Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

1. GENERAL

The Company is a public listed company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Nan Luen International Limited. The directors consider that the Company's ultimate holding company is JCS Limited, a company also incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 50.

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

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

In the current year, the Group has 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 and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new 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 years are prepared and presented.

The impact of these changes in accounting policies is discussed below. The impact on basic and diluted earnings per share is discussed in note 16.

Business Combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations", which is effective for business combinations for which the agreement date is on or after 1st January, 2005 and for goodwill and negative goodwill existed on 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. The Group has derecognised all negative goodwill at 1st January, 2005 with a corresponding increase to retained profits at 1st January, 2005.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

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

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. The application of HKAS 32 did not have material effect on the financial statements. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. 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 classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice "SSAP" 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" is included in income statement. Unrealised gains or losses on "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit and loss for that period. From 1st January, 2005 onwards, the Group classifies and measures its debts 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". The classification depends on the purpose for which the assets are acquired. "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 income statement and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

At 1st January, 2005, the Group reclassified its trading securities with a carrying amount of HK$796,000 to held for trading investments and reclassified its non-trading securities with carrying amount of HK$86,893,000 to available-for-sale investments.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures 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 "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

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

Financial Instruments *(Continued)*

Financial assets and financial liabilities other than debt and equity securities (Continued)

The carrying amounts of amounts due to minority shareholders and other payables are adjusted for the effect of imputed interest based on the prevailing market rate as at the date of grant and are carried at amortised cost using the effective interest method subsequent to 1st January 2005.

Leases

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, 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 allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to "prepaid lease payments", which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment Properties

In the current year, the Group has applied HKAS 40 "Investment Property". 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 the income statement for the period in which they arise. In previous years, investment properties under SSAP 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elect to apply HKAS 40 from 1st January, 2005 onwards. The amount previously held in investment property revaluation reserve at 1st January, 2005 has been transferred to retained profits.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

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

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HKAS – Int 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that will follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS – Int 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1st January, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st January, 2005 in accordance with the relevant transitional provisions. This change has had no material effect on the results to the current or prior years.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Group is in the process of assessing the potential impact of these new HKFRSs and so far concluded that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

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]

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

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

[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.

Summary of the effects of the changes in accounting policies

The effects of the adoption of new HKFRSs on the results for the year ended 31st December, 2005 are as follows:

	HKAS 32 & HKAS 39 *HK$'000*	HKAS 40 *HK$'000*	HKAS – Int 21 *HK$'000*	HKFRS 3 *HK$'000*	Total effect *HK$'000*
Decrease in release of negative goodwill	–	–	–	(45,989)	(45,989)
Recognition of discount on acquisition	–	–	–	36,787	36,787
Fair value changes on investment properties	–	1,251,078	–	–	1,251,078
Increase in imputed interest expense on other payables	(808)	–	–	–	(808)
Increase in imputed interest expense on amounts due to minority shareholders	(3,740)	–	–	–	(3,740)
Increase in deferred tax on revaluation of investment properties	–	(99,322)	(141,263)	–	(240,585)
(Decrease) increase in profit for the year	(4,548)	1,151,756	(141,263)	(9,202)	996,743
Attributable to:					
Equity holders of the Company	(808)	1,140,993	(140,837)	(9,202)	990,146
Minority interests	(3,740)	10,763	(426)	–	6,597
	(4,548)	1,151,756	(141,263)	(9,202)	996,743

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

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

Summary of the effects of the changes in accounting policies *(Continued)*

Analysis of increase (decrease) in profit for the year by the line items presented according to their nature is as follows:

	HKAS 32 & HKAS 39	HKAS 40	HKAS – Int 21	HKFRS 3	Total effect
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in release of negative goodwill	–	–	–	(45,989)	(45,989)
Recognition of discount on acquisition	–	–	–	36,787	36,787
Fair value changes on investment properties	–	1,251,078	–	–	1,251,078
Increase in finance costs	(4,548)	–	–	–	(4,548)
Increase in income tax expense	–	(99,322)	(141,263)	–	(240,585)
(Decrease) increase in profit for the year	(4,548)	1,151,756	(141,263)	(9,202)	996,743

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

Summary of the effects of the changes in accounting policies *(Continued)*

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

	As at 31st December, 2004 (originally stated)	Retrospective adjustments			As at 31st December, 2004 (restated)	Adjustments on 1st January, 2005			As at 1st January, 2005 (restated)
		HKAS 1	HKAS 17	HKAS – Int 21		HKAS 32 & 39	HKAS 40	HKFRS 3	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance sheet items									
Property, plant and equipment	795,237	–	(409,813)	–	385,424	–	–	–	385,424
Prepaid lease payments	–	–	409,813	–	409,813	–	–	–	409,813
Negative goodwill	(225,164)	–	–	–	(225,164)	–	–	225,164	–
Other investments	96,263	–	–	–	96,263	(96,263)	–	–	–
Club memberships	–	–	–	–	–	8,574	–	–	8,574
Available-for-sale investments	–	–	–	–	–	86,893	–	–	86,893
Held for trading Investments	–	–	–	–	–	796	–	–	796
Amounts due to minority shareholders	–	(91,897)	–	–	(91,897)	7,350	–	–	(84,547)
Other payables – due after one year	(18,800)	–	–	–	(18,800)	1,617	–	–	(17,183)
Deferred taxation	(39,613)	–	–	(126,900)	(166,513)	–	–	–	(166,513)
Total effects on assets and liabilities	607,923	(91,897)	–	(126,900)	389,126	8,967	–	225,164	623,257
Retained profits	1,983,286	–	–	–	1,983,286	1,617	487,438	225,164	2,697,505
Investment property revaluation reserve	613,603	–	–	(126,165)	487,438	–	(487,438)	–	–
Minority interests	914,082	(91,897)	–	(735)	821,450	7,350	–	–	828,800
Total effects on equity	3,510,971	(91,897)	–	(126,900)	3,292,174	8,967	–	225,164	3,526,305
	(2,903,048)	–	–	–	(2,903,048)	–	–	–	(2,903,048)

The effect on the adoption of new HKFRSs to the Group's equity at 1st January, 2004 was to decrease the investment property revaluation reserve by HK$73,012,000 due to the application of HKAS – Int 21 as mentioned on page 42.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

The principal accounting policies adopted are as follows:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of 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.

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.

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests in subsidiaries are recorded at historical cost and the excess of the carrying amounts of net assets attributable to the additional interests over the cost of acquisition is recognised as discount on acquisition.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Discount on acquisition

A discount on acquisition arising on an acquisition for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

As explained in Note 2 above, all negative goodwill as at 1st January, 2005 has been derecognised with a corresponding adjustment to the Group's retained profits.

Goodwill

Capitalised goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Such goodwill is carried at cost less any accumulated impairment losses.

Impairment testing on capitalised goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity 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. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The results and assets and liabilities of jointly controlled entities are incorporated in these 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 net assets of the jointly controlled entities, less any impairment in the value of individual investments. Losses of an joint ventures in excess of the Group's interest in that jointly controlled entities (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entities) are not recognised.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

Others

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised 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.

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

Investment property including land under operating lease arrangement, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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 asset) is included in the income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, 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.

Property under development

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Properties under development are classified under property, plant and equipment and are stated at cost less any identified impairment loss. Cost comprises property development costs including attributable borrowing costs and charges capitalised during the development period.

Impairment losses (other than goodwill, club memberships with indefinite useful lives (see the accounting policies in respect of goodwill and club memberships))

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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 that 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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.

