Notes to the Financial Statements

1. Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are property investment and investment holding, sales and purchases of available-for-sale investments and held for trading investments.

2. Statement of compliance

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs, which also include Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, certain available-for-sale investments and held for trading investments which are stated at fair value.

The HKICPA has issued a number of new Hong Kong Financing Reporting Standards (HKFRSs) which are effective for accounting periods beginning on or after 1 January 2005.

The major changes in accounting policies upon the adoption of these HKFRSs, (the effects are summarised in note 5 to the financial statements) and the application of the relevant transitional provisions are summarised as follows:

HKAS 1 Presentation of Financial Statements
HKAS 27 Consolidated and Separate Financial Statements
The adoption of HKAS 1 and HKAS 27 has resulted in a change in the presentation of minority interests, which are now shown within equity. On the face of the consolidated profit and loss account, minority interests are presented as an allocation of the total profit or loss for the year.

The adoption of HKAS 1 has also affected the share of results of associates to reflect their net after-tax results and other disclosures.

HKAS 17 Leases
The adoption of HKAS 17 has resulted in a change in accounting policy of leasehold land. In prior years, leasehold land and buildings were included in fixed assets (now renamed as property, plant and equipment) and stated at cost less accumulated depreciation and any impairment losses.

Following the adoption of HKAS 17, leasehold land and building are split into a lease of land and a lease of building in proportion to the relative fair values of the interests in the land and the building elements at the inception of the lease. Leasehold land is stated at cost, and amortised over the period of the lease on a straight line basis, whereas leasehold building is stated at cost less accumulated depreciation and any impairment losses. This change in accounting policy has been applied retrospectively.

3. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

HKAS 32 Financial Instruments: Disclosure and Presentation

HKAS 39 Financial Instruments: Recognition and Measurement

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy of financial instruments. In prior years, investments in debt and equity securities were classified as listed and unlisted investments held for long-term purpose and listed investments held for trading purpose, which were stated at fair value. Changes in fair value of listed and unlisted investments held for long-term purpose were recognised directly in the long-term investment revaluation reserve in the period in which the changes occurred, until the investments were sold or otherwise disposed of, or until the value of the investments was determined to be impaired, at which time the cumulative gain or loss was accounted for in the profit and loss account for the year. Changes in fair value of listed investments held for trading purpose were recognised in the profit and loss account.

Following the adoption of HKAS 39, listed and unlisted investments held for long-term purpose are reclassified as available-for-sale investments or financial instrument with embedded derivative. Available-for-sale investments are stated at fair value and changes in which are recognised in investment revaluation reserve. An exception is investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. They are measured at cost less any impairment losses. Financial instrument with embedded derivative is stated at cost less any impairment losses. Listed investments held for trading purpose reclassified as held for trading investments continue to be stated at fair value, and changes in which are recognised in profit and loss account. The change in accounting policy has no material effect on the results of the current and prior years.

HKAS 40 Investment Property

The adoption of HKAS 40 has resulted in a change in accounting policy of investment property. In prior years, changes in fair value of investment properties were dealt with as movements in investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Following the adoption of HKAS 40, any changes in fair value of investment properties are dealt with in the profit and loss account. The Group has applied the relevant transitional provisions and elected to apply HKAS 40 from 1 January 2005 onwards. The amount held in investment property revaluation reserve at 1 January 2005 has been transferred to retained profit.

HKFRS 3 Business Combinations

The adoption of HKFRS 3 has resulted in a change in accounting policy of goodwill. In prior years, goodwill arising from business combinations before 1 January 2001 was held in reserves, and goodwill arising from business combinations on or after 1 January 2001 was capitalised and amortised on a straight line basis over its estimated useful life not exceeding 20 years.

The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously taken to reserves is not restated on the balance sheet or included in the calculation of the profit and loss on disposal of subsidiaries and associates.

3. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The adoption of such HKFRSs will not result in substantial changes to the Group's accounting policies.

		Effective for accounting periods beginning on or after
HKAS 1, HKAS 27 & HKFRS 3 (Amendments)	Presentation of Financial Statements, Consolidated and Separate Financial Statements & Business Combinations – Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005	1 January 2006
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 January 2006
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option	1 January 2006
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement & Insurance Contracts – Financial Guarantee Contracts	1 January 2006
HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning on or after 1 January 2006.

(b) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiaries made up to 31 December each year. Results of subsidiaries are consolidated from the acquisition date, being the date on which the Group obtains control, until the date such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent interests of outside shareholders in the results and net assets of the Company's subsidiaries.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries or associates at the date of acquisition.

In prior years, goodwill arising from business combinations before 1 January 2001 was held in reserves, and goodwill arising from business combinations on or after 1 January 2001 was capitalised and amortised on a straight line basis over its estimated useful life not exceeding 20 years.

3. Significant accounting policies (Cont'd)

(c) Goodwill (Cont'd)

The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously taken to reserves is not restated on the balance sheet or included in the calculation of the profit or loss on disposal of subsidiaries and associates.

(d) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policy, so as to obtain benefits from their activities.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, investments in subsidiaries are stated at cost less any accumulated impairment losses.

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management including participation in the financial and operating policy decisions.

Associates are accounted for using the equity method in the consolidated financial statements. They are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of associates, less any accumulated impairment losses. The Group's share of post-acquisition results and reserves of associates are recognised in the consolidated profit and loss account and consolidated reserves respectively.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, investments in associates are stated at cost less any accumulated impairment losses.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

3. Significant accounting policies (Cont'd)

(f) Property, plant and equipment (Cont'd)

The gain or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following annual rates.

Leasehold buildings	2% or over the remaining lease terms, if shorter
Equipment and motor vehicle	10% – 20%

The useful lives and residual values of the assets are reviewed and adjusted if appropriate, at each balance sheet date.

(g) Investment properties

(i) For the year ended 31 December 2005

Investment properties are properties held to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including transaction costs and thereafter stated at fair value, determined on the basis of professional valuation reflecting market conditions at each balance sheet date. Any changes in fair value are recognised in the profit and loss account. A property interest under an operating lease which is held for the above purposes is classified and accounted for as an investment property.

