Notes to the Financial Statements

31 December 2005

1. CORPORATE INFORMATION

South China Holdings Limited is incorporated in the Cayman Islands as an exempted limited company. The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, the Cayman Islands. Its shares are listed on the mainboard of the Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in the trading and manufacturing, securities, bullion and commodities brokerage and trading, margin financing, money lending, provision of corporate advisory and underwriting services, information technology related businesses, real estate investment and development, implementation and marketing of software applications, magazines publishing and printing businesses, marketing and promotional services, agricultural production, sale of air tickets and the provision of other related services.

2.1 BASIS OF PREPARATION

These 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain owner-occupied properties, equity investments and biological assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group early adopted HKASs 17, 36, 38, 40 and HKFRS 3 in the financial statements for the year ended 31 December 2004.

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes-Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 31, 33, 37, HKFRS 2, 5 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

Notes to the Financial Statements

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) *HKAS 32 and HKAS 39 - Financial Instruments*

Equity securities

In prior years, the Group classified its investments in equity securities as non-trading securities, which were held for non-trading purposes and were stated at their fair values on an individual basis with gains and losses recognised as movements in the investment revaluation reserve. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$43,817,000 are designated as available-for-sale financial assets under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

In prior years, the Group classified its investments in equity securities for trading purposes as trading securities, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$68,775,000 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

Notes to the Financial Statements

31 December 2005

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) ***HKAS 32 and HKAS 39 - Financial Instruments*** *(Continued)*

Equity securities (Continued)

The adoption of HKAS 39 has not resulted in any change in the measurement of these investments. Comparative amounts have been reclassified for presentation purposes.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

Club debentures

In prior years, the Group classified its club debentures as non-current other assets, which were held for non-trading purposes and were stated at cost less impairment losses, on an individual basis. Upon the adoption of HKAS 39, these club debentures held by the Group at 1 January 2005 in the amount of HK$19,219,000 are designated as available-for-sale financial assets under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

The adoption of HKAS 39 has not resulted in any change in the measurement of these investments.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(b) ***HK(SIC)-Int 21-Income Taxes-Recovery of Revalued Non-depreciable Assets***

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that certain investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effect of the above changes are summarised in note 2.4 to the financial statements. The changes has not resulted in any prior year adjustment.

Notes to the Financial Statements

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2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

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

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporate the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

The HKAS 21 Amendment requires exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation to be recognised initially in a separate component of equity in the consolidated financial statements, irrespective of the currency of the monetary item and of whether the monetary item results from a transaction with the reporting entity or any of its subsidiaries.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Notes to the Financial Statements

31 December 2005

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 do not apply to the activities of the Group. HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 shall be applied for annual periods beginning on or after 1 December 2005 and 1 March 2006, respectively.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) *Effect on the consolidated balance sheet*

	Effect of adopting
At 1 January 2005	**HKASs 32 and 39***
Effect of new policies (Increase/(decrease))	**Change in classification of equity investments**
	HK$'000
Assets	
Available-for-sale financial assets	63,036
Non-trading securities	(43,817)
Financial assets at fair value through profit or loss	68,775
Trading securities	(68,775)
Non-current assets	(19,219)
	—
Liabilities/equity	
Investment revaluation reserve	15,826
Available-for-sale financial assets revaluation reserve	(15,826)
	—

* Adjustments taken effect prospectively from 1 January 2005

The changes in accounting policies have no impact on the balance of equity at 1 January 2004.

Notes to the Financial Statements

31 December 2005

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) *Effect on the consolidated balance sheet* (Continued)

At 31 December 2005 Effect of new policies (Increase/(decrease))	Effect of adopting: HKASs 32 and 39 Change in classification of equity investments HK$'000	HKAS 39 Amortisation on loans receivable HK$'000	HKAS 39 Individual impairment/collective impairment assessment on loans receivable HK$'000	HK(SIC)-Int 21 Deferred tax on revaluation of investment properties HK$'000	Total HK$'000
Assets					
Interests in associates	—	—	—	(30,052)	(30,052)
Available-for-sale financial assets	41,328	—	—	—	41,328
Non-trading securities	(22,662)	—	—	—	(22,662)
Loans receivable	—	(1,427)	2,553	—	1,126
Financial assets at fair value through profit or loss	59,925	—	—	—	59,925
Trading securities	(59,925)	—	—	—	(59,925)
Non-current assets	(18,666)	—	—	—	(18,666)
					(28,926)
Liabilities/equity					
Deferred tax liabilities	—	—	—	14,612	14,612
Investment revaluation reserve	(15,826)	—	—	—	(15,826)
Available-for-sale financial assets revaluation reserve	15,826	—	—	—	15,826
Minority interests	—	(390)	698	—	308
Retained profits	—	(1,037)	1,855	(44,664)	(43,846)
					(28,926)

Notes to the Financial Statements
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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Effect on the balances of equity at 1 January 2005 and 2004

Effect of new policies (Increase/(decrease))	**Effect of adopting HKAS 39 Designation of available-for-sale financial assets**
	HK$'000
1 January 2005	
Investment revaluation reserve	(15,826)
Available-for-sale financial assets revaluation reserve	15,826
	—

The changes in accounting policies have no impact on the balance of equity at 1 January 2004.

