial statements for the year ended 31 December 2005. The Group anticipates that the application of these HKFRSs will have no material impact on the Group's financial statements.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 December 2005.

<sup>4</sup> Effective for annual periods beginning on or after 1 March 2006.

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## 4. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period from 1 January 2005 to 31 December 2005 in the current year and for the period from 1 December 2003 to 31 December 2004 for the prior period. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. All intercompany transactions and balances within the Group are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests represent the interests of shareholders other than the Group in the net assets of the Company's subsidiaries.

### **Goodwill**

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition. Such goodwill was capitalised and amortised on a straight-line basis over its useful economic life at a rate of 5% per annum up to 31 December 2004. The Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

## Notes to Financial Statements

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### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Goodwill** *(Continued)*

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

#### **Joint ventures**

##### *Jointly controlled assets*

A joint venture is a contractual arrangement, whereby the Group and other parties undertake an economic activity in which the Group and the other parties control, directly or indirectly, the financial and operating policies of such economic activity so as to obtain benefits from its activities.

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of the jointly controlled assets and share of any liabilities incurred jointly with other the other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

##### *Jointly controlled entities*

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity. When the Group transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

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### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment and depreciation

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

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value, over its estimated useful life.

Buildings situated on leasehold land	over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of acquisition/completion
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4 to 5 years

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of a property, plant and equipment included in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

#### Leasing

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the 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.

## Notes to Financial Statements

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### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Impairment of assets other than goodwill**

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised for an asset in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less costs to sell.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates of the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when the Group 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 and loss are recognised immediately in income statement.

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.

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### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss has two subcategories, including financial assets 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 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 trade and receivables, bank balances, loan to a jointly controlled entity and amounts due from jointly controlled entities) 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 assets' 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.

##### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured 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 estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the 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.

## Notes to Financial Statements

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### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Financial instruments** (Continued)

##### *Financial liabilities and equity*

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

##### *Equity instruments*

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

##### *Other financial liabilities*

Financial liabilities other than financial liabilities at fair value through profit or loss including bank loans, amounts due to minority shareholders, other payables and amount due to a related company are subsequently measured at amortised cost, using the effective interest rate method.

##### *Derivatives*

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in the income statement.

#### **Inventories**

Properties held for sale and land held for development for sale are stated at the lower of cost and net realisable value. Net realisable value of properties held for sale represents the estimated selling price less costs to be incurred in selling the properties. Net realisable value of land held for future development represents the estimated selling price less costs to be incurred in development and selling of the properties.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Deferred tax**

Deferred tax is recognised on temporary 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 assets are recognised to the extent that it is probable that future taxable profit will be available against with the temporary difference can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liabilities is settled or the asset is realised based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is recognised in the income statement except when it relates to items recognised directly in equity, in which case the deferred tax is also recognised in equity.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions 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.



## Notes to Financial Statements

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### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. Payments to MPF Scheme are charged as an expense as they fall due.

#### 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:

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither continuity managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- from the sale of completed properties, upon the execution of a binding sale agreement;
- from the sale of development properties sold in advance of completion, upon completion of the development. Deposits and instalments received from purchasers prior to this stage are included in current liabilities;
- interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- consultancy service fee income, when the services are rendered and are billable;
- from the sale of investments, on a trade date basis or on the date on which the relevant sales contracts become or are deemed unconditional, where appropriate;
- service income, when service is rendered to the customers;
- dividends, when the shareholders' right to receive payment has been established; and
- rental income, on straight-line basis over the lease term.

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### 5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment. The Group had three business segments for the year which included properties investment, trading and development related activities (“Properties”), manufacturing of ice and provision of cold storage and related services (“Ice and Cold Storage”) and financial investment and other miscellaneous activities (“Investment and others”). As over 90% of the Group’s revenue, results, assets and liabilities were derived from operations in the People’s Republic of China, including Hong Kong and Macau, further segment information has not been disclosed in respect of the Group’s geographical segments.

#### Business segments

	For the year ended 31 December 2005			
	Properties HK\$'000	Ice and Cold Storage HK\$'000	Investments and Others HK\$'000	Consolidated HK\$'000
Turnover	<u>55,127</u>	<u>44,973</u>	<u>96,727</u>	<u>196,827</u>
Segment result	40,135	12,754	6,904	59,793
Unallocated group expenses				(4,491)
Profit from operations				55,302
Gain arising from a change in fair value of investment properties	105,047			105,047
Share of results of jointly controlled entities	332,826			332,826
Provision for loan advanced to a jointly controlled entity written back				18,500
Finance costs				(3,437)
Profit before tax				508,238
Income tax expenses				(19,100)
Profit after tax				<u>489,138</u>
Depreciation and amortisation	2	4,388	—	4,408
Capital expenditure incurred — others	—	4,678	—	4,678
Loss arising from a change in fair value of held for trading investments	<u>—</u>	<u>—</u>	<u>2,445</u>	<u>2,445</u>

## Notes to Financial Statements

31 December 2005

## 5. SEGMENT INFORMATION (Continued)

## Business segments (Continued)

	At 31 December 2005			Consolidated HK\$'000
	Properties HK\$'000	Ice and Cold Storage HK\$'000	Investments and Others HK\$'000	
Segment assets	401,424	176,641	61,723	639,788
Interests in and amounts due from jointly controlled entities	641,698			641,698
Unallocated group assets				76,815
				<u>1,358,301</u>
Segment liabilities	28,089	3,821	1,109	33,019
Unallocated group liabilities				177,737
				<u>210,756</u>