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 disposal. The gain or loss arising from the derecognition of an investment property is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

(ii) For the year ended 31 December 2004

Investment properties are interests in land and buildings which are held for their investment potential. Investment properties are stated at their open market value based on an annual independent professional valuation at the balance sheet date. Surpluses arising on revaluations are credited to the investment property revaluation reserve and deficits arising on revaluations are firstly set off against any previous revaluation surpluses and thereafter charged to the profit and loss account on a portfolio basis. Gain or loss on disposal of an investment property, representing the difference between the net sales proceeds and the carrying amount of the relevant asset together with any revaluation reserve balance remaining attributable to the relevant asset, is recognised in the profit and loss account. No depreciation is provided on investment property held on lease with unexpired term of more than twenty years.

(h) Leasehold land

Leasehold land is stated at cost less accumulated amortisation and amortised over the period of the leases on a straight line basis to the profit and loss account.

3. Significant accounting policies (Cont'd)

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

(j) Investments

(i) For the year ended 31 December 2005

Available-for-sale investments and held for trading investments

Investments other than investments in subsidiaries, associates and derivative financial instruments are classified either as available-for-sale investments or held for trading investments.

Purchases and sales of available-for-sale investments and held for trading investments are recognised and derecognised using trade date accounting. These investments are derecognised when the contractual rights to the cash flows from the investments have expired or have been transferred and the Group has transferred substantially the risks and rewards of ownership.

Available-for-sale investments are initially recognised at fair value plus transaction costs and subsequently stated at fair value, or in the case of investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are subsequently stated at cost less any accumulated impairment losses. Unrealised gains and losses from changes in fair value are recognised in investment revaluation reserve, except for impairment losses and in the case of monetary investments, exchange differences which are recognised in the profit and loss account. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds and any accumulated fair value changes in investment revaluation reserve are included in the calculation of the profit or loss on disposal.

The fair value of an available-for-sale listed investment or a held for trading listed investment is determined on the basis of its quoted market price at the balance sheet date. For an available-for-sale unlisted investment, the Group uses the market values determined by independent financial institutions or fund managers to estimate its fair value.

Available-for-sale investments are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. An impairment loss is removed from investment revaluation reserve where relevant, and recognised in the profit and loss account. Impairment losses in respect of available-for-sale equity securities are not reversed through profit and loss account.

Held for trading investments are initially recognised at fair value with transaction costs recognised as expenses and subsequently stated at fair value. Unrealised gains and losses from changes in fair value, including exchange differences, are recognised in the profit and loss account. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds is included in the calculation of the profit or loss on disposal.

3. Significant accounting policies (Cont'd)

(j) Investments (Cont'd)

(i) For the year ended 31 December 2005 (Cont'd)

Derivative financial instruments

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held for trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts and when the combined instruments are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined instruments are treated as financial assets at fair value through profit or loss.

The Group might conclude, however, that the equity component of the combined instrument may be sufficiently significant to preclude it from obtaining a reliable estimate of the entire instrument because the embedded derivative will be settled by an unquoted equity instrument whose fair value cannot be reliably measured. In that case, the combined instrument is measured at cost less any impairment losses.

(ii) For the year ended 31 December 2004

Listed investments held for long-term purpose and trading purpose are stated at fair value, which is generally the market value, at the balance sheet date. Changes in fair value of the investments held for long-term purpose are recognised directly in the long-term investment revaluation reserve in the period in which the changes occur, until the investments are sold or otherwise disposed of, or until the value of the investments is determined to be impaired, at which time the cumulative gain or loss is accounted for in the profit and loss account for the year. Gains and losses on listed investments held for trading purpose are included in the profit and loss account in the period in which they arise.

Unlisted investments held for long-term purpose are stated at fair value, which is estimated by the Directors by reference to the net asset value of the investments, at the balance sheet date. Changes in fair value of the investments are recognised directly in the long-term investment revaluation reserve in the period in which the changes occur, until the investments are sold or otherwise disposed of, or until the value of the investment is determined to be impaired, at which time the cumulative gain or loss is accounted for in the profit and loss account for the year.

Upon disposal of long-term listed and unlisted investments, the gain or loss representing the difference between net sales proceeds and the carrying amount of the relevant investment together with any surplus/deficit transferred from the long-term investment revaluation reserve is dealt with in the profit and loss account. Impairment loss previously transferred from the long-term investment revaluation reserve to the profit and loss account is written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

3. Significant accounting policies (Cont'd)

(k) Impairment of assets

At each balance sheet date, assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When an indication of impairment exists, the Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in the profit and loss account, except where the asset is stated at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation deficit. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows.

An impairment loss recognised in prior years for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit and loss account except where the asset is carried at valuation, in which case the reversal of impairment losses is treated as a revaluation movement.

(l) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses unless the effect of discounting would be immaterial, in which case they are stated at cost less any accumulated impairment losses. A provision for impairment of receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is the cost of purchase. Net realisable value represents the estimated selling price less selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, net of outstanding bank overdrafts and short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

3. Significant accounting policies (Cont'd)

(o) Payables

Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Borrowings

Borrowings are initially recognised at the fair value of the consideration received net of transaction costs associated with the borrowings. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

(q) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(r) Revenue recognition

Major categories of revenues are recognised in the financial statements on the following bases:

Revenue from sales of available-for-sale investments is recognised on trade date.

Revenue from sales of properties is recognised on the transfer of risks and rewards of ownership.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Interest income is recognised on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

Rental income under operating leases is credited to profit and loss account on a straight line basis over the term of lease.

(s) Employee benefits

Cost of accumulating compensated absences is recognised as an expense in the profit and loss account and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Obligations for contributions to the Mandatory Provident Fund Scheme are recognised as an expense in the profit and loss account as incurred.

3. Significant accounting policies (Cont'd)

(t) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(u) Foreign currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

On consolidation, the assets and liabilities of those foreign subsidiaries and associates that have a functional currency different from the presentation currency of the Group are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date, and their profit and loss accounts are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in translation reserve. On disposal of a foreign entity, the cumulative exchange difference which relates to that entity is included in the calculation of the profit or loss on disposal.

(v) Related parties

A party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party, exercise significant influence over the party or has joint control over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties include individuals (being members of key management personnel and significant shareholders, as well as close family members) and entities which are controlled, jointly-controlled or significantly influenced by such individuals. Related parties also include post-employment benefit plans for the benefit of employees of the Group or its related parties.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Significant accounting policies (Cont'd)

(w) Segment reporting (Cont'd)

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenues, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is determined on arm's length basis.