Notes to the Financial Statements

31 December 2005

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) *Effect on the consolidated income statement for the years ended 31 December 2005 and 2004*

	Effect of adopting				
	HKAS 1	HKAS 39	HKAS 39	HK(SIC)-Int 21	
Effect of new policies	Share of post-tax profits and losses of associates	Amortisation on loans receivable	Individual impairment/ collective impairment assessment on loans receivable	Deferred tax on revaluation of investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2005					
Decrease/(increase) in other operating expenses	—	(1,427)	2,553	—	1,126
Increase in share of profits and losses of associates	(28,060)	—	—	—	(28,060)
Decrease/(increase) in tax	28,060	—	—	(19,795)	8,265
Total increase/(decrease) in profit	—	(1,427)	2,553	(19,795)	(18,669)
Increase/(decrease) in basic earnings per share	—	(0.08) cents	0.14 cents	(1.09) cents	(1.02) cents
Increase/(decrease) in diluted earnings per share	N/A	N/A	N/A	N/A	N/A
Year ended 31 December 2004					
Increase in share of profits and losses of associates	553	—	—	—	553
Decrease/(increase) in tax	(553)	—	—	—	(553)
Total increase/(decrease) in profit	—	—	—	—	—
Increase/(decrease) in basic earnings per share	—	—	—	—	—
Increase/(decrease) in diluted earnings per share	N/A	N/A	N/A	N/A	N/A

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Notes to the Financial Statements

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of SSAP 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against the consolidated retained profits and goodwill reserve in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, biological assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

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

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

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

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

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

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than certain owner-occupied properties and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Certain owner-occupied properties are stated in the balance sheet at amounts based on revaluations performed prior to 30 September 1995, less any subsequent accumulated depreciation and amortisation and impairment losses.

In accordance with the transitional provisions of paragraph 80A of HKAS 16 “Property, plant and equipment”, the Group’s owner-occupied properties which carried at revalued amounts in financial statements relating to periods ended before 30 September 1995 are not required to make regular revaluations. Accordingly, no revaluation of owner-occupied properties is carried out subsequent to 30 September 1995. In previous years, the revaluation increase arising on the revaluation of these assets was credited to the asset revaluation reserve. Any future decreases in values of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Owner occupied properties	2% to 10%, not exceeding the lease terms
Furniture and leasehold improvements	10% to 25%
Machinery and equipment	10% to 25%
Moulds and tools	20% to 25%
Motor vehicles and vessels	20% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

Notes to the Financial Statements

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents mainly resettlement costs incurred for a piece of land, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Notes to the Financial Statements

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Biological assets

Biological assets are fruit trees and are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs. The fair value of fruit trees is determined based on the present value of expected net cash flows from the fruit trees discounted at a current market-determined pre-tax rate. Fruit trees are perennial plants which have growth cycles of more than one year.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in the income statement for the period in which it arises.

Agricultural produce

Agricultural produce comprises litchi and longan fruits of fruit trees.

Litchi and longan fruits harvested from fruit trees are measured at their fair value less estimated point-of-sale costs at the time of harvest. The fair value of litchi and longan fruits is determined based on market prices in the local area. Such measurement is the cost at that date when applying HKAS 2 “Inventories”.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs shall be included in the income statement for the period in which it arises.

Fair value represents the estimated purchase cost that the Group has to procure such inventories in the market on an arm’s length basis.

Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Notes to the Financial Statements

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Applicable to the year ended 31 December 2004:

The Group classified its equity investments, other than subsidiaries and associates, as non-trading securities and trading securities.

Non-trading securities

Non-trading securities are non-trading investments in listed and unlised equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values, on an individual basis. The estimated fair values of unlisted investments are determined by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or comparison of price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities. Or state other bases, e.g. professional valuation.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement in the period in which the impairment arises.

Trading securities

Trading securities are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Applicable to the year ended 31 December 2005:

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans receivable

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets *(Continued)*

When the fair value of unlisted available-for-sale cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For available-for-sale financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 December 2005)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (applicable to the year ended 31 December 2005) *(Continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial assets is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

Impairment losses on debt instruments are reversed through income statement, if the increase in fair value of the instrument can be objectively related to an event, occurring after the impairment loss was recognised in income statement.

Derecognition of financial assets (applicable to the year ended 31 December 2005)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (applicable to the year ended 31 December 2005) *(Continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributed to the unsold properties.

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

(a) income from sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) income from provision of system integration services, when the service has been rendered;

(c) income from rendering of financial corporate advisory and underwriting service, on stage of completion basis, provided that the costs involved can be measured reliably;

(d) commission and brokerage income, accrued on all broking transactions on a trade date basis;

(e) income from trading of securities, bullion and future contracts, on a trade date accrual basis;

(f) dividend income, when the shareholders' right to receive payment has been established;

(g) income from sale of magazine, when the magazines have been delivered and title has passed;

(h) service income and management fees, when service has been rendered;

(i) rental income, on a time proportion basis over the lease terms; and

(j) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("Equity-settled Transactions").

The cost of Equity-settled Transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 41. In valuing Equity-settled Transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("Market Conditions"), if applicable.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

The cost of Equity-settled Transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "Vesting Date"). The cumulative expense recognised for Equity-settled Transactions at each balance sheet date until the Vesting Date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a Market Condition, which are treated as vesting irrespective of whether or not the Market Condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Pension schemes

The Group operates a defined contribution staff retirement scheme registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") for its employees (including certain directors), the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates another defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees who joined the Group before 1 December 2000 had the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 are only eligible to join the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Notes to the Financial Statements

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to the Financial Statements

31 December 2005

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into industrial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Notes to the Financial Statements

31 December 2005

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2005 was HK$7,872,000 (2004: HK$8,497,000). More details are given in note 23 to the financial statements.