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### 5. SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

	From 1 December 2003 to 31 December 2004			
	Properties <i>HK\$'000</i> (restated)	Ice and Cold Storage <i>HK\$'000</i> (restated)	Investments and Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (restated)
Turnover	38,270	5,043	109,569	152,882
Segment result	14,072	2,006	16,437	32,515
Unallocated group expenses				(7,460)
Profit from operations				25,055
Share of results of jointly controlled entities	61,668			61,668
Finance costs				(249)
Profit before tax				86,474
Income tax expenses				(4,213)
Profit after tax				82,261
Depreciation and amortisation	—	604	—	623
Capital expenditure incurred				
— through acquisition of subsidiaries	—	51,852	—	51,852
— others	11	—	—	38
Gain arising from a change in fair value of held for trading investments	—	—	7,622	7,622

## Notes to Financial Statements

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## 5. SEGMENT INFORMATION (Continued)

## Business segments (Continued)

	At 31 December 2004			Consolidated HK\$'000
	Properties HK\$'000	Ice and Cold Storage HK\$'000	Investments and Others HK\$'000	
	(restated)			(restated)
Segment assets	302,437	176,914	76,068	555,419
Interests in jointly controlled entities	297,259			297,259
Unallocated group assets				9,713
				<u>862,391</u>
Segment liabilities	2,805	6,563	605	9,973
Unallocated group liabilities				196,669
				<u>206,642</u>

## Notes to Financial Statements

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### 6. TURNOVER AND OTHER OPERATING INCOME

An analysis of the Group's turnover, and other operating income is as follows:

	Year ended 31 December 2005 HK\$'000	From 1 December 2003 to 31 December 2004 HK\$'000
<b>Turnover</b>		
Sale of goods	27,768	2,458
Sale of properties	55,127	38,270
Service income	17,205	2,585
Proceeds from sale of trading securities	96,727	109,569
	<u>196,827</u>	<u>152,882</u>
<b>Other operating income</b>		
Unrealised gain on investments	—	7,622
Rental income	6,273	1,514
Dividend income from listed securities	1,538	1,498
Consultancy service fee income	240	553
Bank interest income	432	—
Interest income from held-to-maturity debt security	88	—
Gain arising from a change in fair value of derivative financial instruments, net	1,203	—
Others	1,317	110
	<u>11,091</u>	<u>11,297</u>

## Notes to Financial Statements

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## 7. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging (crediting):

	Year ended 31 December 2005 HK\$'000	From 1 December 2003 to 31 December 2004 HK\$'000
Staff costs (excluding directors' remuneration):		
Wages and salaries	11,820	2,868
Contributions to retirement benefit scheme	498	272
	<u>12,318</u>	<u>3,140</u>
Depreciation of property, plant and equipment	1,588	163
Amortisation of prepaid lease payments	2,820	353
Minimum lease payments under operating leases in respect of land and buildings	1,017	706
Auditors' remuneration	948	640
Amortisation of goodwill as included in administrative expenses	—	107
Cost of inventories recognised as expenses	15,398	21,803
Exchange (gain) loss	(29)	6
Loss on disposal of property, plant and equipment	1	—
Direct operating expenses arising from investment properties that did not generate rental income	363	—
Share of tax of a jointly controlled entity (included in share of results of jointly controlled entities)	67,276	12,489
Unrealised loss on held for trading investments	<u>2,445</u>	<u>—</u>

## Notes to Financial Statements

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### 8. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

#### Year ended 31 December 2005

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Yeung Kwok Kwong	—	1,800	150	1,950
Ms. Wong Yuk Ching	60	—	—	60
Mr. Lam Chi Chung, Tommy	—	318	3	321
Mr. Lai Ka Fai	60	—	—	60
Mr. Anthony Francis Martin Conway	60	—	—	60
Mr. Siu Leung Yau	60	—	—	60
Mr. Liu Kwong Sang	60	—	—	60
	<u>300</u>	<u>2,118</u>	<u>153</u>	<u>2,571</u>

Period from 1 December 2003 to 31 December 2004:

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Yeung Kwok Kwong	—	1,950	161	2,111
Ms. Wong Yuk Ching	40	—	—	40
Mr. Zhou Ge	—	480	4	484
Mr. Lai Ka Fai	40	—	—	40
Mr. Anthony Francis Martin Conway	40	—	—	40
Mr. Siu Leung Yau	40	—	—	40
	<u>160</u>	<u>2,430</u>	<u>165</u>	<u>2,755</u>



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**8. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS** *(Continued)*

The five highest paid individuals during the year ended 31 December 2005 included one (1 December 2003 – 31 December 2004: two) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (1 December 2003 – 31 December 2004: three) non-director, highest paid individuals are as follows:

	<b>Year ended 31 December 2005 HK\$'000</b>	From 1 December 2003 to 31 December 2004 HK\$'000
Salaries and other benefits	2,118	1,173
Performance bonuses	299	334
Provident fund contributions	48	36
	<u>2,465</u>	<u>1,543</u>

The remuneration of each of the remaining four (1 December 2003 – 31 December 2004: three) non-director, highest paid individuals fell within the nil – HK\$1,000,000 band for the current year and the prior period.