Unallocated items mainly comprise corporate assets, corporate liabilities, corporate and financing expenses.

4. Changes in accounting policy of associate

An associate, Silverlink Holdings Limited, has changed its accounting policy in respect of foreign currency translation. The changes in accounting policy has been applied retrospectively. The effects are summarised in note 5 to financial statements.

5. Summary of the effects of the changes in accounting policies

Consolidated profit and loss account

	2004 HK$'000 (as previously reported)	Effect of adopting HKAS 1 and 27 HK$'000	Effect of adopting HKAS 17 HK$'000	Effect of changes in accounting policy of associate HK$'000	2004 HK$'000 (as restated)	2005 HK$'000
Turnover	255,323	–	–	–	255,323	–
Other revenue and income	3,768	–	–	–	3,768	–
Carrying value of available-for-sale listed investments sold (previously named as carrying value of listed investments sold)	(181,612)	–	–	–	(181,612)	–
Write back of provision for impairment losses on available-for-sale investments (previously named as write back of provision for impairment in value of long-term investments)	14,039	–	–	–	14,039	–
Amount transferred from investment revaluation reserve – on disposals of available-for-sale listed investments	79,736	–	–	–	79,736	–
upon impairment losses on available-for-sale investments (previously named as amount transferred from long-term investment revaluation reserve – on disposals of long-term listed investments upon impairment in value of long-term investments)	(1,091)	–	–	–	(1,091)	–
Fair value changes on investment properties	–	–	–	–	–	4,000
Other operating expenses	(12,904)	–	50	–	(12,854)	50
Operating profit before finance costs	157,259	–	50	–	157,309	4,050
Finance costs	(4,770)	–	–	–	(4,770)	–
Operating profit after finance costs	152,489	–	50	–	152,539	4,050
Share of results of associates	(17,891)	(8,534)	–	7,589	(18,836)	(309)
Profit before taxation	134,598	(8,534)	50	7,589	133,703	3,741
Taxation	(9,945)	8,534	–	–	(1,411)	309
Profit before minority interests	124,653	–	50	7,589	132,292	4,050
Minority interests	1,288	(1,288)	–	–	–	(8,491)
Profit attributable to shareholders/profit for the year	125,941	(1,288)	50	7,589	132,292	(4,441)
Attributable to:						
Equity holders of the Company	125,941	–	50	6,965	132,956	4,050
Minority interests	–	(1,288)	–	624	(664)	(8,491)
	125,941	(1,288)	50	7,589	132,292	(4,441)
Earnings per share (cents)	57.82	–	0.03	3.20	61.05	1.90

5. **Summary of the effects of the changes in accounting policies** (Cont'd)

Consolidated balance sheet

	31.12.2004 HK$'000 (as previously reported)	Reclassification of balances HK$'000	Effect of adopting HKAS 1 and 27 HK$'000	Effect of adopting HKAS 17 HK$'000	Effect of changes in accounting policy of associate HK$'000	31.12.2004 HK$'000 (as restated)	Effect of adopting HKAS 40 HK$'000	1.1.2005 HK$'000 (as restated)	31.12.2005 HK$'000
Non-current assets									
Property, plant and equipment (previously named as fixed assets)	41,686	(24,000)	–	(13,683)	–	4,003	–	4,003	(13,769)
Investment properties	–	24,000	–	–	–	24,000	–	24,000	–
Leasehold land	–	–	–	13,835		13,835	–	13,835	13,819
Associates (previously named as interests in associates)	526,124	(280,015)	–	–	(62,330)	183,779	–	183,779	–
Investments (previously named as long-term investments)	595,841	348	–	–		596,189	–	596,189	–
Other non-current assets	–	282,238	–	–		282,238	–	282,238	–
	1,163,651	2,571	–	152	(62,330)	1,104,044	–	1,104,044	50
Current assets									
Inventories	766	–	–	–	–	766	–	766	–
Listed investments and other asset	16,454	(16,454)	–	–	–	–	–	–	
Held for trading investments (previously named as listed investments)	–	16,159	–	–	–	16,159	–	16,159	–
Other assets	–	295	–	–	–	295	–	295	–
Debtors, deposits and prepayments	9,899	–	–	–	–	9,899	–	9,899	–
Cash and bank balances	148,808	–	–	–	–	148,808	–	148,808	–
	175,927	–	–	–	–	175,927	–	175,927	–
Current liabilities									
Creditors, deposits and accruals	5,091	–	–	–	–	5,091	–	5,091	–
Notes payable	28,576	–	–	–	–	28,576	–	28,576	–
Other payable	–	2,571	–	–	–	2,571	–	2,571	–
Provision for taxation	636	–	–	–	–	636	–	636	–
	34,303	2,571	–	–	–	36,874	–	36,874	–
Net current assets	141,624	(2,571)	–	–	–	139,053	–	139,053	–
Total assets less current liabilities	1,305,275	–	–	152	(62,330)	1,243,097	–	1,243,097	50
Non-current liabilities									
Notes payable	200,030	–	–	–	–	200,030	–	200,030	–
Minority interests	53,986	–	(53,986)	–	–	–	–	–	(41,970)
Net assets	1,051,259	–	53,986	152	(62,330)	1,043,067	–	1,043,067	42,020
Equity									
Share capital	213,336	–	–	–	–	213,336	–	213,336	–
Reserves –									
Capital redemption reserve	134,881	–	–	–	–	134,881	–	134,881	–
Share premium	316,006	–	–	–	–	316,006	–	316,006	–
Capital reserve	53,585	–	–	–	–	53,585	–	53,585	–
Investment property revaluation reserve	23,784	–	–	–	–	23,784	(23,784)	–	(4,000)
Property revaluation reserve	22,032	–	–	–	(4,189)	17,843		17,843	–
Investment revaluation reserve (previously named as long-term investment revaluation reserve)	77,550	–	–	–	–	77,550		77,550	–
Translation reserve	–	–	–	–	4,463	4,463		4,463	–
Retained profit	207,952	–	–	152	(57,479)	150,625	23,784	174,409	4,050
Proposed final dividend	2,133	–	–	–	–	2,133		2,133	
Equity attributable to equity holders of the Company	1,051,259	–	–	152	(57,205)	994,206	–	994,206	50
Minority interests	–	–	53,986	–	(5,125)	48,861	–	48,861	41,970
Total equity	1,051,259	–	53,986	152	(62,330)	1,043,067	–	1,043,067	42,020