Financial assets

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments other than held-to-maturity debt securities are classified as either held for trading investments or as available-for-sale investments, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Loan 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 receivables, amounts due from associates and jointly controlled entities, pledged bank deposits and other loans receivable) are carried at amortised cost using the effective interest method, less any identified impairment loss. 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(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. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities

Other financial liabilities including payables, sales deposits on properties for sale received and amounts due to minority shareholders are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Club memberships

On initial recognition, club memberships are recognised at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Gains or losses arising from derecognition of a club membership are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Club memberships with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Club memberships *(Continued)*

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Properties held for sale

Properties under development held for sale in the ordinary course of business are classified under current assets and are stated at the lower of cost and net realisable value. Cost comprises property interest in leasehold land and development costs including attributable borrowings costs and charges capitalised during the development period that have been incurred in bringing the properties under development held for sale to their present location and condition. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing, selling and distribution.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

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 the Consolidated Financial Statements

For the year ended 31st December, 2005

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 and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group'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 the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary 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 and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange 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 retranslation of monetary items, are included in profit or loss for the period. 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. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state managed retirement benefit scheme/ the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, which are described in note 3, management has made the following estimation that have the most significant effect on the amounts recognised in the financial statements.

Provision for compensation

A provision of HK$15 million has been made in the financial statements for the compensation to the previous owners of the land of the property (note 32). The provision has been made by reference to the statutory requirements and other relevant signed agreements.

Write down of properties held for sale

The Group makes a write down of properties held for sale based on an assessment of the net realisable value of properties held for sale. Allowances are applied to properties held for sale where events or changes in circumstances indicate that the net realisable value is lower than the cost of properties held for sale. The determination requires the use of estimates.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include investments, loans and receivables, pledged bank deposits, bank balances and deposits, borrowings and other financial liabilities.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the balance sheet date 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 minimize the credit risk, the management of the Group has 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 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.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are licensed banks.

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

Market risk

Cash flow interest rate risk

The Group has exposures to interest rate risk as its borrowings are subject to floating interest rates. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates borrowings to fixed rates, to manage interest rate exposure.

Currency risk

Certain bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Price risk

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

6. REVENUE

	2005 HK$'000	2004 HK$'000
Gross rental income	**128,152**	214,056
Gross proceeds from sale of properties	**767,653**	196,362
Gross invoiced sales of goods	**41,436**	61,053
Agency and service fees income	**487**	582
Dividend income	**1,771**	2,005
Project management fee income	**664**	664
	940,163	474,722

7. GEOGRAPHICAL AND BUSINESS SEGMENTS

Geographical segments

The operations of the Group are currently located in New Zealand, Australia, Greater China other than Hong Kong (the "PRC") and Hong Kong. The corresponding geographical locations of the Group's assets are the basis on which the Group reports its primary segment information.

Income Statement for the year ended 31st December, 2005

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	207,216	187,758	3,265	541,924	–	–	940,163
Inter-segment sales*	–	–	–	43,096	–	(43,096)	–
Total revenue	207,216	187,758	3,265	585,020	–	(43,096)	940,163

* *Inter-segment sales are charged at prevailing market rates.*

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULT							
Segment profit (loss)	(22,807)	16,602	380,654	1,176,124	(20,472)	–	1,530,101
Interest income							44,884
Recognition of discount on acquisition	36,787	–	–	–	–	–	36,787
Unallocated corporate expenses							(95,866)
Share of results of associates	(3,359)	–	–	–	–	–	(3,359)
Share of results of jointly controlled entities	–	–	(290)	–	–	–	(290)
Finance costs							(75,869)
Profit before taxation							1,436,388
Income tax expense							(287,264)
Profit for the year							1,149,124

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

7. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Other Information for the year ended 31st December, 2005

	New Zealand *HK$'000*	Australia *HK$'000*	PRC *HK$'000*	Hong Kong *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Capital additions	35,179	8,013	70,579	3,170	372	117,313
Depreciation and amortisation	2,775	401	280	1,444	181	5,081
Gain (loss) on disposal of property, plant and equipment	62	(4)	–	26	–	84
Fair value changes on investment properties	(8,653)	(591)	408,072	852,250	–	1,251,078
Loss on disposal of investment properties	2,424	–	–	–	–	2,424
Net loss on disposal of investments	–	–	–	900	–	900
Write down of properties held for sale	16,537	–	–	–	19,696	36,233
Allowance for trade and other receivables	469	–	–	3	–	472
Gain on disposal of subsidiaries engaging in property investment and development	–	–	11,818	–	–	11,818
Net exchange gain (loss)	–	7,383	(24)	(2,289)	–	5,070

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

7. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Balance Sheet at 31st December, 2005

	New Zealand *HK$'000*	Australia *HK$'000*	PRC *HK$'000*	Hong Kong *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	753,544	272,530	905,268	5,728,233	5,296	7,664,871
Interests in associates	15,330	–	–	–	–	15,330
Amount due from an associate	34,172	–	–	–	–	34,172
Amounts due from jointly controlled entities	–	–	6,100	–	–	6,100
Income tax recoverable						1,544
Unallocated corporate assets						979,102
Consolidated total assets						8,701,119
LIABILITIES						
Segment liabilities	57,829	3,322	87,830	331,260	2,658	482,899
Borrowings						2,429,971
Amounts due to minority shareholders						212,325
Income tax payable						63,610
Deferred taxation						397,214
Consolidated total liabilities						3,586,019

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

7. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Income Statement for the year ended 31st December, 2004

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	321,572	22,519	4,276	126,355	–	–	474,722
Inter-segment sales*	–	–	–	39,223	–	(39,223)	–
Total revenue	321,572	22,519	4,276	165,578	–	(39,223)	474,722

* *Inter-segment sales are charged at prevailing market rates.*

RESULT							
Segment profit (loss)	139,682	9,758	(7,425)	97,939	(906)	–	239,048
Interest income							67,710
Unallocated corporate expenses							(39,632)
Share of results of associates	3,354	–	–	–	–	–	3,354
Share of results of jointly controlled entities	–	–	(3,689)	–	–	–	(3,689)
Finance costs							(121,060)
Profit before taxation							145,731
Income tax expense							(2,156)
Profit for the year							143,575

Other Information for the year ended 31st December, 2004

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	334,576	–	40,692	44,086	–	419,354
Depreciation and amortisation	1,488	365	290	1,905	17	4,065
Fair value changes on investments	–	–	–	3,344	–	3,344
Loss on disposal of investment properties	86,758	14,045	–	–	–	100,803
Loss on disposal of investments	2,778	–	–	–	–	2,778
Allowance for trade and other receivables	179	90	–	5,180	–	5,449
Gain on disposal of subsidiaries engaging in property investment and development	34,922	42,508	–	–	–	77,430
Release of negative goodwill	25,959	1,203	–	12,266	–	39,428
Net exchange gain (loss)	–	6,490	(19)	807	–	7,278

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

7. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Balance Sheet at 31st December, 2004

	New Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	1,230,855	491,458	470,015	4,604,564	22,732	6,819,624
Interests in associates	18,340	–	–	–	–	18,340
Amounts due from associates	33,950	–	–	–	–	33,950
Interests in jointly controlled entities	–	–	290	–	–	290
Amounts due from jointly controlled entities	–	–	2,790	–	–	2,790
Income tax recoverable						1,593
Unallocated corporate assets						871,185
Consolidated total assets						7,747,772
LIABILITIES						
Segment liabilities	118,383	49,241	113,014	97,477	564	378,679
Borrowings						3,197,275
Income tax payable						19,818
Amounts due to minority shareholders						91,897
Deferred taxation						166,513
Consolidated total liabilities						3,854,182

Business segments

The Group is currently organised into four operating divisions – property investment, garment manufacturing and trading, investment and property development.