Estimates regarding the realisability of deferred tax assets

Estimating the amount for deferred tax asset arising from tax losses requires a process that involves determining appropriate provisions for taxation, forecasting future years' taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in the income statement for the period in which such a reversal takes place. The Group's deferred tax asset arising from tax losses is from its Hong Kong business. While the current financial models indicate that the tax losses can be utilised in the future, any changes in assumptions and estimates and in tax regulations can affect the recoverability of this deferred tax asset. The deferred tax assets in relation to unused tax losses recognised in the consolidated balance sheet at 31 December 2005 was HK$23,023,000 (2004: HK$2,819,000).

Estimation of fair value of biological assets

In the absence of current prices in an active market for the Group's biological assets, litchi and longan fruit trees, the Group considers information from a variety of sources, including:

(a) current prices in an active market for fruit trees of a different age or location, adjusted to reflect those differences;

(b) recent prices of similar fruit trees on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by external evidence such as current market prices for related agricultural produce in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Notes to the Financial Statements

31 December 2005

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of fair value of biological assets (Continued)

The principal assumptions for the Group's estimation of the fair value include those related to current market prices for similar fruit trees in the same location and condition, appropriate discount rates, expected future market prices and future yields.

The carrying amount of biological assets at 31 December 2005 was HK$62,000,000 (2004: HK$68,000,000) (note 14).

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to a different lease or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amount of investment properties at 31 December 2005 was HK$497,483,000 (2004: HK$327,255,000) (note 16).

Notes to the Financial Statements

31 December 2005

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment allowances on loans receivable

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying amount of loans receivable at 31 December 2005 was HK$158,805,000 (2004: HK$179,670,000) (note 20).

Impairment of available-for-sale financial assets/non-trading securities

The Group determines that available-for-sale financial/non-trading securities assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such determination of what is significant or prolonged decline requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, as well as changes in technology, and operational and financing cash flows.

The carrying amount of available-for-sale financial assets/non-trading securities at 31 December 2005 was HK$41,328,000 (2004: HK$43,817,000) (note 25).

Notes to the Financial Statements

31 December 2005

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the trade and manufacturing segment involves trade and manufacture merchandises including toys, compressors, shoes, metal tooling, leather products, motor, machinery, capacitors, jewellery and clothing;

(b) the securities and financial services segment engages in securities, bullion and commodities brokerage and margin financing, money lending, securities trading, provision of corporate advisory and underwriting services;

(c) the travel and related services segment involves in the sale of air-tickets and travel-related products;

(d) the property development segment engages in property development and investment;

(e) the media and publications segment engages in publishing and printing business, advertising and promotional services;

(f) the information technology segment engages in information technology related business;

(g) the agriculture produce segment engages in the cultivation of fruit trees and sales of fruits and fishes; and

(h) the investment holding segment comprises the Group's management services and other investments holding.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to the Financial Statements

31 December 2005

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the year ended 31 December 2005 and 2004.

Group

	Trade and manufacturing HK$'000	Property development HK$'000	Travel and related services HK$'000	Securities and financial services HK$'000	Media and publications HK$'000	Information technology HK$'000	Agriculture produce HK$'000	Investment holding HK$'000	Consolidated HK$'000
Year ended 31 December 2005:									
Segment revenue:									
External sales	2,254,878	12,765	1,629,861	113,845	210,059	82,406	1,306	—	4,305,120
Segment results before unrealised/realized gain/(loss)	117,011	9,171	13,716	9,573	(49,079)	914	(4,882)	(36,203)	60,221
Depreciation and amortisation	(35,209)	(24)	(1,548)	(2,624)	(3,800)	(963)	(681)	(170)	(45,019)
Impairment of goodwill	—	—	—	—	—	—	—	(625)	(625)
Excess over the cost of a business combination	—	—	—	—	—	—	—	15,071	15,071
Gain on disposal of available-for-sale financial assets	—	—	—	—	—	—	—	28,827	28,827
Fair value losses on financial assets at fair value through profit or loss	—	—	—	(16,046)	—	—	—	—	(16,046)
Fair value gains on investment properties	—	144,948	—	—	—	—	—	—	144,948
Fair value losses on biological assets	—	—	—	—	—	—	(5,588)	—	(5,588)
Write-back of/(provision for) bad and doubtful debts	(319)	—	—	(14,285)	(1,497)	—	—	1,382	(14,719)
Impairment of available-for-sale financial assets	—	—	—	—	—	—	—	(553)	(553)
Segment results	81,483	154,095	12,168	(23,382)	(54,376)	(49)	(11,151)	7,729	166,517
Finance costs									(20,622)
Write-back of provision for advances to associates	—	20,657	—	—	—	—	—	—	20,657
Share of profits and losses of associates	(42,486)	88,597	—	—	—	(12)	—	—	46,099
Profit before tax									212,651
Tax									(31,796)
Profit for the year									180,855