6. Turnover

Analysis of the Group's turnover is as follows:

	2005 HK$'000	2004 HK$'000
Revenue from sales of available-for-sale listed investments	179,966	228,768
Revenue from sales of properties	6,010	–
Dividends from available-for-sale listed investments	4,606	7,905
Dividends from available-for-sale unlisted investments	3,120	3,120
Interest income –		
financial instrument with embedded derivative	12,794	11,734
others	6,386	1,651
Rental income	2,248	2,145
	215,130	255,323

7. Segment reporting

(a) Business segments

The Group comprises the following business segments:

Share investment and dealing – investment in listed and unlisted securities, purchases and sales of listed securities

Other operation – property investment

	Share investment and dealing		Other operation		Elimination		Consolidated	
	2005 HK$'000	2004 HK$'000 (Restated)	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000 (Restated)
Segment Revenue								
Turnover	212,882	253,178	2,248	2,145	–	–	215,130	255,323
Other revenue and income	4,414	2,111	–	4,315	–	(2,658)	4,414	3,768
Total revenue	217,296	255,289	2,248	6,460	–	(2,658)	219,544	259,091
Segment results	95,653	153,336	6,239	6,383	–	(2,658)	101,892	157,061
Provision for impairment losses on an associate							(86,000)	–
Finance costs							(2,010)	(4,522)
Share of results of associates							20,949	(18,836)
Profit before taxation							34,831	133,703
Taxation							(442)	(1,411)
Profit for the year							34,389	132,292
Attributable to:								
Equity holders of the Company							42,880	132,956
Minority interests							(8,491)	(664)
							34,389	132,292
Segment assets	786,193	789,188	28,000	24,000	–	–	814,193	813,188
Associates							138,086	183,779
Other non-current assets							269,807	282,238
Unallocated assets							–	766
Total assets							1,222,086	1,279,971
Segment liabilities	2,142	2,058	354	411	–	–	2,496	2,469
Other payable							2,373	2,223
Unallocated liabilities							203,521	232,212
Total liabilities							208,390	236,904
Other segment information								
Capital expenditure	8	802	–	–	–	–	8	802
Depreciation	310	312	–	–	–	–	310	312
Amortisation of leasehold land	16	16	–	–	–	–	16	16
Provision for impairment losses on available-for-sale investments	–	1,091	–	–	–	–	–	1,091

7. Segment reporting (Cont'd)

(b) Geographical segments

Over 90% of the Group's revenue, assets and capital expenditure are derived from operations carried out in Hong Kong.

8. Operating profit before finance costs

	2005 HK$'000	2004 HK$'000 (Restated)
Operating profit before finance costs is stated after (crediting) charging:		
Gross rental income from investment properties	(2,248)	(2,145)
Outgoings	9	25
	(2,239)	(2,120)
Auditors' remuneration –		
audit services	499	508
others	195	206
Staff costs	2,059	2,075
Depreciation	310	312
Amortisation of leasehold land	16	16
Bad debts	–	753
Loss on dissolution of subsidiary	–	39
Exchange gain	(1,824)	(967)
Unrealised gain on held for trading investments	(2,566)	(1,078)
Surplus on disposals of investment properties	–	(1,682)

9. Directors' remuneration

The emoluments of the Directors are as follows:

2005

	Fees	Salaries, allowances and benefits	Contributions to retirement scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Tan Boon Seng	80	4,051	134	4,265
Chan Kai Kwok	60	588	29	677
Non-executive Directors				
Ang Guan Seng	60	–	–	60
Tan Choon Keat, Tony	60	–	–	60
Tan Kai Seng	60	–	–	60
Independent non-executive Directors				
Ho Hau Chong, Norman	80	–	–	80
Fung Ka Pun	60	–	–	60
Yeung Chik Kin	60	–	–	60
	520	4,639	163	5,322

2004

	Fees	Salaries, allowances and benefits	Contributions to retirement scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Tan Boon Seng	80	4,054	134	4,268
Chan Kai Kwok	60	588	29	677
Non-executive Directors				
Ang Guan Seng	60	–	–	60
Tan Choon Keat, Tony	60	–	–	60
Tan Kai Seng	60	–	–	60
Independent non-executive Directors				
Ho Hau Chong, Norman	80	–	–	80
Fung Ka Pun	60	–	–	60
Yeung Chik Kin	60	–	–	60
	520	4,642	163	5,325

9. Directors' remuneration (Cont'd)

The emoluments of Directors, including basic salary and performance bonus, are based on each Director's skill, knowledge and involvement in the Company's affairs, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

There was no arrangement under which a Director had waived or agreed to waive any remuneration. Pursuant to an Annual Bonus Scheme approved by the Board, Mr. Tan Boon Seng was eligible to an annual cash bonus determinable under the terms of the Scheme. No such cash bonus was provided for the year (2004: nil).

10. Five highest-paid employees

During the year, the five highest-paid employees in the Group included two (2004: two) Directors, details of whose emoluments are included in the disclosure of Directors' remuneration. The details of the remaining three (2004: three) highest-paid non-director employees are as follows:

	2005 HK$'000	2004 HK$'000
Salaries and other emoluments	1,060	1,060
Contributions to retirement scheme	53	53
	1,113	1,113

The emoluments of each of the non-director employees were below HK$1,000,000 for 2005 and 2004.

11. Finance costs

	2005 HK$'000	2004 HK$'000
Interest on bank loans and overdrafts	–	2,533
Interest on notes payables (wholly repayable within 5 years)	2,010	2,205
Loan facility arrangement fees	–	32
	2,010	4,770

12. Taxation

(a) Income tax expense is made up as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Current tax		
Company and subsidiaries		
Overseas taxation	442	1,411

No Hong Kong profits tax has been provided for the Company and its subsidiaries for the 2005/06 year of assessment (2004/05: no provision) as no assessable profits was earned during the year.