Principal activities are as follows:

Property investment	–	rental of properties
Garment manufacturing and trading	–	manufacturing and trading of garment products
Investment	–	investment in financial instruments
Property development	–	development of properties

Other than the garment manufacturing and trading with location of its operations mainly in Hong Kong, all the above divisions are operating in New Zealand, Australia, PRC and Hong Kong.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

7. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

Business segments *(Continued)*

The following table provides an analysis of the Group's sales revenue by business segment:

	Sales revenue by business segment	
	2005	2004
	HK$'000	*HK$'000*
Property investment	**128,152**	214,056
Garment manufacturing and trading	**31,287**	57,049
Investment	**1,771**	2,005
Property development	**767,653**	196,362
Others	**11,300**	5,250
	940,163	474,722

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment analysed by business segments:

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
Property investment	**3,638,792**	4,183,739	**7,592**	379,281
Garment manufacturing and trading	**7,164**	16,351	**6**	9
Investment	**110,149**	164,990	**1,220**	454
Property development	**4,640,907**	2,851,761	**106,551**	39,610
Others	**5,524**	58,205	**–**	–
Unallocated corporate assets	**298,583**	472,726	**1,944**	–
	8,701,119	7,747,772	**117,313**	419,354

8. PROPERTY AND RELATED COSTS

	2005	2004
	HK$'000	*HK$'000*
Changes in inventories of manufactured finished goods and work-in-progress	**(1,138)**	1,480
Raw materials and consumables used	**(12,875)**	(17,860)
Purchase of goods held for resale	**(1,523)**	(1,278)
Changes in inventories of properties held for sale	**527,534**	1,853,735
Costs incurred on properties held for sale	**(987,245)**	(1,994,662)
	(475,247)	(158,585)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

9. NET (LOSS) GAIN ON INVESTMENTS

	2005	2004
	HK$'000	*HK$'000*
Fair value changes on held for trading/other investments	**(12)**	3,344
Net (loss) gain on disposal of investments (note)	**(900)**	2,778
Others	**92**	(22)
	(820)	6,100

Note: Amount included decrease in fair value on available-for-sale investments of HK$866,000 (2004: Nil) released from investments revaluation reserve.

10. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Facilities charges	**38**	6,473
Interest on:		
Bank loans wholly repayable within 5 years	**52,216**	110,332
Other loans wholly repayable within 5 years	**50,326**	822
Bank loans not wholly repayable within 5 years	**4,234**	6,464
Other loans not wholly repayable within 5 years	**7,178**	–
Bonds	**–**	7,241
Imputed interest on amounts due to minority shareholders	**3,740**	–
Imputed interest on other payables	**808**	–
	118,540	131,332
Less: Amounts capitalised to property development projects	**(42,671)**	(10,272)
	75,869	121,060

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7% (2004: 6%) to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

11. PROFIT BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Auditors' remuneration		
Current year	**3,858**	2,720
Underprovision for prior years	**–**	288
Allowance for trade and other receivables	**472**	5,449
Directors' emoluments *(note 12)*	**62,092**	13,678
Minimum lease payments under operating leases	**8,569**	8,076
and crediting:		
Gross rental income from investment properties	**128,093**	212,740
Less: direct operating expenses from investment properties that generate rental income during the year	**(11,592)**	(20,039)
Net rental income from investment properties	**116,501**	192,701
Rental income from other properties	**59**	1,316
	116,560	194,017
Interest earned on bank deposits	**34,457**	58,796
Other interest income	**10,427**	8,914
	44,884	67,710
Gain on disposal of property, plant and equipment	**84**	–
Dividend income from equity investments	**1,771**	2,005
Net exchange gain	**5,070**	7,278

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors are as follows:

	Lu Wing Chi	Lincoln Lu	Lambert Lu	Lu Wing Yuk, Andrew	Tse Man Bun	Lu Wing Lin	Lu Yong Lee	Walujo Santoso Wally	Leung Hok Lim	Chung Pui Lam	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005											
Fees	20	20	20	20	20	20	18	130	150	150	568
Other emoluments											
Salaries and other remuneration	3,000	1,320	1,320	480	2,400	440	–	–	–	–	8,960
Retirement benefits scheme contribution	450	132	132	60	240	66	–	–	–	–	1,080
Discretionary and performance based bonus	40,787	3,399	3,399	–	3,399	500	–	–	–	–	51,484
Total emolument	**44,257**	**4,871**	**4,871**	**560**	**6,059**	**1,026**	**18**	**130**	**150**	**150**	**62,092**
2004											
Fees	20	20	20	20	2	20	20	120	150	32	424
Other emoluments											
Salaries and other remuneration	2,700	1,200	1,300	438	200	1,980	–	–	–	–	7,818
Retirement benefits scheme contribution	405	120	120	53	20	297	–	–	–	–	1,015
Discretionary and performance based bonus	3,721	200	200	–	–	300	–	–	–	–	4,421
Total emolument	6,846	1,540	1,640	511	222	2,597	20	120	150	32	13,678

The discretionary and performance bonus to the executive directors is calculated based on the profit before taxation less profit attributable to minority interests of the Group.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2004: two) were directors of the Company whose emoluments are included in the disclosures in note 12. The emoluments of the remaining one (2004: three) individual were as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other remuneration	**5,431**	6,800
Performance based bonus	**–**	1,034
Retirement benefits scheme contribution	**–**	–
	5,431	7,834

Their emoluments were within the following bands:

	2005 **Number of employees**	2004 Number of employees
HK$1,500,001 to HK$2,000,000	**–**	2
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
	1	3

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

14. INCOME TAX EXPENSE

	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
Current year		
Hong Kong	**44,389**	654
Other regions in the PRC	**–**	626
Other jurisdictions	**1,419**	164
	45,808	1,444
Overprovision in prior years		
Hong Kong	**–**	(135)
Other jurisdictions	**(77)**	–
	45,731	1,309
Deferred tax		
Current year	**241,533**	847
	287,264	2,156

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of deferred taxation are set out in note 38.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

14. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled from income tax expense based on profit per the income statement as follows:

	Hong Kong and PRC		New Zealand, Australia and others		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit before taxation	**1,431,768**	30,021	**4,620**	115,710	**1,436,388**	145,731
Applicable income tax rate	**17.5%**	17.5%	**33%**	33%		
Tax at the applicable income tax rate	**250,559**	5,254	**1,525**	38,184	**252,084**	43,438
Tax effect of expenses not deductible for tax purpose	**7,594**	1,766	**33,646**	20,400	**41,240**	22,166
Tax effect of income not taxable for tax purpose	**(33,483)**	(3,359)	**(13,837)**	(37,411)	**(47,320)**	(40,770)
Overprovision in prior years	**–**	(135)	**(77)**	–	**(77)**	(135)
Tax effect of (utilisation of losses previously not recognised) losses not recognised, net	**14,695**	(2,257)	**(20,520)**	(22,584)	**(5,825)**	(24,841)
Tax effect of decrease in deferred tax assets on deductible temporary differences not recognised	**(656)**	(680)	**–**	–	**(656)**	(680)
Withholding tax on dividend income	**–**	–	**315**	–	**315**	–
Effect of different tax rates of subsidiaries operated in other jurisdictions	**47,224**	457	**(322)**	(278)	**46,902**	179
Others	**168**	651	**433**	2,148	**601**	2,799
Income tax expense for the year	**286,101**	1,697	**1,163**	459	**287,264**	2,156

15. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Final – HK6 cents per share (2004: HK6 cents)	**33,094**	30,692
Interim – HK4 cents per share (2004: HK4 cents)	**21,462**	20,466
	54,556	51,158

A final dividend of HK6 cents (2004: HK6 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

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For the year ended 31st December, 2005

16. 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:

	2005	2004
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**1,072,273**	120,492