**9. FINANCE COSTS**

	<b>Year ended 31 December 2005 HK\$'000</b>	From 1 December 2003 to 31 December 2004 HK\$'000
Interest expense on:		
Bank and other loans wholly repayable within five years	2,803	82
Advances from minority shareholders with no fixed repayment terms	634	167
	<u>3,437</u>	<u>249</u>

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## 10. INCOME TAX EXPENSES

	Year ended 31 December 2005 <i>HK\$'000</i>	From 1 December 2003 to 31 December 2004 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	611	2,116
– Overseas income tax	4,491	2,194
	<u>5,102</u>	<u>4,310</u>
Deferred tax		
– Current year	17,944	(97)
– Attributable to a change in tax rate	(3,946)	–
	<u>13,998</u>	<u>(97)</u>
	<u>19,100</u>	<u>4,213</u>

Hong Kong Profits Tax has been provided for at the rate of 17.5% (1 December 2003 – 31 December 2004: 17.5%) on the estimated assessable profits for the year. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdiction, where tax rate was decreased from 15.75% to 12% in 2005. The effect of this decrease has been reflected in the calculation of deferred tax balances at 31 December 2005.

## Notes to Financial Statements

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**10. INCOME TAX EXPENSES (Continued)**

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

	<b>Year ended 31 December 2005 HK\$'000</b>	From 1 December 2003 to 31 December 2004 HK\$'000
Profit before tax	<u>508,328</u>	<u>86,474</u>
Tax charges at the average income tax rate	91,739	16,332
Tax effect of share of results of jointly controlled entities	(67,276)	(12,489)
Tax effect of expenses not deductible in determining taxable profit	401	181
Tax effect of income not taxable in determining taxable profit	(993)	(320)
Utilisation of tax losses previously not recognised	(1,330)	(509)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate in other jurisdiction	(3,946)	—
Others	<u>505</u>	<u>1,018</u>
Income tax expense for the year/period	<u>19,100</u>	<u>4,213</u>

The average income tax rate represents the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of profit before tax and the relevant statutory rates.

## Notes to Financial Statements

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### 11. PROFIT/LOSS ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders for the year ended 31 December 2005 dealt with in the financial statements of the Company was HK\$25,603,000 (1 December 2003 – 31 December 2004: loss of HK\$5,831,000).

### 12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Year ended 31 December 2005 HK\$'000	From 1 December 2003 to 31 December 2004 HK\$'000
		(restated)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>477,414</u>	<u>78,799</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,224,965,169</u>	475,802,608
Effect of dilutive potential ordinary shares: Convertible preference shares	<u>185,760,905</u>	<u>175,365,596</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,410,726,074</u>	<u>651,168,204</u>

The comparative amount of earnings per share has been restated, as the profit attributable to the equity holders of the Company in prior period has been adjusted to reflect the changes in accounting policies during the year as explained in note 3.

## Notes to Financial Statements

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## 13. DIVIDENDS

The final dividend of HK2 cents (1 December 2003 – 31 December 2004: nil) per share, totalling HK\$24,596,000 (1 December 2003 – 31 December 2004: nil), has been proposed by the directors and is subject to approval by the shareholders in general meeting.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 December 2003	—	—	267	—	267
Additions	—	—	38	—	38
Acquisition of subsidiaries	32,790	1,520	277	164	34,751
Written off	—	—	(48)	—	(48)
At 31 December 2004 and 1 January 2005	32,790	1,520	534	164	35,008
Additions	—	3,333	1,005	340	4,678
Written off	—	—	(24)	—	(24)
At 31 December 2005	32,790	4,853	1,515	504	39,662
Accumulated depreciation:					
At 1 December 2003	—	—	227	—	227
Depreciation provided during the period	96	38	25	4	163
Eliminated on written off	—	—	(48)	—	(48)
At 31 December 2004 and 1 January 2005	96	38	204	4	342
Depreciation provided during the year	769	540	190	89	1,588
Eliminated on written off	—	—	(23)	—	(23)
At 31 December 2005	865	578	371	93	1,907
Carrying values:					
At 31 December 2005	31,925	4,275	1,144	411	37,755
At 31 December 2004	32,694	1,482	330	160	34,666

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### 15. PREPAID LEASE PAYMENTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Prepaid lease payments in medium-term leasehold land in Hong Kong:		
Included in current asset	2,820	2,820
Included in non-current asset	114,217	117,037
	<u>117,037</u>	<u>119,857</u>

### 16. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
Fair Value	
At 1 December 2003 and 1 January 2005	—
Transfer from properties held for sale	44,953
Increase in fair value recognised in the income statement	105,047
At 31 December 2005	<u>150,000</u>

All investment properties of the Group are property interests including leasehold interest in land, held under medium-term operating leases outside Hong Kong for the purposes of earning rentals or capital appreciation and are measured using the fair value model.

The fair value of the Group's investment properties at 31 December 2005 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited has among its staff members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to The Valuation Standards on Properties of Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

## Notes to Financial Statements

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## 17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2005 HK\$'000	2004 HK\$'000 (restated)
Investment cost	12	12
Share of post acquisition profit	<u>394,494</u>	<u>61,668</u>
	<b>394,506</b>	61,680
Loans to jointly controlled entities (Note i)	—	27,750
Amount due from jointly controlled entities (Note ii)	<u>—</u>	<u>233,579</u>
	<b>394,506</b>	323,009
Provision against a loan to a jointly controlled entity	<u>—</u>	<u>(25,750)</u>
	<u><b>394,506</b></u>	<u>297,259</u>

## Notes:

- (i) As at 31 December 2004, a loan of HK\$2,000,000 to a jointly controlled entity was unsecured, interest free and had no fixed repayment terms and the other loan of HK\$25,750,000 to a jointly controlled entity would not be repaid until approval from all of the shareholders of the relevant jointly controlled entity was obtained.
- (ii) The amounts due from jointly controlled entities were unsecured, interest free and had no fixed repayment terms.