Overseas taxation represents withholding tax on dividend income received by the Group from overseas available-for-sale investments.

Share of tax of associates of HK$309,000 (2004: HK$8,534,000) is included in share of results of associates.

(b) The reconciliation between tax expenses and accounting profit of the Group in the financial statements is as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Profit before taxation	34,831	133,703
Share of results of associates	(20,949)	18,836
	13,882	152,539
Tax at the domestic tax rate of 17.5%	2,429	26,694
Tax effect of net income that is not taxable in determining taxable profit	(2,821)	(28,333)
Tax effect of unrecognised tax losses in the year	392	1,639
Overseas withholding tax	442	1,411
Total tax expenses	442	1,411

12. Taxation (Cont'd)

(c) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the balance sheet and the movement during the year are as follows:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	HK$'000	HK$'000
Group			
At 1.1.2004	249	(249)	–
(Credit) charge to profit and loss account for the year	(123)	123	–
At 31.12.2004	126	(126)	–
(Credit) charge to profit and loss account for the year	(11)	11	–
At 31.12.2005	115	(115)	–

(d) At the balance sheet date, the Group had unused tax losses of HK$45,744,000 (2004: HK$43,567,000) available for set off against future taxable profit. A deferred tax asset has been recognised in respect of HK$654,000 (2004: HK$718,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$45,090,000 (2004: HK$42,849,000) due to unpredictability of future taxable profit streams. The tax losses do not expire under current tax legislation.

13. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company includes loss of HK$12,358,000 (2004: profit of HK$167,800,000) which has been dealt with in the financial statements of the Company.

14. Dividends

	2005	2004
	HK$'000	HK$'000
Interim dividend paid – 1 cent per share (2004: 1 cent per share)	2,134	2,109
Final dividend proposed – 1 cent per share (2004: 1 cent per share)	2,133	2,133
	4,267	4,242

15. Earnings per share

The calculation of earnings per share is based on profit attributable to equity holders of the Company of HK$42,880,000 (2004: HK$132,956,000 (restated)) and 213,336,285 (2004: weighted average of 217,797,516) shares of HK$1 each in issue during the year.

16. Property, plant and equipment

Group

	Leasehold buildings in Hong Kong – long lease	Investment properties in Hong Kong – long lease	Equipment and motor vehicles	Total
	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000 (Restated)
Cost or valuation				
At 1.1.2004				
As previously reported –				
At cost	16,784	–	1,858	18,642
At professional valuation	–	39,400	–	39,400
Effect of adopting HKAS 17 and reclassification	(13,884)	(39,400)	–	(53,284)
As restated –				
At cost	2,900	–	1,858	4,758
Additions	–	–	802	802
Disposals	–	–	(938)	(938)
At 31.12.2004, as restated	2,900	–	1,722	4,622
Additions	–	–	8	8
Disposals	–	–	(59)	(59)
At 31.12.2005	2,900	–	1,671	4,571
Accumulated depreciation				
At 1.1.2004 –				
As previously reported	250	–	1,130	1,380
Effect of adopting HKAS 17	(135)	–	–	(135)
As restated	115	–	1,130	1,245
Provision	59	–	253	312
Write back	–	–	(938)	(938)
At 31.12.2004, as restated	174	–	445	619
Provision	58	–	252	310
Write back	–	–	(59)	(59)
At 31.12.2005	232	–	638	870
Net book amount				
At 31.12.2005	2,668	–	1,033	3,701
At 31.12.2004, as restated	2,726	–	1,277	4,003

16. Property, plant and equipment (Cont'd)

The amount of leasehold buildings as previously reported at 1 January 2004 included the land element of leasehold properties, which is now disclosed separately as leasehold land upon the adoption of HKAS 17.

17. Investment properties

Group

	Investment properties in Hong Kong – long lease
	HK$'000
Valuation at 1.1.2004	39,400
Disposals	(19,400)
Gain on revaluation	4,000
Valuation at 31.12.2004	24,000
Gain on revaluation	4,000
Valuation at 31.12.2005	28,000

The investment properties were reclassified from property, plant and equipment and held for use in operating leases. The investment properties were revalued at 31 December 2005 by DTZ Debenham Tie Leung Limited, independent professional valuers, using the basis of capitalisation of net income as given by the Group and by reference to comparable market transactions.

18. Leasehold land

Group

	2005 HK$'000	2004 HK$'000 (Restated)
Cost		
At 1 January –		
As previously reported	–	–
Effect of adopting HKAS 17	13,884	13,884
At 1 January, as restated and at 31 December	13,884	13,884
Accumulated amortisation		
At 1 January –		
As previously reported	–	–
Effect of adopting HKAS 17	49	33
As restated	49	33
Amortisation for the year	16	16
At 31 December	65	49
Net book amount		
At 31 December	13,819	13,835

Leasehold land was held in Hong Kong under long lease.

19. Subsidiaries

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted shares, at cost	20,700	20,700
Less: Impairment losses	(16,043)	(16,043)
	4,657	4,657

19. Subsidiaries (Cont'd)

Details of the subsidiaries are as follows:

Unlisted companies	Principal activities	Issued and paid up ordinary share capital/ registered capital	Place of incorporation/ operation	Percentage of equity interest held by the Company	Percentage of equity interest held by the Group
Diamond Way Inc.	Investment holding	1 share of US$1	Liberia	–	100
HK 8 Limited	Investment holding	1 share of US$1	Liberia	–	100
HK 12 Limited	Investment holding	1 share of US$1	Liberia	–	100
HK 28 Limited	Investment holding	1 share of US$1	Liberia	–	100
HK 38 Limited	Investment holding	1 share of US$1	Liberia	–	100
HK 333 Limited	General investment	1 share of US$1	Liberia	–	100
HK 368 Limited	Investment holding	1 share of US$1	Liberia	–	100
HK 888 Limited	Investment holding	1 share of US$1	Liberia	–	100
Lee Hing Investment Company, Limited	Property investment and investment holding	2,000 ordinary shares of HK$1,000	Hong Kong	100	–
Sinonet Holdings Limited	Investment holding	1 ordinary share of US$1	British Virgin Islands	100	–
Wang Tak Company Limited	Investment holding	1,000 ordinary shares of HK$1,000	Hong Kong	100	–
Argent Holdings Ltd.	Investment holding	30,257 ordinary shares of US$1	British Virgin Islands	–	91