	Number of shares	
	2005	2004
Weighted average number of ordinary shares for the purposes of basic earnings per share	**523,677,685**	511,353,614
Effect of dilutive potential ordinary shares		
Options	**12,697,452**	8,301,278
Warrants	**59,666,538**	39,386,622
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**596,041,675**	559,041,514

Impact of changes in accounting policies

Changes in Group's accounting policies during the year are described in details in note 2. To the extent that changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		**Impact on diluted earnings per share**	
	2005	2004	**2005**	2004
	HK cents	*HK cents*	***HK cents***	*HK cents*
Figures before changes in accounting policies	**15.7**	23.6	**13.8**	21.6
Effect on changes in accounting policies	**189.1**	–	**166.1**	–
Figures after changes in accounting polices	**204.8**	23.6	**179.9**	21.6

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For the year ended 31st December, 2005

17. INVESTMENT PROPERTIES

	New Zealand and Australia held under freehold	Hong Kong held under long leases	Hong Kong held under medium-term leases	PRC held under long leases	PRC held under medium-term leases	Australia held under long leases	New Zealand held under medium–term leases	New Zealand held under long leases	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
AT FAIR VALUE									
At 1st January, 2004	1,695,338	81,000	1,800,000	–	39,300	147,066	19,575	119,208	3,901,487
Exchange adjustments	96,802	–	–	–	–	7,782	1,994	15,783	122,361
Additions	42,479	43,619	–	–	1,083	–	135	76,960	164,276
Acquired on acquisition of subsidiaries	22,955	–	–	–	–	–	–	–	22,955
Disposals	(785,776)	–	–	–	–	–	–	–	(785,776)
Transfer to properties under development	(105,693)	–	–	–	–	–	–	(40,095)	(145,788)
(Deficit) surplus on valuation	(36,987)	53,731	300,000	–	129	21,812	(308)	6,912	345,289
At 31st December, 2004	929,118	178,350	2,100,000	–	40,512	176,660	21,396	178,768	3,624,804
Exchange adjustments	(21,388)	–	–	–	767	(10,335)	(708)	(3,978)	(35,642)
Additions	115	–	–	–	–	–	–	–	115
Transfer from property, plant and equipment	214	–	–	273,142	–	–	–	–	273,356
Transfer from prepaid lease payments	–	–	–	32,810	–	–	–	–	32,810
Eliminated on disposal of subsidiaries	–	–	–	–	(63,168)	–	–	–	(63,168)
Disposals	(868,057)	–	–	–	–	–	–	–	(868,057)
Transfer to properties held for sale	(1,427)	–	–	–	–	–	(20,920)	(174,790)	(197,137)
(Decrease) increase in fair value	(8,194)	52,250	800,000	386,184	21,889	(592)	(459)	–	1,251,078
Reallocation	(7,892)	–	–	–	–	–	7,892	–	–
At 31st December, 2005	**22,489**	**230,600**	**2,900,000**	**692,136**	**–**	**165,733**	**7,201**	**–**	**4,018,159**

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

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For the year ended 31st December, 2005

17. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties have been revalued as at 31st December, 2005 on the basis carried out at that date by independent professional valuers as follows:

Properties situated in	**Name of independent professional valuers**
New Zealand and Australia held under freehold	CB Richard Ellis Limited, Colliers International New Zealand Limited
Hong Kong held under medium-term and long leases	Chesterton Petty Limited
PRC held under medium-term leases	Chesterton Petty Limited
PRC held under long leases	DTZ Debenham Tie Leung Limited
Australia held under long leases	Colliers International Consultancy and Valuation Pty Limited
New Zealand held under medium-term and long leases	CB Richard Ellis Limited

The above valuers are not connected with the Group. They are members of Institute of valuers, and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at using two primary methods, namely the comparison approach and the income capitalisation approach.

All the Group's investment properties are rented out under operating leases.

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18. PROPERTY, PLANT AND EQUIPMENT

	Properties under development	Buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st January, 2004	387,616	523	20,171	10,488	3,007	2,635	424,440
Effect of changes in accounting policies *(note 2)*	(177,925)	–	–	–	–	–	(177,925)
At 1st January, 2004 (as restated)	209,691	523	20,171	10,488	3,007	2,635	246,515
Exchange adjustments	17,732	(34)	1,158	353	–	–	19,209
Additions	128,257	–	3,417	2,752	–	–	134,426
Acquired on acquisition of subsidiaries	95,475	–	1,788	434	–	–	97,697
Amortisation of prepaid lease payments capitalised	5,525	–	–	–	–	–	5,525
Transfer from investment properties	145,788	–	–	–	–	–	145,788
Disposals	–	–	(925)	(2,057)	–	–	(2,982)
Disposed on disposal of subsidiaries	(8,373)	–	–	–	–	–	(8,373)
Transfer to properties held for sale	(222,006)	–	–	–	–	–	(222,006)
At 1st January, 2005	372,089	489	25,609	11,970	3,007	2,635	415,799
Exchange adjustments	3,434	(21)	(732)	(448)	(4)	(94)	2,135
Additions	102,337	–	4,344	8,548	6	1,963	117,198
Amortisation of prepaid lease payments capitalised	5,606	–	–	–	–	–	5,606
Disposals	–	–	(841)	(1,672)	(17)	–	(2,530)
Transfer to properties held for sale	(199,964)	–	–	–	–	–	(199,964)
Transfer to investment properties	(273,142)	–	(214)	–	–	–	(273,356)
Reallocation	–	–	(66)	–	66	–	–
At 31st December, 2005	**10,360**	**468**	**28,100**	**18,398**	**3,058**	**4,504**	**64,888**
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2004	–	155	17,166	6,096	1,618	2,451	27,486
Exchange adjustments	–	(12)	727	100	–	–	815
Provided for the year	–	19	1,905	1,949	139	53	4,065
Eliminated on disposals	–	–	(772)	(1,219)	–	–	(1,991)
At 1st January, 2005	–	162	19,026	6,926	1,757	2,504	30,375
Exchange adjustments	–	(7)	(502)	(27)	(1)	(11)	(548)
Provided for the year	–	16	2,384	1,719	168	794	5,081
Eliminated on disposals	–	–	(623)	(1,126)	(11)	–	(1,760)
At 31st December, 2005	**–**	**171**	**20,285**	**7,492**	**1,913**	**3,287**	**33,148**
CARRYING VALUES							
At 31st December, 2005	**10,360**	**297**	**7,815**	**10,906**	**1,145**	**1,217**	**31,740**
At 31st December, 2004	372,089	327	6,583	5,044	1,250	131	385,424

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For the year ended 31st December, 2005

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% to 4%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Plant and machinery	10%
Leasehold improvements	25%

In addition, following the adoption of HKAS 16 "Property, Plant and Equipment", which is effective for the current accounting period, the Group has reviewed the residual values used for the purposes of depreciation calculations in the light of the amended definition of residual value in the Standard. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. In line with the new requirements, these residual values will be reviewed and updated annually in the future.

The carrying values of properties shown above comprises:

	Properties under development		**Buildings**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)
In PRC held under long leases	**–**	194,315	**93**	97
In Hong Kong held under medium-term leases	**10,360**	5,334	**–**	–
In New Zealand held under freehold	**–**	172,440	**–**	–
In Indonesia under long leases	**–**	–	**204**	230
	10,360	372,089	**297**	327

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For the year ended 31st December, 2005

19. PREPAID LEASE PAYMENTS

	2005	2004
	HK$'000	*HK$'000*
Leasehold land in Hong Kong:		
Medium-term lease	**332,441**	337,468
Leasehold land outside Hong Kong:		
Long-term lease	**–**	72,345
	332,441	409,813
Analysed for reporting purposes as:		
Current	**5,076**	5,606
Non-current	**327,365**	404,207
	332,441	409,813

Amortisation of prepaid lease payments amounting to HK$5,606,000 (2004: HK$5,525,000) was capitalised to properties under development.