Notes to the Financial Statements

31 December 2005

4. SEGMENT INFORMATION *(Continued)*

(a) ***Business segments*** *(Continued)*

Group

	Trade and manufacturing HK$'000	Property development HK$'000	Travel and related services HK$'000	Securities and financial services HK$'000	Media and publications HK$'000	Information technology HK$'000	Agriculture produce HK$'000	Investment holding HK$'000	Consolidated HK$'000
Year ended 31 December 2004:									
Segment revenue:									
External sales	1,939,636	14,014	1,461,904	128,110	176,646	64,195	1,127	—	3,785,632
Segment results before unrealised/ realised gain/(loss)	60,930	9,798	18,720	33,670	(10,235)	690	(3,989)	(5,690)	103,894
Depreciaiton and amortisation	(38,284)	(446)	(1,023)	(4,293)	(4,040)	(974)	(769)	(254)	(50,083)
Excess over the cost of a business combination	—	—	—	—	—	—	—	15,665	15,665
Loss on disposal of non-trading securities	—	—	—	—	—	—	—	(87)	(87)
Fair value gains on trading securities	—	—	—	11,445	—	—	—	—	11,445
Impairment of land pending development	—	(5,000)	—	—	—	—	—	—	(5,000)
Fair value gains on investment properties	—	77,528	—	—	—	—	—	—	77,528
Fair value gain on biological assets	—	—	—	—	—	—	123	—	123
Write-back of/(provision for) bad and doubtful debts	8,019	—	—	(7,428)	(2,457)	—	—	1,074	(792)
Reversal of impairment of non-trading securities	—	—	—	—	—	—	—	3,220	3,220
Segment results	30,665	81,880	17,697	33,394	(16,732)	(284)	(4,635)	13,928	155,913
Finance costs									(10,408)
Write-back of provision for advances to associates	—	57,918	—	—	—	—	—	—	57,918
Share of profits and losses of associates	(12,319)	2,991	—	—	—	(728)	—	—	(10,056)
Profit before tax									193,367
Tax									(7,432)
Profit for the year									185,935

Notes to the Financial Statements

31 December 2005

4. SEGMENT INFORMATION *(Continued)*

(a) ***Business segments*** *(Continued)*

Group

	Trade and manufacturing HK$'000	Property development HK$'000	Travel and related services HK$'000	Securities and financial services HK$'000	Media and publications HK$'000	Information technology HK$'000	Agriculture produce HK$'000	Investment holding HK$'000	Consolidated HK$'000
At 31 December 2005:									
Segments assets	895,168	699,192	179,419	598,460	43,209	65,775	68,031	72,705	2,621,959
Interests in associates	73,693	302,169	—	—	—	714	—	—	376,576
Unallocated corporate assets									28,986
Total assets									3,027,521
Segments liabilities	411,676	82,139	149,104	218,319	149,930	37,172	2,204	20,076	1,070,620
Unallocated corporate liabilities									416,408
Total liabilities									1,487,028
At 31 December 2004:									
Segments assets	875,659	433,777	102,204	704,300	50,634	56,637	76,996	65,577	2,365,784
Interests in associates	126,686	272,278	—	—	—	1,754	—	—	400,718
Unallocated corporate assets									6,684
Total assets									2,773,186
Segments liabilities	346,081	163,702	60,039	314,009	95,879	34,957	2,023	13,117	1,029,807
Unallocated corporate liabilities									375,359
Total liabilities									1,405,166
Year ended 31 December 2005:									
Other segment information:									
Capital expenditures	32,784	54,635	2,318	2,068	9,410	6,473	714	26	108,428
Provision for obsolete inventories	19,472	—	—	—	—	—	—	—	19,472
Year ended 31 December 2004:									
Other segment information:									
Capital expenditures	31,477	12	1,146	2,389	11,717	7,702	498	—	54,941
Provision for obsolete inventories	40,605	—	—	—	—	—	—	—	40,605

Notes to the Financial Statements

31 December 2005

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table provides an analysis of the Group's sales and results by geographical segment, irrespective of the origin of the goods/services:

	Sales revenue by geographical segment		**Segment results by geographical segment**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
The People's Republic China (the "PRC"), including Hong Kong	**2,210,943**	2,009,088	**91,871**	125,621
The United States of America	**1,293,659**	1,162,240	**52,631**	24,433
Europe	**515,504**	463,511	**13,685**	3,950
Japan	**34,168**	20,027	**947**	163
Others	**250,846**	130,766	**7,383**	1,746
	4,305,120	3,785,632	**166,517**	155,913

The following is an analysis of the carrying amounts of segment assets and additions to property, plant and equipment, construction in progress, prepaid land lease payment and intangible assets, analysed by the geographical areas in which the assets are located:

	Segment assets by geographical market		**Capital expenditure by geographical market**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,679,182**	1,486,186	**22,148**	18,994
Other regions of Mainland China	**942,088**	878,736	**86,272**	35,511
Macau	**689**	862	**8**	436
	2,621,959	2,365,784	**108,428**	54,941

Notes to the Financial Statements

31 December 2005

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; profit and loss on the trading of securities, interest income from financial services, and gross rental income received and receivable from investment properties during the year.