As at 31 December 2004, in the opinion of the directors, repayment will not be required in the next twelve months and, accordingly, the amounts were shown as non-current.

As at 31 December 2005, in the opinion of the directors, the amounts are expected to be repayable within one year and, accordingly, the amounts are re-classified as current as disclosed in Note 18.

The carrying values of these amounts approximate their fair values at 31 December 2004.

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### 17. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Particulars of the jointly controlled entities at 31 December 2005 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity interest attributable to the Group	Principal activities
Eastford Development Limited	Corporate	Hong Kong	48%	Property development
South Bay Centre Company Limited	Corporate	Macau	50%	Property investment and trading

All of the above investments in jointly controlled entities are indirectly held by the Company.

The followings are the financial information for all of the Group's jointly controlled entities:

	Year ended 31 December 2005 HK\$'000	Period ended to 31 December 2004 HK\$'000
Income	<u>2,897</u>	<u>718</u>
Expenses	<u>3,614</u>	<u>1,098</u>
Profit for the year/period	<u>665,638</u>	<u>123,324</u>



## Notes to Financial Statements

31 December 2005

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

	At 31 December 2005	At 31 December 2004
Non-current assets	1,444,855	618,053
Current assets	789	611
Current liabilities	(489,054)	(1,559)
Non-current liabilities	(167,630)	(493,783)
Net assets	<u>788,960</u>	<u>123,322</u>

## 18. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest-free and repayable within one year. The carrying values approximate their fair values at 31 December 2005.

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### 19. GOODWILL

	<b>The Group</b> <i>HK\$'000</i>
Cost:	
At 1 December 2003	—
Arising on acquisitions of subsidiaries	17,101
At 31 December 2004 and 1 January 2005	17,101
Elimination of accumulated amortisation upon the application of HKFRS 3	(107)
At 31 December 2005	16,994
Amortisation:	
At 1 December 2003	—
Charge for the period	107
At 31 December 2004 and 1 January 2005	107
Elimination of accumulated amortisation upon the application of HKFRS 3	(107)
At 31 December 2005	—
Carrying value	
At 31 December 2005	16,994
At 31 December 2004	16,994

Until 31 December 2004, goodwill had been amortised over its estimated useful life for 20 years.

For the purposes of impairment testing, the goodwill has been allocated to an individual cash generating unit (the “CGU”) in the ice and cold storage segment. During the year ended 31 December 2005, management of the Group determines that there are no impairments of the CGU containing goodwill.

## Notes to Financial Statements

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### 19. GOODWILL (Continued)

The recoverable amount of the CGU have been determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 11.24%. Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

### 20. HELD FOR TRADING INVESTMENTS

	2005 HK\$'000	2004 HK\$'000
Equity securities held for trading		
— listed in Hong Kong	31,191	75,563
— listed outside Hong Kong	15,310	—
	<u>46,501</u>	<u>75,563</u>

The fair values of the above equity securities held for trading are determined based on the quoted market bid prices available on the relevant exchanges.

### 21. HELD-TO-MATURITY DEBT SECURITY

The amount represents quoted treasury bill outside Hong Kong with fixed interest of 3.87% and maturity date on 2 March 2006.

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### 22. DERIVATIVES FINANCIAL INSTRUMENTS

	2005		2004	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Over-the-counter contingent forward transaction	1,399	—	—	—
Interest rate swap	—	742	—	—
	<u>1,399</u>	<u>742</u>	<u>—</u>	<u>—</u>

#### Over the counter contingent forward transaction

The Group has entered into a forward agreement to purchase certain listed equity securities at a fixed price over a 52-weeks period from the date of the agreement. According to the agreement, the purchase commitment of the Group will be terminated when the market price of the equity securities rises to a pre-determined amount. As at the balance sheet date, the remaining purchase commitment of the Group under the agreement was HK\$48,521,000.

#### Interest rate swap

The Group has entered into a swap agreement which may be callable by the counter party of the swap agreement. According to the swap agreement, the Group will pay an amount determined by the notional amount of US\$5,000,000 at an inter bank interest rate and receive an amount determined by the notional amount of US\$5,000,000 at a fixed interest rate. As at the balance sheet date, the remaining duration of the swap agreement was 9.7 years.

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

## Notes to Financial Statements

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## 23. INVENTORIES

	2005 HK\$'000	2004 HK\$'000
Properties held for sale	88,533	148,883
Properties under development for sale (Note)	159,735	151,583
	<u>248,268</u>	<u>300,466</u>

Note:

During the year ended 31 December 2005, the Group has entered into a joint venture agreement in the form of a jointly controlled asset to construct certain low-rise houses in Hong Kong. At 31 December 2005, the aggregate amount of assets recognised in the financial statements in relation to interests in jointly controlled assets is HK\$6,202,000 (2004: nil).

The remaining balance of HK\$153,533,000 (2004: HK\$151,583,000) represented freehold land in overseas held for future development. The construction is expected to complete 12 months after the balance sheet date.