20. INTERESTS IN ASSOCIATES

	2005	2004
	HK$'000	*HK$'000*
Investment cost – unlisted	**16,594**	16,594
Share of post-acquisition reserves	**(1,264)**	1,746
Goodwill on acquisition of associates	**80,396**	80,396
Impairment loss recognised	**(80,396)**	(80,396)
	15,330	18,340

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

20. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates at 31st December, 2005, all of which are companies with limited liability, are as follows:

Name of associate	Form of business structure	Place/ country of incorporation/ operation	Class of shares held	Effective percentage of nominal value of issued equity capital indirectly held by the Company	Principal activities
e-commerce Logistics Limited	Incorporated	Hong Kong	Ordinary	24	e-fulfillment, warehousing and delivery services
GSB Supplycorp Limited	Incorporated	New Zealand	Ordinary	44	Public sector e-procurement
Jacks Point Limited	Incorporated	New Zealand	Ordinary	26	Property development
New Zealand Land Trust Holdings Limited	Incorporated	New Zealand	Ordinary	25	Property development
Professional Service Brokers Limited	Incorporated	New Zealand	Ordinary Preference	44 44	e-procurement management
Supplynet Limited	Incorporated	New Zealand	Ordinary	42	e-commerce marketplace

The directors are of the opinion that a complete list of the particulars of all associates of the Group will be of excessive length and therefore the above list contains only the particulars of associates which principally affect the results or assets of the Group.

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20. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is as follows:

	2005	2004
	HK$'000	*HK$'000*
Total assets	**308,549**	190,593
Total liabilities	**(258,208)**	(137,444)
	50,341	53,149
Revenue	**37,850**	35,881
(Loss) profit for the year	**(2,978)**	7,117

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2005	2004
	HK$'000	*HK$'000*
Cost of unlisted investments in a jointly controlled entity	**24,521**	24,521
Share of post-acquisition reserves	**(24,521)**	(24,231)
	–	290

As at 31st December, 2005, the Group had interests in the following principal jointly controlled entity formed as a Sino-foreign equity joint venture:

Name of entity	**Form of business structure**	**Country of registration/ operation**	**Registered capital**	**Effective percentage of registered capital indirectly held by the Company**	**Principal activities**
成都岷強房地產開發有限公司 (Chengdu Mingqiang Real Estate Co., Ltd.)	Equity joint Venture	PRC	US$6,000,000	50	Property development

The directors are of the opinion that a complete list of the particulars of all jointly controlled entities of the Group will be of excessive length and therefore the above list contains only the particulars of a jointly controlled entity which principally affect the results or assets of the Group.

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For the year ended 31st December, 2005

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

The summarised financial information in respect of the Group's jointly controlled entities is as follows:

	2005	2004
	HK$'000	HK$'000
Total assets	**149,767**	144,386
Total liabilities	**(151,301)**	(143,806)
	(1,534)	580
Revenue	**7,148**	2,736
Loss for the year	**2,115**	6,982

The Group has discontinued recognition of its share of loss of a jointly controlled entity. The amounts of unrecognised share of the jointly controlled entity, both for the year and cumulatively, are as follows:

	2005	2004
	HK$'000	HK$'000
Unrecognised share of loss of the jointly controlled entity for the year	**767**	–
Accumulated unrecognised share of loss of the jointly controlled entity	**767**	–

In addition to the jointly controlled entities listed above, the Group has entered into a joint venture agreement in the form of a jointly controlled asset to develop a carpark. The Group has a 55% interest in the joint venture.

At 31st December, 2005, the aggregate amount of assets and liabilities recognised in the financial statements in relation to interests in jointly controlled assets are as follows:

	2005	2004
	HK$'000	HK$'000
Total assets	**52,829**	14,063
Total liabilities	**52,829**	14,063
Income	**–**	–
Expenses	**–**	–

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For the year ended 31st December, 2005

22. CLUB MEMBERSHIPS/AVAILABLE-FOR-SALE INVESTMENTS/HELD FOR TRADING INVESTMENTS/OTHER INVESTMENTS

	2005	2004
	HK$'000	*HK$'000*
Investments in securities		
Equity securities (at fair value):		
Listed – Hong Kong	**78,461**	83,760
– Overseas	**3,914**	3,929
	82,375	87,689
Club memberships (at cost less impairment)		
Unlisted	**8,574**	8,574
	90,949	96,263
Classified as:		
Other investments		
Non-current	**–**	95,467
Current	**–**	796
Club memberships	**8,574**	–
Available-for-sale investments	**81,591**	–
Held for trading Investments	**784**	–
	90,949	96,263

The directors of the Company are of the opinion that the Group would derive benefits from the use of club memberships continuously and therefore is considered as having an indefinite useful life. The club membership will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Investments in listed equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on bid price quoted in the relevant exchange market.

Fair value changes on available-for-sale investment amounting to HK$2,638,000 were credited to investments revaluation reserve for the year ended 31st December, 2005.

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23. AMOUNTS DUE FROM ASSOCIATES

	2005	2004
	HK$'000	*HK$'000*
Non-current	**34,172**	31,863
Current	**–**	2,087
	34,172	33,950

The non-current portion is unsecured, bears fixed interest at 8.5% (2004: 8.5%) and repayable within two years from May 2004 but extendable for an additional year.

24. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

	2005	2004
	HK$'000	*HK$'000*
Non-current	**2,790**	2,790
Current	**3,310**	–
	6,100	2,790

The non-current portion is unsecured and interest-free. The Group will not demand for repayment for the non-current portion within the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

The current portion is unsecured, interest-free and repayable within one year.

The directors consider that the fair values of amounts due from jointly controlled entities at 31st December, 2005 approximate to the corresponding carrying amounts. The fair values at 31st December, 2005 were determined based on the present value at the estimated future cash flows discounted using the prevailing market rate at the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

25. OTHER LOANS RECEIVABLE

	2005	2004
	HK$'000	HK$'000
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	19,390	8,244
Non-current assets (receivable after 12 months from the balance sheet date)	60,963	74,996
	80,353	83,240

The other loans receivable are secured by certain leasehold properties, carry interest at prime rate and are repayable in accordance with their respective repayment terms.

The loans are repayable as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	19,390	8,244
In more than one year but not more than two years	4,080	74,813
In more than two years but not more than three years	3,344	183
In more than three years but not more than four years	1,986	–
In more than four years but not more than five years	2,139	–
In more than five years	49,414	–
	80,353	83,240

The average effective interest rates of other loans receivable are 7.75% (2004: 13.5%).

The directors consider the fair value of the Group's other loans receivable as at 31st December, 2005, estimated based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date, approximates to the corresponding carrying amount.

26. INVENTORIES

	2005	2004
	HK$'000	HK$'000
Raw materials	344	82
Work-in-progress	1,218	1,741
Finished goods	697	1,574
	2,259	3,397

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27. PROPERTIES HELD FOR SALE

	2005	2004
	HK$'000	*HK$'000*
Completed	**757,575**	1,538,427
Under development	**2,161,675**	853,289
	2,919,250	2,391,716

At 31st December, 2005, the total borrowing costs capitalised to properties held for sale were HK$29,268,000 (2004: HK$14,723,000).

Included in the Group's properties held for sale are HK$201,404,000 (2004: HK$853,289,000) which are expected to be recovered more than twelve months after the balance sheet date.

The Group's properties held for sale of HK$2,066,303,000, HK$651,543,000 and HK$201,404,000 are situated in Hong Kong, New Zealand and Australia and PRC respectively. Included in the Group's properties held for sale are HK$186,962,000 (2004: Nil) which are held under freehold.