An analysis of revenue is as follows:

	2005 HK$'000	2004 HK$'000
Sales of merchandise from manufacturing and trading business	2,254,878	1,940,159
Sales of travel-related products	1,629,861	1,461,904
Income from publishing and printing and the provision of related services	210,058	175,986
Income from securities and commodities brokerage	64,150	72,742
Interest income from margin financing and money lending operations	34,388	30,317
Income from rendering of financial services	9,453	7,501
Gain from securities, bullion and commodities trading, net	5,855	18,556
Service income from information and technology related business	82,406	64,332
Rental income	12,765	13,008
Sales of agriculture produce	1,306	1,127
	4,305,120	3,785,632

Notes to the Financial Statements

31 December 2005

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Cost of inventories sold		1,972,444	1,776,101
Cost of service provided		26,709	24,812
Depreciation	15	45,019	49,921
Auditors' remuneration		3,809	2,678
Employee benefits expense (including directors' remuneration (note 8)):			
Pension scheme contributions		19,362	25,631
Less: Forfeited contributions		(104)	(711)
Net pension benefits contributions		19,258	24,920
Wages and salaries		625,160	506,230
Total employee benefits expense		644,418	531,150
Minimum lease payments under operating leases in respect of land and buildings		15,125	18,898
Gross rental income		(12,765)	(13,008)
Less: Direct operating expenses		2,641	1,317
Net rental income		(10,124)	(11,691)
Provision against obsolete inventories (included in cost of sales)*		19,472	40,605
Loss/(gain) on disposal of property, plant and equipment, net		(961)	1,225
Reversal of impairment of property, plant and equipment		(110)	—
Bank interest income (not included in turnover)		(1,638)	(2,013)
Interest income on advances to associates		(1,436)	(1,457)
Dividend income from listed investments		(1,367)	(687)
Dividend income from associates		(268)	—
Write-back of provision for customers' claims		(10,169)	—
Management fee received from associates		(492)	—
Administrative fees received from related companies		(720)	(1,966)
Amortisation of intangible assets		—	162
Recognition of prepaid land lease payments		363	362
Impairment of goodwill	23	625	—

* The amount represents a write-down of inventories to their estimated net realisable values.

At 31 December 2005, the Group had forfeited contributions of HK$240,000 (2004: HK$306,000) available to reduce its contributions to the pension schemes in future years.

Notes to the Financial Statements

31 December 2005

7. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on bank loans and overdrafts	**19,538**	9,801
Interest on finance leases	**1,084**	607
	20,622	10,408

8. DIRECTORS' REMUNERATION

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

	Group	
	2005	2004
	HK$'000	HK$'000
Fees	**510**	415
Other emoluments:		
Salaries, allowances and benefits in kind	**6,000**	5,799
Discretionary bonuses	**18,000**	50
Pension scheme contributions	**282**	266
	24,792	6,530

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2005	2004
	HK$'000	HK$'000
Mr. David John Blackett	**70**	70
Mr. Cheng Hong Kei	**50**	13
Ms. Wong Siu Yin, Elizabeth	**60**	30
Mr. David Michael Norman *	**—**	87
	180	200

* In his capacity as independent non-executive director

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

Notes to the Financial Statements

31 December 2005

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2005					
Executive directors:					
Mr. Ng Hung Sang	40	1,920	7,000	96	9,056
Mr. Richard Howard Gorges	40	1,740	5,500	87	7,367
Ms. Cheung Choi Ngor	40	1,740	5,500	87	7,367
Ms. Ng Yuk Mui, Jessica *	10	—	—	—	10
Mr. Ng Yuk Fung, Peter	30	600	—	12	642
	160	6,000	18,000	282	24,442
Non-executive directors:					
Mr. David Michael Norman	120	—	—	—	120
Ms. Ng Yuk Mui, Jessica **	50	—	—	—	50
	170	—	—	—	170
	330	6,000	18,000	282	24,612

* In her capacity as an executive director

** In her capacity as a non-executive director

Notes to the Financial Statements

31 December 2005

8. DIRECTORS' REMUNERATION *(Continued)*

(b) ***Executive directors and non-executive directors*** *(Continued)*

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2004					
Executive directors:					
Mr. Ng Hung Sang	40	1,800	—	90	1,930
Mr. Richard Howard Gorges	40	1,759	—	82	1,881
Ms. Cheung Choi Ngor	40	1,640	—	82	1,762
Ms. Ng Yuk Mui, Jessica	20	—	—	—	20
Mr. Ng Yuk Fung, Peter	30	600	50	12	692
	170	5,799	50	266	6,285
Non-executive directors:					
Mr. David Michael Norman #	33	—	—	—	33
Mr. Yuen Kam Tim, Francis	5	—	—	—	5
Mr. Tan Boon Seng	7	—	—	—	7
	45	—	—	—	45
	215	5,799	50	266	6,330

\# In his capacity as a non-executive director

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to the Financial Statements

31 December 2005

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2004: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2004: three) non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,901**	7,490
Pension scheme contributions	**105**	426
	5,006	7,916

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

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

Notes to the Financial Statements

31 December 2005

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005 HK$'000	2004 HK$'000 (Restated)
Group:		
Current		
Hong Kong		
Charge for the year	4,767	5,575
Underprovision/(overprovision) in prior years	12,983	(1,604)
Elsewhere		
Charge for the year	8,235	1,270
Underprovision in prior years	3,002	—
Deferred (note 39)	2,809	2,191
Total tax charge for the year	31,796	7,432

Notes to the Financial Statements

31 December 2005

10. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Profit before tax	**212,651**	193,367
Tax at the statutory tax rate	**37,214**	33,839
Effect of different tax rates of operations in other jurisdictions	**4,821**	729
Tax effect of share of results of associates	**(8,046)**	1,760
Expenses not deductible for tax	**4,732**	4,822
Income not subject to tax	**(33,091)**	(30,505)
Tax losses utilised from previous periods	**(8,598)**	(12,176)
Tax losses not recognised	**33,246**	10,567
Adjustment in respect of current tax of previous period	**15,985**	(1,604)
Tax losses arising from previous periods recognised	**(14,467)**	—
Total tax charge for the year	**31,796**	7,432

The share of tax expenses attributable to associates amounting to HK$28,060,000 (2004: tax credit of HK$553,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

11. LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss from ordinary activities attributable to equity holders of the Company for the year ended 31 December 2005 dealt with in the financial statements of the Company, was HK$147,000 (2004: HK$340,000) (note 42(b)).

12. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2005 (2004: Nil).

Notes to the Financial Statements

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13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the Company of approximately HK$96,574,000 (2004: HK$124,201,000) and 1,823,401,000 (2004: 1,823,401,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the two years ended 31 December 2004 and 2005 have not been disclosed as no diluting events existed during those years.

14. BIOLOGICAL ASSETS

	Group	
	2005	2004
	HK$'000	HK$'000
Litchi trees:		
Carrying amount at 1 January	**51,300**	51,300
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs	**(4,185)**	115
Decrease due to harvest	**(341)**	(115)
Carrying amount 31 December	**46,774**	51,300
Longan trees:		
Carrying amount at 1 January	**16,700**	16,700
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs	**(1,403)**	8
Decrease due to harvest	**(71)**	(8)
Carrying amount at 31 December	**15,226**	16,700
Total carrying amount at 31 December	**62,000**	68,000

Quantities of fruit trees:

	Number of trees '000	Number of trees '000
Litchi trees	**333**	333
Longan trees	**108**	108
	441	441

Notes to the Financial Statements

31 December 2005

14. BIOLOGICAL ASSETS *(Continued)*

Fair value and saleable output of litchis and longans at the point of harvest are analysed as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Fair value less estimated point-of-sale costs:		
Litchis	**341**	115
Longans	**71**	8
	412	123
	Tons	Tons
Saleable output:		
Litchis	**139**	76
Longans	**32**	3
	171	79

Significant assumptions made in determining the fair value of the biological assets are as follows:

(a) the fruit trees will continue to be competently managed and remain free from irremediable disease in the remaining estimated useful lives;

(b) the expected prices of litchi and longan fruits are based on the past actual average district prices; and

(c) the future cash flows have been discounted at the target rate of return on equity of the agricultural produce segment.

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31 December 2005

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Owner-occupied properties HK$'000 (restated)	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000 (restated)
31 December 2005						
At 31 December 2004 and at 1 January 2005:						
Cost or valuation	278,967	281,594	283,328	27,066	34,618	905,573
Accumulated depreciation and impairment	(77,504)	(231,952)	(231,841)	(20,786)	(26,476)	(588,559)
Net carrying amount	201,463	49,642	51,487	6,280	8,142	317,014
At 1 January 2005, net of accumulated depreciation and impairment	201,463	49,642	51,487	6,280	8,142	317,014
Additions	5,057	13,734	26,765	1,720	1,143	48,419
Disposals	(984)	(314)	(2,089)	(2)	(795)	(4,184)
Depreciation provided during the year	(7,698)	(17,594)	(15,408)	(1,333)	(2,986)	(45,019)
Reclassification	(3,685)	750	5,964	(3,029)	—	—
Transfer from investment properties, net (note 16)	7,420	—	—	—	—	7,420
Write-back of impairment/(impairment)	2,409	(1,477)	(462)	(360)	—	110
Exchange realignment	468	26	543	—	33	1,070
At 31 December 2005, net of accumulated depreciation and impairment	204,450	44,767	66,800	3,276	5,537	324,830
At 31 December 2005:						
Cost or valuation	245,750	289,886	258,390	12,719	29,298	836,043
Accumulated depreciation and impairment	(41,300)	(245,119)	(191,590)	(9,443)	(23,761)	(511,213)
Net carrying amount	204,450	44,767	66,800	3,276	5,537	324,830
Analysis of cost or valuation:						
At cost	198,241	289,886	258,390	12,719	29,298	788,534
At 31 December 1988 valuation	31,112	—	—	—	—	31,112
At 31 December 1989 valuation	5,220	—	—	—	—	5,220
At 31 December 1992 valuation	204	—	—	—	—	204
At 31 December 1994 valuation	10,973	—	—	—	—	10,973
	245,750	289,886	258,390	12,719	29,298	836,043

Notes to the Financial Statements

31 December 2005

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

Group

	Owner-occupied properties HK$'000 (Restated)	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000 (Restated)
31 December 2004						
At 31 December 2003 and at 1 January 2004:						
Cost or valuation	290,834	264,362	281,327	31,903	33,130	901,556
Accumulated depreciation and impairment	(83,917)	(213,534)	(231,079)	(26,125)	(24,937)	(579,592)
Net carrying amount	206,917	50,828	50,248	5,778	8,193	321,964
At 1 January 2004, net of accumulated depreciation and impairment	206,917	50,828	50,248	5,778	8,193	321,964
Additions	3,146	23,543	18,449	2,972	3,327	51,437
Acquisition of subsidiaries	2,422	503	303	871	41	4,140
Disposals	—	(3,366)	(3,862)	(348)	(698)	(8,274)
Depreciation provided during the year	(8,685)	(21,871)	(13,651)	(2,993)	(2,721)	(49,921)
Exchange realignment	—	5	—	—	—	5
Transfer to investment properties, net	(2,337)	—	—	—	—	(2,337)
At 31 December 2004, net of accumulated depreciation and impairment	201,463	49,642	51,487	6,280	8,142	317,014
At 31 December 2004:						
Cost or valuation	278,967	281,594	283,328	27,066	34,618	905,573
Accumulated depreciation and impairment	(77,504)	(231,952)	(231,841)	(20,786)	(26,476)	(588,559)
Net carrying amount	201,463	49,642	51,487	6,280	8,142	317,014
Analysis of cost or valuation:						
At cost	231,458	281,594	283,328	27,066	34,618	858,064
At 31 December 1988 valuation	31,112	—	—	—	—	31,112
At 31 December 1989 valuation	5,220	—	—	—	—	5,220
At 31 December 1992 valuation	204	—	—	—	—	204
At 31 December 1994 valuation	10,973	—	—	—	—	10,973
	278,967	281,594	283,328	27,066	34,618	905,573