20. Associates

	Group 2005 HK$'000	Group 2004 HK$'000 (Restated)
Unlisted investments		
Share of net assets	241,116	200,809
Less: Impairment losses	(103,030)	(17,030)
	138,086	183,779

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted investments		
Shares, at cost	394	394
Less: Impairment losses	(156)	(394)
	238	–

Summarised financial information in respect of the Group's associates is set out below:

	2005 HK$'000	2004 HK$'000
Total assets	3,356,775	2,956,737
Total liabilities	(2,635,812)	(2,466,026)
Revenue	391,191	357,358
Profit (loss) for the year	99,762	(38,079)

Pursuant to the terms of the US$79.5 million Note issued by Silverlink Holdings Limited ("Silverlink") on 27 November 2002, the Group's interests in Silverlink would be decreased upon the conversion rights exercised by the Noteholders. Details of the US$79.5 million Note are shown in note 21 to the financial statements. The Directors have considered the consequential effect of the Group's share of its net assets after dilution and concluded that an impairment loss of HK$86,000,000 should be provided for the year.

20. Associates (Cont'd)

Details of associate are as follows:

Unlisted companies	Principal activities	Place of incorporation/ operation	Issued and paid up ordinary share capital/ registered capital	Percentage of equity interest held by the Company	Percentage of equity interest held by the Group
Bo Tat Tak Enterprises Limited	Property development and investment	Hong Kong	47,000 ordinary shares of HK$100	–	50
Cheer Star Development Limited*	Hotel operation	Hong Kong	10,000 ordinary shares of HK$1	–	28
Double Golden Sdn. Bhd.*	Dormant	Malaysia	RM2	–	50
Ichiban Properties Limited*	Investment holding	British Virgin Islands	2 shares of US$1	50	50
Infinity Goal Limited*	Property development	Hong Kong	10,000 ordinary shares of HK$1	–	35
Key Finance Limited*	Investment holding	British Virgin Islands	81,591,755 'A' shares of HK$0.01 and	–	–
			81,591,755 'B' shares of HK$0.01	–	100
Parkway M & A Capital Corporation*	Investment holding	British Virgin Islands	4,500,000 shares of US$1	–	39
Phil Inc.*	Dormant	U.S.A.	100,000 common shares of US$1	20	20
Start Hold Limited *	Investment holding	Hong Kong	6 ordinary shares of HK$1	–	33
Sliverlink Holdings Limited *	Investment holding	British Virgin Islands	10,720,913 ordinary shares of US$1	–	57

* Companies not audited by H. C. Watt & Company Limited.

As the Group does not have control of the board of directors of Silverlink Holdings Limited, the Group's investment in Silverlink Holdings Limited is accounted for as an associate.

To provide shareholders with information on the results and financial positions of the Company's significant associate, Silverlink Holdings Limited, a summary of its unaudited consolidated financial statements for the year ended 31 December 2005 is set out on pages 62 to 63.

21. Investments

	Group 2005 HK$'000	Group 2004 HK$'000 (Restated)
(i) Available-for-sale investments		
Listed equity securities, at market value		
In Hong Kong	11,269	46,666
Overseas	164,092	293,706
	175,361	340,372
Unlisted equity securities		
At cost	88,770	88,770
Less: Impairment losses	(74,364)	(74,364)
	14,406	14,406
At fair value	4,161	7,411
	193,928	362,189
(ii) Financial instrument with embedded derivative		
Unlisted investment, at cost	249,201	234,000
	443,129	596,189

(i) Available-for-sale investments

Available-for-sale investments were reclassified from listed and unlisted investments held for long-term purpose upon adoption of HKAS 32 and 39. The carrying amounts of available-for-sale investments reclassified were not restated since they were already stated at fair value or at cost less any accumulated impairment losses in accordance with HKAS 39.

Details of the significant available-for-sale investments are as follows:

Listed companies	Place of incorporation	Class of shares	Equity interest held
Padiberas Nasional Berhad	Malaysia	Ordinary shares of RM1.00	7.12% (2004: 5.86%)
IGB Corporation Berhad	Malaysia	Ordinary shares of RM0.50	1.34% (2004: 2.38%)

The unlisted equity securities do not have quoted market prices in an active market and other methods of reasonably estimating fair value are clearly unworkable as the variability in the range of various reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. They are therefore stated at cost and are subject to review for impairment loss.

21. Investments (Cont'd)

(ii) Financial instrument with embedded derivative

Financial instrument with embedded derivative represents 37.736% participation rights under the US$79.5 million Note issued by Silverlink Holdings Limited ("Silverlink") on 27 November 2002.

The US$79.5 million Note is secured, convertible, interest-bearing at 5% per annum and with premium at 10% per annum on the principal amount outstanding payable in arrears on the date of repayment, 30 June 2008, calculated from the date of the issue of US$79.5 million Note up to the date of repayment. The Noteholder can convert the principal amount into shares of Silverlink by a formula up to the maximum shareholding of 99.99% of the issued share capital of Silverlink.

The participation rights include but not limited to the right to interests payable on the US$79.5 million Note at the rate of 5% per annum payable quarterly and Silverlink shares upon conversion of the principal amount outstanding at the time of conversion. As a participant, the Group only participates in the rights upon the exercise of such rights by the Noteholder and cannot exercise any of the rights under the US$79.5 million Note independently. The Group will receive payments due under the US$79.5 million Note or Silverlink shares through the Noteholder, instead of from Silverlink directly.

The financial instrument was acquired by the Group in previous year and with a view to obtain the equity interest of Silverlink under the conversion right embedded in it.

As the equity component of the financial instrument is prominently significant and there is no active market for the US$79.5 million Note, the participation rights or the equity component and other methods of reasonably estimating their fair values are clearly unworkable as the variability in the range of various reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. It is therefore stated at cost and is subject to review for impairment loss.

Financial instrument with embedded derivative was reclassified from unlisted investments held for long-term purpose upon adoption of HKAS 32 and 39. These is no material financial effect upon the reclassification in accordance with HKAS 39.