All other properties are held under medium to long term leases.

28. RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 1 to 3 months to its trade customers.

For the receivable from the sales of properties, the repayment terms are based on the respective agreements.

Included in receivables, deposits an prepayments are trade receivable with an aged analysis at the balance sheet date as follows:

	2005	2004
	HK$'000	*HK$'000*
0 to 60 days	**158,004**	12,541
61 to 90 days	**202**	194
91 to 365 days	**1,461**	1,184
Over 365 days	**575**	376
	160,242	14,295

The directors consider that the fair value of receivables at 31st December, 2005 approximates to the corresponding carrying amount.

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29. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure short-term bank loans and are therefore classified as current assets.

The deposits carry fixed interest rates ranging from 2.5% to 4.27%. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair value of bank deposits at 31st December, 2005 approximates to the corresponding carrying amount.

30. BANK BALANCES AND DEPOSITS

Bank balances and deposits comprise cash held by the Group and short-term bank deposits which carry fixed interest rates ranging from 3% to 4% with an original maturity of three months or less. The fair value of bank balances and deposits at 31st December, 2005 approximates to the corresponding carrying amount.

31. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in payables, deposits received and accrued charges are trade payables with an aged analysis at the balance sheet date as follows:

	2005	2004
	HK$'000	*HK$'000*
0 to 60 days	**77,166**	62,369
61 to 90 days	**400**	1,233
91 to 365 days	**686**	690
Over 365 days	**3,188**	3,191
	81,440	67,483

Included in payables is a deferred gain in respect of the disposal of a former subsidiary to an associate of HK$25,115,000 (2004: HK$25,115,000). Details are disclosed in note 40.

The directors consider that the fair value of payables at 31st December, 2005 approximates to the corresponding carrying amount.

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32. PROVISIONS

	Rehousing compensation *HK$'000*	Rental guarantee *HK$'000*	Total *HK$'000*
At 1st January, 2004	60,533	44,139	104,672
Exchange adjustments	–	5,087	5,087
Increase resulting from re-measurement	–	14,045	14,045
Additional provisions recognised	440	24,859	25,299
Reversal of provision in the year	(941)	–	(941)
Payment for the year	–	(38,801)	(38,801)
At 31st December, 2004	60,032	49,329	109,361
Exchange adjustments	1,360	(1,216)	144
Reversal of provision in the year	(41,136)	(2,226)	(43,362)
Payment for the year	(5,173)	(42,109)	(47,282)
At 31st December, 2005	**15,083**	**3,778**	**18,861**

The provisions for rehousing compensation represent the compensation for the delay in handover of rehousing properties to the former commercial unit owners ("Affected Owners") whose properties have been demolished due to the construction of a property developed for sale in the PRC and the estimated cost for the permanent relocation of certain of the Affected Owners who will not have rehousing properties allocated under management's plan. Such provisions are estimated based on management's best estimate by reference to the PRC statutory requirements. During the year, some of the compensation arrangements have been settled with the Affected Owners, and a part of the provision has been reversed. In the opinion of the directors, the remaining compensation is expected to be paid within one year, depending on the progress of negotiation with the Affected Owners.

The provision for rental guarantee represents the estimated rental compensation to be paid to purchasers of the disposed investment properties until the time the properties were being leased out by the purchasers up to a maximum period of 36 months from the date of disposal of the properties in accordance with the sales and purchases agreements signed with the purchasers.

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33. BORROWINGS

	2005	2004
	HK$'000	*HK$'000*
Bank loans		
– secured	**2,310,662**	2,897,699
– unsecured	**129,308**	250,024
Other loans – unsecured	**284**	61,704
Total borrowings	**2,440,254**	3,209,427
Less: Unamortised transaction costs on bank loans raised	**(10,283)**	(12,152)
Total net borrowings	**2,429,971**	3,197,275

The borrowings are repayable as follows:

	2005	2004
Bank loans:		
On demand or within one year	**917,655**	1,432,057
More than one year, but not exceeding two years	**608,581**	255,318
More than two years, but not exceeding three years	**50,040**	507,870
More than three years, but not exceeding four years	**139,784**	179,330
More than four years, but not exceeding five years	**64,509**	55,280
More than five years	**659,401**	717,868
	2,439,970	3,147,723
Other loans:		
More than two years, but not exceeding five years	**–**	61,704
More than five years	**284**	–
	284	61,704
Unamortised transaction costs on bank loans raised	**(10,283)**	(12,152)
Total	**2,429,971**	3,197,275
Less: Amounts due for settlement within 12 months shown under current liabilities	**(917,655)**	(1,432,057)
Amounts due for settlement after 12 months	**1,512,316**	1,765,218

The directors believe that the current interest rates represent prevailing market rates and therefore, the fair values of the bank borrowings at 31st December, 2005 estimated by discounting their future cash flows at the prevailing market borrowing rates approximate to the corresponding carrying amounts.

The average effective interest rates of the borrowings are ranging from 3.81% to 11.73% (2004: 0.87% to 9.96%).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

33. BORROWINGS *(Continued)*

The carrying amounts of the Group's borrowings are analysed as follows:

Denominated in	**2005**	2004	**Interest rate**
	HK$'000	*HK$'000*	
Bank loans			
Hong Kong dollars	**1,405,008**	1,785,011	Hong Kong Best Lending Rate plus 0.5% to 0.8%
Renminbi	**137,269**	60,094	10% markdown from the lending rate of People's Bank of China
Australian dollars	**68,542**	70,869	7.38% to 8.5%
New Zealand dollars	**765,561**	1,168,527	90 days bank bill bid rate plus 0.8% to 2.25%
Indonesian Rupiah	**53,307**	51,070	2.8% to 14.6%
	2,429,687	3,135,571	
Other loans			
New Zealand dollars	**284**	61,704	6.7% to 10.25%
	2,429,971	3,197,275	

As at the balance sheet date, the Group had the following undrawn borrowing facilities:

	2005	2004
	HK$'000	*HK$'000*
Floating rate		
– expiring within one year	**606,578**	377,068
– expiring beyond one year	**805,683**	984,467
Fixed rate		
– expiring beyond one year	**–**	22,301
	1,412,261	1,383,836

34. AMOUNTS DUE TO MINORITY SHAREHOLDERS

Amounts due to minority shareholders of HK$141,949,000 (2004: Nil) are unsecured, interest-free and repayable on demand. Accordingly, the amounts are shown as current.

Amounts due to minority shareholders of HK$70,376,000 (2004: HK$91,897,000) are unsecured, and the minority shareholders have contracted not to demand repayment within twelve months. Accordingly, the amounts are shown as non-current. The amounts are interest-free and the average effective interest rates are 4.0%.

The directors consider that the fair value of the amounts at 31st December, 2005, estimated based on discounting the estimated cash flows at the prevailing market rate, approximates to the corresponding carrying amount.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

35. SHARE CAPITAL

Movements during the year in the share capital of the Company were as follows:

	Number of shares		Nominal value	
	2005	2004	**2005**	2004
			HK$'000	*HK$'000*
Ordinary shares of HK$0.1 each:				
Authorised:				
At beginning and end of year	**1,000,000,000**	1,000,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning of the year	**511,538,607**	511,246,868	**51,154**	51,125
Shares issued upon exercise of warrants	**29,654,558**	291,739	**2,965**	29
Shares issued upon exercise of share options	**7,250,000**	–	**725**	–
At end of the year	**548,443,165**	511,538,607	**54,844**	51,154

All the new shares issued during the year rank pari passu in all respects with the existing shares.