Notes to the Financial Statements

31 December 2005

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

The Group's owner-occupied properties are situated in Hong Kong and Mainland China and are held under the following lease terms:

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Hong Kong		
Medium term lease	**89,566**	79,875
Long term lease	**16,457**	16,807
Mainland China		
Medium term land use rights	**72,911**	78,618
In the process of applying land use rights*	**25,516**	26,163
	204,450	201,463

* As at 31 December 2005, the Group had not obtained land use right certificates in respect of the Group's certain owner-occupied properties amounting to approximately HK$25,516,000 (2004: HK$26,163,000).

The net book value of the Group's machinery and equipment and motor vehicles held under finance leases and hire purchase contracts included in the total amount of machinery and equipment and motor vehicles at 31 December 2005 amounted to HK$33,352,000 (2004: HK$25,372,000).

Certain of the Group's owner-occupied properties were revalued on and before 31 December 1994. The owner-occupied properties were revalued at open market value, based on their existing use. Since 1995, no further revaluations of the Group's owner-occupied properties have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16, from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time.

Had all owner-occupied properties been carried at cost less accumulated depreciation and impairment loss, the net book value of the Group's owner-occupied properties as at 31 December 2005 would have been approximately HK$201,000,000 (2004: HK$198,000,000).

At 31 December 2005, certain of the Group's owner-occupied properties and machinery and equipment with an aggregate net book value of approximately HK$94,607,000 (2004: HK$138,172,000) were pledged to secure banking facilities granted to the Group (note 35).

Notes to the Financial Statements

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16. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	HK$'000
Carrying amount at 1 January	**327,255**	247,390
Net profit from a fair value adjustment	**144,948**	77,528
Transfer from/(to) owner-occupied properties, net (note 15)	**(7,420)**	2,337
Transfer from properties held for sale	**19,221**	—
Transfer from land pending development (note 19)	**13,402**	—
Exchange realignment	**77**	—
Carrying amount at 31 December	**497,483**	327,255

The Group's investment properties are situated in Hong Kong and Mainland China, and are held under the following lease terms:

	Group	
	2005	2004
	HK$'000	HK$'000
Hong Kong		
Medium term leases	**301,548**	188,895
Long-term lease	**159,100**	128,700
	460,648	317,595
Mainland China		
Medium term leases	**36,835**	9,660
	497,483	327,255

The Group's investment properties were revalued on 31 December 2005 by BMI Appraisals Limited, an independent professionally qualified valuers, at HK$497,483,000 on an open market, existing use basis. Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 47(a) to the financial statements.

At 31 December 2005, the Group's investment properties with a value of HK$427,567,000 (2004: HK$298,575,000) were pledged to secure general banking facilities granted to the Group (note 35).

Further particulars of the Group's investment properties are included on pages 124 to 128.

Notes to the Financial Statements

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17. PREPAID LAND LEASE PAYMENTS

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Carrying amount at 1 January	**15,564**	15,926
Additions	**3,232**	—
Recognised during the year	**(363)**	(362)
Carrying amount at 31 December	**18,433**	15,564
Current portion included in other receivables	**(363)**	(363)
Non-current portion	**18,070**	15,201

The leasehold land is held under a medium term lease and is situated in Mainland China. In prior year, the balances were included in property, plant and equipment.

18. CONSTRUCTION IN PROGRESS

	Group
	2005
	HK$'000
Acquisition of a subsidiary (note 43)	40,385
Additions	56,777
Balance at 31 December	97,162

Notes to the Financial Statements

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19. LAND PENDING DEVELOPMENT

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**13,402**	18,402
Transfer to investment properties (note 16)	**(13,402)**	—
Written off during the year	**—**	(5,000)
At 31 December	**—**	13,402

At 31 December 2004, in the opinion of the directors, certain land was still vacant and the relevant PRC authority may resume the land accordingly. Therefore, a write off of HK$5,000,000 was recognised in the income statement for the year ended 31 December 2004.

20. LOANS RECEIVABLE

The Group's loans receivable arose from margin financing and money lending operations.

The Group allows a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding loans receivable and has a credit control department to minimise the credit risk. Loans for margin financing are secured by the pledge of customers' securities as collateral. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's loans and advances relate to a large number of diversified customers, there is no significant concentration of credit risk. Loans receivable are interest-bearing at the rate mutually agreed with the contracting parties.

	Group	
	2005	2004
	HK$'000	HK$'000
Loans receivable	**289,772**	304,027
Impairment	**(130,967)**	(124,357)
	158,805	179,670
Market value of collateral at 31 December	**656,388**	779,664

At 31 December 2005, certain equity securities as collateral provided by certain subsidiaries and clients of approximately of HK$128,737,000 (2004: HK$292,956,000) were pledged to banks to secure banking facilities granted to the Group (note 35).