22. Other non-current assets

	Group 2005 HK$'000	Group 2004 HK$'000	Company 2005 HK$'000	Company 2004 HK$'000
Amounts due from subsidiaries	–	–	1,974,888	1,924,921
Provision for impairment losses	–	–	(956,307)	(872,075)
	–	–	1,018,581	1,052,846
Subordinated loan to an associate	131,031	131,031	–	–
Amounts due from associates	141,379	153,810	138,531	150,961
Provision for impairment losses	(2,603)	(2,603)	(2,044)	(3,245)
	269,807	282,238	136,487	147,716
	269,807	282,238	1,155,068	1,200,562

Amounts due from subsidiaries, subordinated loan to an associate and amounts due from associates are unsecured, non-interest bearing and with no fixed term of repayment.

23. Inventories

	Group 2005 HK$'000	Group 2004 HK$'000
Unsold properties	–	766

Full provision of HK$12,736,000 (2004:$12,736,000) has been made for certain unsold properties.

24. Held for trading investments

	Group 2005 HK$'000	Group 2004 HK$'000
Listed shares, at cost — overseas	2,661	2,661
Unrealised gain	16,064	13,498
At market value	18,725	16,159

Held for trading investments were reclassified from listed investments held for trading purpose upon adopting of HKAS 32 and 39.

25. Other assets

	Group 2005 HK$'000	Group 2004 HK$'000
Club debenture	295	295

26. Debtors, deposits and prepayments

The Group maintains a defined credit policy on its trade debtors.

	Group	
	2005	2004
	HK$'000	HK$'000
Trade debtors		
Below 30 days	29,700	3,884
91 to 365 days	–	5,850
Other debtors, deposits and prepayments	165	165
	29,865	9,899

27. Creditors, deposits and accruals

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Trade creditors	–	–	–	–
Other creditors, deposits and accruals	5,003	5,091	3,106	3,275
	5,003	5,091	3,106	3,275

28. Notes payable

	Group and Company	
	2005	2004
	HK$'000	HK$'000
Notes payable	200,030	228,606
Amount payable within one year classified under current liabilities	(200,030)	(28,576)
	–	200,030
Repayment period –		
Within one year	200,030	28,576
One to two years	–	28,576
Two to five years	–	171,454
	200,030	228,606

Notes are unsecured, interest-bearing at 1% per annum and 3% per annum during the extension period.

29. Other payable

	Group	
	2005	2004
	HK$'000	HK$'000
Amount due to an associate	2,373	2,223
Amount due to an investee company	348	348
	2,721	2,571

Amounts due to an associate and investee company are unsecured, non-interest bearing and with no fixed term of repayment.

30. Share capital

	2005	2004
	HK$'000	HK$'000
Authorised		
Ordinary shares of HK$1 each	410,000	410,000
Issued and fully paid		
Ordinary shares of HK$1 each		
Balance at beginning of year	213,336	338,765
Repurchase of shares	–	(125,429)
Balance at end of year	213,336	213,336

31. Reserves

Group

	2005	2004
	HK$'000	HK$'000
		(Restated)
Capital redemption reserve	134,881	134,881
Share premium	316,006	316,006
Capital reserve	53,585	53,585
Investment property revaluation reserve	–	23,784
Property revaluation reserve	40,555	17,843
Investment revaluation reserve	(1,401)	77,550
Translation reserve	(391)	4,463
Retained profit	213,022	150,625
	756,257	778,737

31. Reserves (Cont'd)

The movement of the Group's reserves for the years ended 31 December 2005 and 31 December 2004 are presented in the consolidated statement of changes in equity on pages 22 to 23 of the financial statements.

The application of share premium and capital redemption reserve is governed by Sections 48B and 49H respectively of the Companies Ordinance.

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policy of available-for-sale investments as set out in note 3(j) to the financial statements.

Property revaluation reserve and translation reserve represent share of an associate's reserves.

Company

	Capital redemption reserve	Share premium	Capital reserve	Retained profit	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1.1.2004	9,452	316,006	53,585	377,824	756,867
Profit for the year	–	–	–	167,800	167,800
Dividends	–	–	–	(4,242)	(4,242)
Premium and brokerage expenses paid on share repurchases	–	–	–	(162,284)	(162,284)
Transfer to capital redemption reserve upon share repurchases	125,429	–	–	(125,429)	–
At 31.12.2004	134,881	316,006	53,585	253,669	758,141
Loss for the year	–	–	–	(12,358)	(12,358)
Dividends	–	–	–	(4,267)	(4,267)
At 31.12.2005	134,881	316,006	53,585	237,044	741,516

At balance sheet date, the reserves of the Company available for distribution to shareholders, as calculated under the provisions of Section 79B of the Companies Ordinance, amounted to HK$239,177,000 (2004: HK$255,802,000), without taking into account of proposed final dividend for the year.

32. Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash from operating activities is set out below:

	2005 HK$'000	2004 HK$'000 (Restated)
Cash flows from operating activities		
Profit before taxation	34,831	133,703
Adjustments for:		
Depreciation	310	312
Amortisation of leasehold land	16	16
Bad debts	–	753
Loss on dissolution of subsidiary	–	39
Share of results of associates	(20,949)	18,836
Net gain on disposals of available-for-sale listed investments	(70,930)	(126,891)
Surplus on disposals of investment properties	–	(1,682)
Write back of provision for impairment losses on available-for-sale investments	–	(14,039)
Amount transferred from investment revaluation reserve upon impairment losses on available-for-sale investments	–	1,091
Unrealised gain on held for trading investments	(2,566)	(1,078)
Fair value changes on investment properties	(4,000)	–
Provision for impairment losses on an associate	86,000	–
Exchange gain	(1,808)	–
Interest expenses	2,010	4,738
Interest income	(19,180)	(13,385)
Dividend income	(7,726)	(11,025)
Operating loss before working capital changes	(3,992)	(8,612)
Decrease in inventories	766	–
Decrease in debtors, deposits and prepayments	–	13,033
Increase (decrease) in creditors, deposits and accruals	43	(659)
Cash (used in) generated from operations	(3,183)	3,762
Dividend received from associate	100	100
Dividends received	7,726	11,025
Interest received	10,125	10,091
Interest paid	(2,141)	(3,670)
Overseas tax paid	(442)	(1,411)
Net cash from operating activities	12,185	19,897

(b) Non-cash transaction

During the financial year, interest receivable of HK$15,201,000 was capitalised in financial instrument with embedded derivative.