36. WARRANTS

The Company had outstanding warrants expiring in 2008 entitling the registered holders to subscribe in cash for fully paid shares of HK$0.1 each of the Company at a subscription price of HK$1.38 per share, subject to adjustment, until 3rd December 2008. At 31st December, 2005, the aggregate par value of shares issuable against the outstanding warrants amounted to HK$9,107,355 (2004: HK$12,072,811) and the amount receivable by the Company upon full exercise of the warrants amounted to HK$125,681,503 (2004: HK$166,604,794).

Exercise in full of the rights attached to the 2008 warrants still outstanding at 31st December, 2005 would, under the present capital structure of the Company, result in the issue of 91,073,553 (2004: 120,728,111) additional shares of HK$0.1 each.

37. OTHER PAYABLES

The other payables are unsecured, interest-free and repayable by the end of a property development project which is expected to be completed after two years, but not exceeding five years from the balance sheet date. Accordingly, the amounts are shown as non-current. The average effective interest rate of the amounts is 4.3%.

The directors consider that the fair value of other payables at 31st December, 2005, estimated based on discounting the estimated cash flows at the prevailing market rate, approximates to the corresponding carrying amount.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

38. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Revaluation on properties	Other temporary difference in respect of unamortised transaction costs on bank loans	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004	95,365	17,882	–	(85,083)	28,164
Effect of changes in accounting policies *(note 2)*	–	73,012	–	–	73,012
At 1st January, 2004 (as restated)	95,365	90,894	–	(85,083)	101,176
Exchange adjustments	2,309	6,793	–	(9,102)	–
(Credit) charge to income for the year	(75,752)	–	2,127	74,472	847
Charge to equity for the year	–	64,490	–	–	64,490
At 31st December, 2004	21,922	162,177	2,127	(19,713)	166,513
Exchange adjustments	(901)	3,087	–	927	3,113
Charge (credit) to income for the year	21,790	240,585	(327)	(20,515)	241,533
Eliminated on disposal of subsidiary	(1,936)	(12,009)	–	–	(13,945)
At 31st December, 2005	**40,875**	**393,840**	**1,800**	**(39,301)**	**397,214**

For the purposes of balance sheet presentation, deferred tax assets and liabilities above have been offset and shown under non-current liabilities.

At 31st December, 2005, the Group has unused tax losses of HK$772,916,000 (2004: HK$756,512,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$134,926,000 (2004: HK$71,355,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$637,990,000 (2004: HK$685,157,000) due to the unpredictability of future profit streams.

At 31st December, 2005, the Group has deductible temporary differences in respect of impairment of properties of HK$167,686,000 (2004: HK$171,437,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

39. ACQUISITION OF SUBSIDIARIES

On 2nd July, 2004, the Company acquired 55% of the Clearwater Property Holdings Limited and its subsidiaries through its non-wholly owned subsidiary, TTP, for a consideration of HK$5,000.

	2005	2004
	HK$'000	*HK$'000*
NET ASSETS ACQUIRED		
Investment properties	–	22,955
Property, plant and equipment	–	97,697
Inventories	–	600
Receivables, deposits and prepayments	–	38,077
Bank balances and cash	–	41
Payables, deposits received and accrued charges	–	(8,049)
Bank borrowings	–	(151,316)
	–	5
Satisfied by:		
Cash consideration	–	5

Analysis of the net inflow of cash and cash equivalents in respect of the purchase of subsidiaries:

	2005	2004
	HK$'000	*HK$'000*
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries:		
Cash and cash equivalents acquired	–	41
Cash consideration	–	(5)
	–	36

The subsidiaries acquired in 2004 contributed HK$4,767,000 to the Group's turnover and incurred a loss of HK$5,506,000 for the year ended 31st December, 2004.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

40. DISPOSAL OF SUBSIDIARIES

	2005	2004
	HK$'000	HK$'000
NET ASSETS DISPOSED OF		
Investment properties	63,168	–
Properties, plant and equipment	–	8,373
Receivables, deposits and prepayments	248	250
Bank balances and cash	7,823	38,615
Payables, deposits received and accrued charges	(2,590)	(13,675)
Income tax payable	(57)	–
Deferred taxation	(13,945)	–
	54,647	33,563
Minority interests	–	(12,194)
Gain on disposal of subsidiaries	11,818	102,545
	66,465	123,914
Satisfied by:		
Cash	66,465	92,051
Consideration receivable	–	31,863
	66,465	123,914

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2005	2004
	HK$'000	HK$'000
Cash consideration	66,465	92,051
Cash and cash equivalents disposed of	(7,823)	(38,615)
	58,642	53,436
Gain on disposal of subsidiaries	11,818	102,545
Gain deferred and included in payables, deposits received and accrued charges *(note)*	–	(25,115)
Gain recognised in the income statement	11,818	77,430

The subsidiaries disposed of during the year have no significant contribution to the Group's turnover or profit for the year.

Note: On 6th May, 2004, the Group entered into an agreement with the other shareholders of Jacks Point Limited ("JPL"), a former subsidiary in which the Group had 60% interest, to dispose of its entire interest in JPL to an associate newly set up with those other shareholders of JPL. Upon completion, the Group retains 26% equity interest in JPL, accordingly, the gain on disposal attributable to the Group's remaining interest is deferred and included in payables, deposits received and accrued charges.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

41. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital commitments in respect of expenditure to be incurred on properties as follows:

	2005	2004
	HK$'000	*HK$'000*
Authorised but not contracted for		
Hong Kong	**286,313**	300,000
PRC	**55,000**	82,000
	341,313	382,000
Contracted for but not provided for in the financial statements		
Hong Kong	**8,110**	284,595
PRC	**162,000**	234,000
New Zealand and Australia	**–**	221,992
	170,110	740,587

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31st December, 2005, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**10,205**	9,313
In the second to fifth years inclusive	**32,457**	31,481
Over five years	**47,910**	56,283
	90,572	97,077

Leases are negotiated for the range of 1 to 21 years (2004: 1 to 14 years) with fixed monthly rentals.

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For the year ended 31st December, 2005

42. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

Certain of the Group's properties held for rental purposes have been disposed of during the year. All of the properties held have committed tenants for the range of 1 to 6 years (2004: 1 to 6 years).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**89,465**	127,458
In the second to fifth year inclusive	**170,086**	227,281
Over five years	**33,134**	41,670
	292,685	396,409

In addition, one of the leases entered with tenants is subject to additional rental based on specified percentage of revenue recognised by the tenant in accordance with lease agreement over the annual minimum lease payments.

43. CONTINGENT LIABILITIES

At 31st December, 2005, the Group has given guarantees to purchasers of the disposed investment properties that, for a maximum period of 36 months from the date of disposal of the properties, certain areas of the properties will receive an agreed minimum monthly rent until leased. A provision of HK$3,778,000 (2004: HK$49,329,000) had been made as at 31st December, 2005 as set out in note 32.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

44. PLEDGE OF ASSETS

At 31st December, 2005, the Group had the following mortgages and/or pledges over its assets to secure banking facilities and other loans granted to the Group.

(a) Fixed and floating charges on investment properties with an aggregate carrying value of HK$4,013,559,000 (2004: HK$3,476,697,000).

(b) Properties held for sale with an aggregate carrying value of HK$1,925,191,000 (2004: HK$1,610,719,000).

(c) Fixed and floating charges on properties under development with an aggregate carrying value of HK$10,022,000 (2004: HK$52,605,000).

(d) Prepaid lease payments with an aggregate carrying value of HK$332,441,000 (2004: HK$409,813,000).

(e) Motor vehicles with an aggregate carrying value of HK$7,097,000 (2004: Nil).

(f) Bank deposits of HK$183,395,000 (2004: HK$138,869,000).