## 24. TRADE AND OTHER RECEIVABLES

	2005 HK\$'000	2004 HK\$'000
Ageing analysis of trade receivables:		
Within 30 days	2,034	1,597
31 days to 60 days	898	918
61 days to 90 days	800	657
Over 90 days	157	1,027
Trade receivables	<u>3,889</u>	4,199
Other receivables	<u>10,673</u>	4,114
	<u>14,562</u>	<u>8,313</u>

## Notes to Financial Statements

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### 24. TRADE AND OTHER RECEIVABLES (Continued)

The Group has established different credit policies for each of the Group's businesses and allows a credit period of not more than 90 days to its trade customers. The fair value of the Group's trade and other receivables at 31 December 2005 was approximate to the corresponding carrying amount.

### 25. CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and bank deposits carrying at prevailing market interest rate. The carrying amount of these assets approximates their fair value at the balance sheet date.

### 26. OTHER PAYABLES

The fair value of the Group's other payables at 31 December 2005 was approximate to the corresponding carrying amount.

### 27. BANK LOANS

The secured bank loans were repayable over 5 years from the date of the inception of the loans by monthly instalments and bearing interest as determined by a premium over the Hong Kong Interbank Offering Rates, which is equal to the effective interest rate, as follows:

	2005 HK\$'000	2004 HK\$'000
Within one year	15,050	12,050
In the second year	18,000	15,050
In the third to fifth years inclusive	54,700	72,700
	<b>87,750</b>	99,800
Less: Amounts repayable within one year shown under current liabilities	<b>(15,050)</b>	(12,050)
Amount due after one year	<b>72,700</b>	87,750

The fair value of the Group's bank loans as at 31 December 2005 was approximate to the corresponding carrying amount.

## Notes to Financial Statements

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**28. DEFERRED TAXATION**

The following are the major deferred tax liabilities recognised and movements thereon during the current year and the prior period:

	<b>Accelerated depreciation allowances</b> <i>HK\$'000</i>	<b>Revaluation of assets</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 December 2003	—	—	—
Acquisition of subsidiaries	2,994	30,710	33,704
Credit to income statement	(97)	—	(97)
At 31 December 2004 and 1 January 2005	2,897	30,710	33,607
Change in tax rate	—	(3,946)	(3,946)
Charge to income statement	563	17,381	17,944
At 31 December 2005	<u>3,460</u>	<u>44,145</u>	<u>47,605</u>

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At the balance sheet date, the Group has unrecognised tax losses of HK\$10,262,000 (2004: HK\$15,561,000) available for offset against future profits of which HK\$45,000 (2004: HK\$39,000) will be expired in 2008 and HK\$379,000 (2004: Nil) will be expired in 2009 and the remaining losses may be carried forward indefinitely.

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### 29. SHARE CAPITAL

	2005 HK\$'000	2004 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
5,000,000,000 convertible preference shares of HK\$0.01 each	50,000	50,000
	<u>1,050,000</u>	<u>1,050,000</u>
Issued:		
1,229,814,484 (2004: 1,219,814,484) fully paid ordinary shares of HK\$0.1 each	122,982	121,982
3,703,590,076 (2004: 3,851,300,000) partly paid convertible preference shares of HK\$0.01 each	3,703	3,851
	<u>126,685</u>	<u>125,833</u>

#### (a) Capital reorganisation

During the period from 1 December 2003 to 31 December 2004, the Company implemented a capital reorganisation scheme, which involves:

- a reduction (the “Capital Reduction”) in the par value of each existing ordinary share of HK\$0.01 in issue to HK\$0.005 each (the “Reduced Share”) and the application of HK\$30,495,000 of the credit arising to eliminate the accumulated losses of the Company;
- a consolidation of (i) every 20 Reduced Shares into one consolidated share of which par value is HK\$0.1 each (“Consolidated Share”) and (ii) every 10 unissued ordinary shares of HK\$0.01 each into one unissued consolidated ordinary share of which par value is HK\$0.1 each;



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### 29. SHARE CAPITAL (Continued)

#### (a) Capital reorganisation (Continued)

- the cancellation of the share premium of HK\$118,818,000 and the application of the same amount of the credit arising to eliminate the accumulated losses of the Company; and
- the cancellation of the capital reserve amounting to HK\$59,789,000 and the application of the same amount of the credit arising to eliminate the accumulated losses of the Company.

#### (b) Issue of capital

On 24 March 2004, the Immediate Holding Company, which is also the holder of all convertible preference shares of HK\$0.01 each ("CPS") of the Company in issue, contributed HK\$2,676,000 to the Company to pay up 148,700,000 10% partly paid CPS in full. On the same day, the Immediate Holding Company exercised the conversion right of CPS to convert 148,700,000 fully paid CPS into 148,700,000 fully paid ordinary shares of HK\$0.01 each.

On 18 June 2004, the Company issued 304,953,621 Consolidated Shares by way of a rights issue at a subscription price of HK\$0.5 each on the basis of one rights share for every one Consolidated Share held by the shareholders on 28 May 2004 (the "First Rights Issue"). The proceeds from the First Rights Issue of HK\$152,477,000, before related expenses were received by the Company.

On 29 November 2004, the Company issued 609,907,242 Consolidated Shares by way of a rights issue at a subscription price of HK\$0.55 each on the basis of one rights share for every one Consolidated Share held by the shareholders on 9 November 2004 (the "Second Rights Issue"). The proceeds from the Second Rights Issue of HK\$335,449,000, before related expenses were received by the Company.