33. Pledge of assets

The Group pledged its leasehold land and buildings, certain available-for-sale investments and bank deposits with a total net book value of HK$156,000,000 (2004: HK$138,000,000) as security for banking facilities extended to the Group in the sum of HK$81,200,000 (2004: HK$119,200,000). The facilities were not utilised at the balance sheet date (2004: nil).

The Group pledged the shares in an associate as part of the security for bank loan granted to the associate. The Group has also subordinated and assigned its loan to the associate of HK$131,031,000 (2004: HK$131,031,000) to the bank as security.

34. Financial instruments

(a) Exposure to credit, currency, liquidity, price and interest rate risks arises in the normal course of the Group's business. These risks are limited by the Group's financial policies and practices described below.

(i) Credit risk

The Group's credit risk is primarily attributable to financial instrument with embedded derivative of HK$249,201,000 (2004: HK$234,000,000) and subordinate loan and amounts due from associates of HK$272,410,000 (2004: HK$284,841,000). Provision for impairment losses of HK$2,603,000 (2004: HK$2,603,000) has been made in the financial statements. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Except for the financial guarantee given by the Group in respect of credit facilities granted to an associate as disclosed in note 39, the Group does not provide any other guarantees which would expose the Group to credit risk.

(ii) Currency risks

The Group is exposed to currency risk on its financial instruments denominated in foreign currencies, including available-for-sale investments of HK$164,092,000 (2004: HK$293,706,000), trade debtors of HK$26,274,000 (2004: HK$937,000) and bank balances of HK$172,502,000 (2004: HK$69,810,000) denominated in Malaysian Ringgit. The management manages and monitors the exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group is also exposed to currency risk on its financial instrument with embedded derivative of HK$249,201,000 (2004: HK$234,000,000) and bank balances of HK$54,576,000 (2004: HK$781,000) denominated in United States dollars ("USD"). As USD are pegged to Hong Kong dollars ("HKD"), the Directors do not expect any significant movements in USD/HKD exchange rate.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements.

(iv) Price risk

The Group's certain 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 equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

34. Financial instruments (Cont'd)

(v) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The following tables set out the carrying amounts, by maturity, of the Group's financial instruments at 31 December 2005 and 31 December 2004 that are exposed to interest rate risk:

	Within one year	One to two years	Two to five years	Total	Effective interest rate
	HK$'000	HK$'000	HK$'000	HK$'000	%
2005					
Fixed rate					
Financial instrument with embedded derivative	–	–	249,201	249,201	5.0
Bank balances	275,937	–	–	275,937	2.2 – 4.2
	275,937	–	249,201	525,138	
Fixed rate					
Notes payable	200,030	–	–	200,030	1.0
2004					
Fixed rate					
Financial instrument with embedded derivative	–	–	234,000	234,000	5.0
Bank balances	148,172	–	–	148,172	0.3 – 2.0
	148,172	–	234,000	382,172	
Fixed rate					
Notes payable	28,576	28,576	171,454	228,606	1.0

(b) The Directors have considered that the carrying amounts of all financial asssets and liabilities approximate their fair values at 31 December 2005 and 31 December 2004 except as follows:

(i) Certain investments are stated at cost less any accumulated impairment losses as mentioned in note 21 to the financial statements.

(ii) Amounts due from subsidiaries, subordinate loan to an associate and amounts due from associates are unsecured, non-interest bearing and with no fixed term of repayment. Given these terms, it is not meaningful to disclose fair value.

35. Accounting judgement and estimates

Other than mentioned in note 20 to the financial statements, there is no significant risk of key assumptions concerning the future and other key sources of estimation at the balance sheet date which will cause an adjustment to carrying amounts of assets and liabilities within the next financial year.

36. Related party transactions

Other than the transactions and balances disclosed elsewhere in the financial statements, the Group had no material transaction with related parties during the year.

37. Retirement scheme

All the employees of the Group are members of the Mandatory Provident Fund Scheme. Under the Mandatory Provident Fund Scheme, the Group and its employees each made contributions to the scheme calculated at 5% of the employees' relevant income on a monthly basis. The amount of contributions charged to the profit and loss account for the year was HK$260,000 (2004: HK$262,000).

38. Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable leases are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	422	2,203
Between two and five years	–	1,440
	422	3,643

The Group's operating leases are for terms of one to three years.

39. Contingent liabilities

(a) Guarantees

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Guarantees for credit facilities granted to –				
subsidiaries	–	–	51,200	89,200
an associate	41,250	41,250	41,250	41,250
	41,250	41,250	92,450	130,450

(b) Pending litigation

As announced by the Group on 23 December 2005, a writ of summons was issued in the High Court of the Republic of Singapore by Rockline Limited ("Rockline") and Superon International Limited ("Superon") against Silverlink Holdings Limited ("Silverlink"), an associate of the Group, and Argent Holdings Ltd. ("Argent"), a subsidiary of the Group, alleging breaches of an agreement.

Rockline and Superon alleged in the writ that Silverlink and Argent have breached an agreement in that:

(i) Rockline claimed that Silverlink has agreed to repurchase shares held by Rockline in Silverlink in exchange for a secured convertible note in the principal amount of US$11.1 million (HK$87 million) to be issued by Silverlink;

39. Contingent liabilities (Cont'd)

(b) Pending litigation (Cont'd)

(ii) Superon claimed that Argent has agreed to repurchase its shares from Superon and Silverlink has agreed to simultaneously repurchase its shares from Argent, and to issue a secured convertible loan in the principal amount of US$6.4 million (HK$50 million) to Superon's nominee.

As the litigation is at the initial stage, it is not practicable to make an estimate of its financial effect.

40. Events after balance sheet date

On 3 February 2006, the Group entered into the Sale and Purchase Agreement with the purchaser to dispose of its investment properties for a cash consideration of HK$30.5 million. The disposal results in a realisation of a gain of approximately HK$2.5 million.

41. Comparative figures

Comparative figures have been restated to conform with the changes in accounting policies. In addition, certain comparative figures have been reclassified to conform with the current year's presentation.

42. Approval of financial statements

The financial statements were approved by the Board of Directors on 24 April 2006.