(g) Listed shares of a subsidiary with assets principally comprised of investment properties and properties held for sales included in (a) and (b) above.

(h) Unlisted shares of certain subsidiaries with assets principally comprised of investment properties, properties under development and prepaid lease payments included in (a), (c) and (d) above.

45. SHARE-BASED PAYMENTS

The Company operates an employee share option scheme (the "Scheme") for the primary purpose of providing incentive to directors and eligible employees. The original scheme was approved and adopted on 30th June, 1990. A new scheme was approved and adopted on 23rd June, 2000, which will be effective until 29th June, 2010. At 31st December, 2005, the number of shares in respect of which options had been granted and remained outstanding under the new scheme was 20,750,000, representing approximately 3.8% of the shares of the Company in issue at that date. The share options under the original scheme was expired during the year.

Under the Scheme, the board of directors of the Company may offer to any director or full time employee/chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares, and the average of the closing prices of shares on the Stock Exchange on each of the five business days immediately preceding the date of the grant of the options and the minimum price as the Stock Exchange may from time to time prescribe, subject to a maximum of 10% or such other percentage limit as the Stock Exchange may from time to time prescribe, of the issued share capital of the Company. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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45. SHARE-BASED PAYMENTS *(Continued)*

Options granted must be taken up within 28 days from the date of grant or such period as the directors determine, upon payment of HK$10 per each grant of options. Options may be exercised at any time after the date of grant to the tenth anniversary of the date of grant.

The following table discloses details of the Company's share options held by employees and movements on such holdings during the year:

			Number of share options		
Date of grant	**Exercisable period**	**Exercise price** *HK$*	**Outstanding at 1.1.2005**	**Exercised during the year**	**Outstanding at 31.12.2005**
Existing directors					
4.12.2000	4.12.2000 – 3.12.2010	1.44	15,500,000	–	15,500,000
Resigned director					
4.12.2000	4.12.2000 – 3.12.2010	1.44	12,500,000	(7,250,000)*	5,250,000
			28,000,000	(7,250,000)	20,750,000

* *The closing price of the shares of the Company immediately before the date on which the share options were exercised was HK$3.025 per share.*

			Number of share options		
Date of grant	**Exercisable period**	**Exercise price** *HK$*	**Outstanding at 1.1.2004**	**Expired during the year**	**Outstanding at 31.12.2004**
Directors					
21.2.1994	21.2.1994 – 20.2.2004	4.40	2,200,000	(2,200,000)	–
4.12.2000	4.12.2000 – 3.12.2010	1.44	28,000,000	–	28,000,000
			30,200,000	(2,200,000)	28,000,000

No options were granted or cancelled during the year.

46. RETIREMENT BENEFITS PLANS

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance of Hong Kong (the "ORSO Scheme") and a Mandatory Provident Fund Schemes (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance of Hong Kong in December 2000 for eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

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46. RETIREMENT BENEFITS PLANS *(Continued)*

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs or HK$1,000 per month to the scheme which contribution is matched by the employee, depending on the length of service with the Group.

The employees of the Group's subsidiaries in the PRC and Australia are members of state-managed retirement benefit schemes operated by the government of the PRC and Australia respectively. The subsidiaries are required to contribute 9% to 20% of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Forfeited contributions for the year amounting to HK$310,000 (2004: HK$143,000) has been used to reduce the level of contributions. The total cost charged to income of HK$2,899,000 (2004: HK$1,891,000) represents contribution payable to these schemes by the Group in respect of the current year.

47. POST BALANCE SHEET EVENTS

On 15th December, 2005, a 66% subsidiary of the Company, Trans Tasman Properties Limited ("TTP"), which is listed on New Zealand Stock Exchange Limited, offered to its shareholders the shares of a wholly-owned subsidiary of TTP, Asian Growth Properties Limited ("AGP") for the purpose of listing the shares of AGP on the Alternative Investment Market of The London Stock Exchange Plc. ("Offer"). Immediately after the completion of Offer on 13th January, 2006, the Group owned approximately 69.7% of AGP and 51.9% of TTP. The Offer did not result in any significant financial effect to the Group. Details of this transaction are set out in the circular of the Company dated 10th January, 2006.

On 20th December, 2005, the Group announced an offer to the shareholders of AGP to purchase their shares. The cash consideration paid by the Group under the offer was approximately HK$125.3 million. Immediately following the expiry date of acceptance of offer on 23rd January, 2006, the Company's interests in AGP has been increased to 80.4%. Details of this transaction are set out in the announcement of the Company dated 1st February, 2006.

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48. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2005	2004
	HK$'000	*HK$'000*
Short-term benefits	**66,443**	20,497
Post-employment benefits	**1,080**	1,015
Other long-term benefits	**–**	–
Share-based payments	**–**	–
	67,523	21,512

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

49. BALANCE SHEET INFORMATION OF THE COMPANY

Balance sheet information of the Company at the balance sheet date includes:

	2005	2004
	HK$'000	*HK$'000*
Unlisted investments in subsidiaries	**136,586**	136,586
Receivables, deposits and prepayments	**200**	245
Amounts due from subsidiaries	**1,995,346**	2,070,122
Bank balances and deposits	**61,524**	137,771
Total assets	**2,193,656**	2,344,724
Payable, deposits received and accrued charges	**3,343**	2,654
Amounts due to subsidiaries	**71,341**	78,940
Bank borrowings	**73,238**	210,000
Total liabilities	**147,922**	291,594
	2,045,734	2,053,130
Share capital *(note 35)*	**54,844**	51,154
Reserves	**1,990,890**	2,001,976
Total equity	**2,045,734**	2,053,130

The Company's loss for the year amounted to HK$6.6 million (2004: HK$3.3 million).

Notes to the Consolidated Financial Statements

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50. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries, all of which are companies with limited liability, at 31st December, 2005 are set out below:

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
Direct subsidiary				
Chisel Limited	The British Virgin Islands/ Republic of Indonesia	2 ordinary shares of US$1 each	100	Investment holding
SEABO Pacific Limited	Bermuda/ PRC	767,919 ordinary shares of HK$1 each	100	Investment holding
South-East Asia Investment and Agency Company, Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	Investment holding
Indirect subsidiary				
TTP (Diamond Hill) Limited	Hong Kong	2 ordinary shares of HK$ 1 each	66	Property development
TTP (Sha Tin) Limited	Hong Kong	1 ordinary share of HK$ 1	66	Property development
TTP (Wanchai) Limited	Hong Kong	2 ordinary shares of HK$ 1 each	66	Property development
成都華商房屋開發有限公司 (Chengdu Huashang House Development Co., Ltd.)*	PRC	RMB136,000,000 registered capital	97	Property development
Concord Way Limited	Hong Kong	100 ordinary shares of HK$1 each	100	Property development
廣州市盈發房產開發有限公司 (Guangzhou Yingfat House Property Development Co., Ltd.) ("Yingfat")*	PRC	US$20,110,000 registered capital	100	Property development

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50. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
Handy View Company Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Property investment and garment trading
SEA Group Treasury Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	Property development and financing
Shinning Worldwide Limited	The British Virgin Islands/ Hong Kong	1,000 ordinary shares of US$1 each	55	Property development
Sky Trend Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Property development
Trans Tasman Properties Limited	New Zealand	594,824,424 shares of no par value	66	Property investment and development
UniMilo's Knitwear Company Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	60	Garment manufacturing
Wing Siu Company Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Property investment

* *These companies are incorporated in the form of Sino-foreign co-operative joint ventures. According to the shareholders' agreement of Yingfat, the PRC partner is entitled to the higher of a fixed sum of return or 5% of the profit generated from the related property development project as defined in the agreement. The Group has the full entitlement to the remaining of the profit generated.*

The directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries has issued any debt securities at the end of the year.