On 27 June 2005, the Immediate Holding Company contributed HK\$2,658,779 to the Company to pay up 147,709,924 10% partly paid CPS in full. On the same day, the Immediate Holding Company exercised the conversion right of CPS to convert 147,709,924 fully paid CPS into 10,000,000 fully paid Consolidated Shares.

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### 29. SHARE CAPITAL (Continued)

#### (c) CPS

In previous year, 4,000,000,000 CPS were issued partly paid as to 10% of the subscription price of HK\$0.02 per share pursuant to the subscription agreement entered into with the Immediate Holding Company and were subscribed by the Immediate Holding Company. There is no time restriction for the unpaid amount of HK\$72,000,000 of the CPS to be fully paid up. The Company has no right to make calls with respect to amounts unpaid on any partly paid convertible preference shares.

The holder may convert fully paid CPS into new ordinary shares of the Company during the period commencing on 14 September 2001 and ending on the date five years thereafter, inclusive, at any time at the rate of one ordinary shares of HK\$0.01 each for every one fully paid convertible preference share (subject to adjustment). During the period from 1 December 2003 to 31 December 2004, the Company consolidated every 20 ordinary shares in issue into one ordinary share in issue and effected the First Rights Issue which constituted events giving rise to adjustments to the conversion rate of the outstanding CPS. Accordingly, the conversion rate of the outstanding CPS has been adjusted to 14.771 fully paid CPS for one Consolidated Share.

During the period commencing on 14 September 2001 and ending on the date five years thereafter, inclusive, at any time, the holder of the CPS, whether partly paid or fully paid, may require the Company to redeem, to the extent that conversion has not been elected by the holder of the CPS, the outstanding convertible preference shares for the amount paid up. The holder of the CPS has waived its redemption right attached to the CPS. The Company does not have the right to redeem the CPS.

If the CPS are still in issue after five years commencing on 14 September 2001, the holders of the CPS will automatically forfeit all of their redemption/conversion rights under the CPS and the CPS will become preference shares without carrying any conversion or redemption features thereafter. Any paid-up capital of the CPS will continue to be retained in the accounts of the Company.

Any CPS which have been fully paid up will rank *pari passu* for dividends with the ordinary shares from time to time in issue. Partly paid convertible preference shares are not entitled to any dividends.

The holders of the CPS are entitled to receive notices of general meetings, but not to attend or vote.

## Notes to Financial Statements

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## 29. SHARE CAPITAL (Continued)

A summary of the above movements in share capital of the Company is as follows:

## (i) Ordinary shares

	Number of ordinary shares of HK\$0.01 each	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Authorised ordinary shares:			
At 1 December 2003	100,000,000,000	—	1,000,000
Consolidation of 10 existing ordinary shares of HK\$0.01 each into 1 ordinary share of HK\$0.10 each	(100,000,000,000)	10,000,000,000	—
At 31 December 2004 and 31 December 2005	—	10,000,000,000	1,000,000
Issued and fully paid ordinary shares:			
At 1 December 2003	5,950,372,434	—	59,504
Conversion of CPS	148,700,000	—	1,487
The Capital Reduction and consolidation of 20 existing ordinary shares of HK\$0.005 each into 1 ordinary share of HK\$0.10 each	(6,099,072,434)	304,953,621	(30,495)
The First Rights Issue	—	304,953,621	30,495
The Second Rights Issue	—	609,907,242	60,991
At 31 December 2004 and 1 January 2005	—	1,219,814,484	121,982
Conversion of CPS	—	10,000,000	1,000
At 31 December 2005	—	1,229,814,484	122,982

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### 29. SHARE CAPITAL (Continued)

A summary of the above movements in share capital of the Company is as follows:

#### (ii) CPS

	Number of CPS		Amount
			HK\$'000
Authorised CPS:			
At 31 December 2004, and 31 December 2005	5,000,000,000		50,000
	Number of CPS partly paid	Number of CPS fully paid	Amount
			HK\$'000
Issued CPS:			
At 1 December 2003	4,000,000,000	—	4,000
Fully paid up of the CPS	(148,700,000)	148,700,000	1,338
Conversion into ordinary shares	—	(148,700,000)	(1,487)
At 31 December 2004 and 1 January 2005	3,851,300,000	—	3,851
Fully paid up of the CPS	(147,709,924)	147,709,924	1,329
Conversion into ordinary shares	—	(147,709,924)	(1,477)
At 31 December 2005	3,703,590,076	—	3,703

### 30. SHARE OPTIONS

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

## Notes to Financial Statements

31 December 2005

### 30. SHARE OPTIONS *(Continued)*

Pursuant to the share option scheme adopted by the Company on 9 January 2004, eligible participants include any employees (including full-time and part-time employee), directors (including executive, non-executive and independent non-executive director), suppliers of goods and services, customers, business partners or business associates of the Group, consultant or adviser providing consultancy or advisory services in relation to the businesses, trading agents or holders of any securities issued by any member of the Group or any entity in which the Group holds an equity interest. The share option scheme became effective on 9 January 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the share option scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the share option scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Under the share option scheme, share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the share option scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date the grantee accepts the share options and ends on the expiry date of the share option scheme.

The exercise price of the share options granted under the share option scheme is determinable by the directors, but may not be less than the highest of (i) closing price of the Company's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company.

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### 30. SHARE OPTIONS (Continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There was no share option granted under the share option scheme during the current and prior periods or remain outstanding as at 31 December 2005.

### 31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Acquisition of subsidiaries

	From 1 December 2003 to 31 December 2004 <i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	34,751
Prepaid lease payments	120,210
Amount due from a jointly controlled entity	63,750
Inventories	151,583
Trade and other receivables	24,949
Cash and bank balances	6,003
Other payables	(7,630)
Loans advanced	(288,024)
Tax payable	(261)
Deferred taxation	(33,704)
	<u>71,627</u>
Goodwill	17,101
Minority interests	(37,266)
	<u>51,462</u>
Satisfied by cash:	
For the acquisition of net assets	51,462
For the acquisition of loans advanced	262,689
	<u>314,151</u>

## Notes to Financial Statements

31 December 2005

### 31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

#### (a) Acquisition of subsidiaries *(Continued)*

An analysis of the net outflow of cash and bank balances in respect of the acquisition of subsidiaries is as follows:

	From 1 December 2003 to 31 December 2004 <i>HK\$'000</i>
Cash consideration	(314,151)
Cash and bank balances acquired	6,003
Net outflow of cash and bank balances in respect of the acquisition of subsidiaries	<u>(308,148)</u>

The subsidiaries acquired during the period from 1 December 2003 to 31 December 2004 contributed HK\$43,313,000 to the Group's turnover and a profit of HK\$8,660,000 to the profit attributable to shareholders for the period.

#### (b) Major non-cash transactions

During the period from 1 December 2003 to 31 December 2004, 350,689,349 Consolidated Shares were issued and allotted to the Immediate Holding Company under the Second Rights Issue through a setting-off arrangement pursuant to the underwriting agreement for the Second Rights Issue. Under the setting-off arrangement, the subscription monies for the 350,689,349 Consolidated Shares of HK\$192,879,000 were set off against the loans due to the Immediate Holding Company.

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### 32. CAPITAL COMMITMENTS

As at 31 December 2005, the Group's capital commitments in respect of acquisition of property, plant and equipment not provided for in the accounts were as follows:

	2005 HK\$'000	2004 HK\$'000
Contracted for	—	951
Authorised but not contracted for	—	2,631
	<u>—</u>	<u>3,582</u>

### 33. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2005 and the period from 1 December 2003 to 31 December 2004, the Group had the following transactions with related parties:

- (i) During the year ended 31 December 2005, the Group received consultancy service fee income of HK\$240,000 (1 December 2003 — 31 December 2004: HK\$260,000) from a jointly controlled entity. The consultancy service fee income was charged on a monthly basis of HK\$20,000 as agreed by both parties.
- (ii) The amounts due to minority shareholders of subsidiaries were unsecured and with repayable on demand, of which HK\$12,489,000 (2004: HK\$27,639,000) was bearing interest at prevailing market rates and HK\$19,435,000 (2004: HK\$19,435,000) was interest free. During the year ended 31 December 2005, interest of HK\$634,000 (1 December 2003 — 31 December 2004: HK\$167,000) was payable to such minority shareholders.
- (iii) During the year ended 31 December 2005, the Group paid rental expenses and building management fees amounting to HK\$669,000 (1 December 2003 — 31 December 2004: HK\$761,000) in aggregate to an intermediate holding company for the leasing of an administrative office in Hong Kong.
- (iv) During the year ended 31 December 2005, the remuneration of key management being directors' short term benefits amount to HK\$2,571,000 (1 December 2003 — 31 December 2004: HK\$2,755,000). The remuneration of directors is determined by having regard to the performance of individuals and market trends.



## Notes to Financial Statements

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### 33. RELATED PARTY TRANSACTIONS (Continued)

- (v) As at 31 December 2005, a director of the Ultimate Holding Company granted a guarantee to a bank to secure the liabilities of the Group to the extent of HK\$22,000,000 (2004: Nil).
- (vi) During the period from 1 December 2003 to 31 December 2004, the Ultimate Holding Company entered into a sale and purchase agreement with the Group to transfer of the entire interest in Success Ever Limited for the consideration of HK\$63,750,000 which represents the par value of the acquired share capital plus the face value of outstanding loans due from Success Ever Limited to the Ultimate Holding Company. The arrangement was to enable the Group to acquire a 50% interest in a substantial part of a commercial building at Rua do Dr. Pedro Jose Lobo, Av. Do Infante D. Henrique, and Av. Doutor Mario Soares in Macau together with an independent third party for a consideration of HK\$212,500,000.
- (vii) During the period from 1 December 2003 to 31 December 2004, the Group entered into a sale and purchase agreement with the Ultimate Holding Company for the acquisition of the entire interests in Sinocharm Trading Limited in turn to acquire the entire interests in The Hong Kong Ice & Cold Storage Company Limited, a leading crushed tube ice manufacturer in Hong Kong, for the consideration of HK\$158,000,000 which represents the par value of the acquired share capital plus the face value of outstanding loans due from Sinocharm Trading Limited to the Ultimate Holding Company.
- (viii) During the period from 1 December 2003 to 31 December 2004, the Company, the Immediate Holding Company and a company (the "Underwriter") beneficially owned by a director of the Ultimate Holding Company, entered into underwriting agreements relating to the First Rights Issue and the Second Rights Issue. Pursuant to the underwriting agreements, an underwriting commission of HK\$1,380,000 for the First Rights Issue and HK\$2,878,000 for the Second Rights Issue, being 2% of the total subscription price of the rights shares underwritten by the Underwriter, were paid to the Underwriter. Pursuant to the underwriting agreements, the Immediate Holding Company also undertook to subscribe 166,923,012 Consolidated Shares for the First Rights Issue and 348,286,025 Consolidated Shares for the Second Rights Issue. As the Immediate Holding Company also applied for excess rights shares, on completion of the rights issues, 181,363,013 Consolidated Shares for the First Rights Issue and 350,689,349 Consolidated Shares for the Second Rights Issue were issued and allotted to the Immediate Holding Company.

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### 34. OPERATING LEASE ARRANGEMENTS

#### As Lessee

The Group leases certain of its office properties, vehicle parking spaces and factory premises under operating lease arrangements. Leases for properties are negotiated for terms from three months to two years.

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

	2005 HK\$'000	2004 HK\$'000
Within one year	209	662
In the second to fifth years inclusive	—	91
	<u>209</u>	<u>753</u>

#### As Lessor

The Group leases certain of its inventories under operating lease arrangements with lease terms for less than three years. As at 31 December 2005, total future minimum lease payments under non-cancellable operating leases are as follows:

	2005 HK\$'000	2004 HK\$'000
Within one year	4,038	—
In the second to fifth years inclusive	3,330	—
	<u>7,368</u>	<u>—</u>

## Notes to Financial Statements

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### 35. PLEDGE OF ASSETS

As at 31 December 2005, certain assets of the Group were pledged to secure credit facilities granted to the Group, as follows:

- (a) legal charge over all of the Group's medium term leasehold land with an aggregate net book value of HK\$117,037,000 (2004: HK\$119,857,000);
- (b) legal charge over all of the Group's buildings with an aggregate net book value of HK\$31,925,000 (2004: HK\$32,694,000);
- (c) the pledge of certain short term investments of the Group of HK\$54,184,000 (2004: HK\$75,563,000);
- (d) the pledge of all interest in derivative financial instruments of the Group of HK\$1,399,000 (2004: Nil);
- (e) floating charge over certain receivables of the Group of HK\$10,770,000 (2004: HK\$5,457,000); and
- (f) floating charge over certain cash in bank of the Group of HK\$12,406,000 (2004: HK\$4,032,000).

### 36. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

#### **Depreciation and amortization**

The Group's carrying value of plant and equipment as at 31 December 2005 was HK\$5,830,000. The Group depreciates the plant and equipment on a straight line basis over the estimated useful life of 4 to 10 years, and after taking into account of their estimated residual value, using the straight-line method commencing from the date the equipment is placed into intended use. The estimated useful life and dates that the Group places the equipment into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant, equipment.

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### 36. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

#### **Estimated impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2005, the carrying amount of goodwill is HK\$16,994,000. Details of the recoverable amount calculation are disclosed in note 18.

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank loans, trade receivables, amounts due from jointly controlled entities, cash and bank balances, investments, other receivables, amount due to minority interest and other payables. 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) Cash flow interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank borrowings. The interest rate and terms of repayment of bank borrowings of the Group are disclosed in note 27. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

##### **(ii) Price risk**

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

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### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 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. In order to minimise the credit risk, the management of the Group 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 debts. In addition, the Group reviews the recoverable amount of each individual trade debt 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 credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

### 38. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2005 are as follow:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
<b>Directly held:</b>				
City Power Services Limited	British Virgin Islands	US\$1	100%	Inactive
Newcott Limited	British Virgin Islands	US\$10,000	100%	Investment holding
Noble Prime International Limited	British Virgin Islands	US\$1	100%	Investment holding
Power Charm International Limited	British Virgin Islands	US\$1	100%	Investment holding
Sinocharm Trading Limited	British Virgin Islands	US\$1	100%	Investment holding

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### 38. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held:</i>				
Acestart Investments Limited	British Virgin Islands/ Macau	US\$1	70.5%	Property trading and investment
Century Leader Profits Limited	British Virgin Islands	US\$1	100%	Inactive
Genius Star Investments Limited	British Virgin Islands/Macau	US\$1	100%	Financial investment
Glentech International Company Limited	Hong Kong	HK\$2	100%	Provision of consultancy services
Hin Rich International Limited	British Virgin Islands/ Macau	US\$1	58%	Property trading and investment
Imperial Profit Investment Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Financial investment
Kam Yuen Property Investment Limited	Macau	MOP30,000	58%	Property investment and development

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## 38. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (Continued)</i>				
New Cosmos Holdings Limited	British Virgin Islands	US\$100	58%	Investment holding
Noble Gainer Limited	Hong Kong	HK\$2	100%	Inactive
Power Giant Limited	British Virgin Islands/ Macau	US\$1	100%	Property trading and investment
Profit Sphere International Limited	British Virgin Islands	US\$1	100%	Investment holding
Sheen Concord Enterprises Limited	Hong Kong	HK\$2	100%	Property development
Success Ever Limited	British Virgin Islands	US\$1	100%	Investment holding
The Hong Kong Ice & Cold Storage Company Limited	Hong Kong	HK\$500,000	100%	Ice manufacturing and provision of cold storage
Think Bright Limited	British Virgin Islands/Macau	US\$200	70.5%	Property trading and investment
Top Vision Assets Limited	British Virgin Islands	US\$1	100%	Investment holding

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.