The carrying amounts of the Group's loans receivable approximate to their fair values.

Notes to the Financial Statements

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20. LOANS RECEIVABLE *(Continued)*

The maturity profile of loans receivable at the balance sheet date is analysed into the remaining periods to their contractual maturity dates as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Repayable:		
On demand	**124,170**	147,094
Within 3 months	**10,443**	7,736
3 months to 1 year	**17,791**	19,612
1 year to 5 years	**6,401**	5,228
	158,805	179,670
Portion classified as current assets	**(152,404)**	(174,442)
Portion classified as non-current assets	**6,401**	5,228

21. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**527,702**	527,702
Due from subsidiaries	**289,014**	277,718
	816,716	805,420

Except for an amount of HK$19,401,000 (2004: HK$8,034,000) due from a subsidiary which bears interest at Hong Kong Dollar Prime plus 3% (2004: Hong Kong Dollar Prime plus 3%) per annum, the amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinions of the directors, the amounts due from subsidiaries are not repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current. In the opinion of the directors, the amounts due from subsidiaries approximate to their fair values.

Details of the Company's principal subsidiaries are set out in note 54 to the financial statements.

During the year, the Group acquired Liaoning Da Fa Real Estate Company Limited ("Liaoning Da Fa") from an independent third party. Further details of this acquisition are included in note 43 to the financial statements.

Notes to the Financial Statements

31 December 2005

22. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Share of net assets		
Listed associate in Hong Kong	**60,305**	86,224
Unlisted associates	**103,957**	42,215
	164,262	128,439
Advances to associates	**214,059**	293,632
Amounts due to associates	**(1,039)**	—
Provision for impairment	**(706)**	(21,353)
	212,314	272,279
	376,576	400,718
Share of market value of listed associate	**29,670**	57,059

Except for the advances to Firm Wise Investment Limited ("FWIL") of HK$213,354,000 (2004: HK$292,917,000) which bears interest at 0.5% (2004: 0.5%) per annum, advances to associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts are not repayable within twelve months from the balance sheet date and are classified in the balance sheet as non-current accordingly.

As at 31 December 2005, the Group has given guarantee with total amount of HK$210,000,000 (2004: HK$174,000,000) to secure banking facilities granted to FWIL, of which HK$210,000,000 (2004: HK$139,922,000) was utilised (note 45(a)). The banking facilities are to be matured in November 2010. The advances to FWIL and guarantees given were used to finance a property development project in Hong Kong.

Provision for advances to associates of approximately HK$20,647,000 (2004: HK$58,627,000) was written back during the year with reference to the valuation of the properties held by an associate performed by an independent professionally qualified valuers, BMI Appraisals Limited, at 31 December 2005.

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22. INTERESTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarised financial information of the Group's major associate, FWIL, extracted from its management accounts and adjusted for the fair value of the investment property based on the valuation performed by BMI Appraisals Limited:

	2005	2004
	HK$'000	HK$'000
Assets	**1,623,824**	1,428,998
Liabilities	**1,495,640**	1,498,993
Turnover	**72,243**	59,548
Profit	**198,180**	258,171

The following tables illustrates the summarised financial information of the Group's other associates extracted from their management accounts and financial statements as adjusted for the fair value of the investment property based on the valuation performed by BMI Appraisals Limited where appropriate.

Other associates

	2005	2004
	HK$'000	HK$'000
Assets (note)	**367,031**	281,453
Liabilities	**119,636**	71,691
Turnover	**297,638**	259,472
Loss	**(51,974)**	(29,625)

Note: Included in the assets above are certain investment properties of an associate of which, up to the date of approval of these financial statements, the associate is yet to obtain the land use right certificate and building ownership certificates. Pursuant to the verdict issued by the Court of Final Appeal of the PRC in late 2003 whereby the other equity holder of the associate, a PRC company, is obliged to complete the procedures in relation to the transfer of the land use right to the associate at the cost of the associate.

Details of the principal associates are set out in note 55 to the financial statements.

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23. GOODWILL

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January:		
Cost and carrying amount	**8,497**	4,993
Carrying amount at 1 January	**8,497**	4,993
Acquisition of subsidiaries	**—**	3,504
Impairment during the year (note 6)	**(625)**	—
Carrying amount at 31 December	**7,872**	8,497
At 31 December :		
Cost	**8,497**	8,497
Accumulated impairment	**(625)**	—
Net carrying amount	**7,872**	8,497

The amount of goodwill remaining in the consolidated reserves, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$1,238,000 as at 31 December 2004.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- Electronic toy products cash-generating unit;
- Travel business cash-generating unit; and
- Information technology business cash-generating unit.

Electronic toy products cash-generating unit

The recoverable amount of the electronic toy products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 17.7% (2004: 12.5%) and cash flows beyond the five-year period are extrapolated using a growth rate of 7.6% (2004: 7.3%) which is the same as the long term average growth rate of the electronic toy products industry.

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23. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Travel business cash-generating unit

The recoverable amount of the travel business cash-generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a one-year period approved by senior management. The discount rate applied to the cash flow projections is 10.93% (2004: 10.72%). The growth rate used to extrapolate the cash flows of the travel business unit beyond the one-year period is 4% (2004: 4%) which is the same as the long term average growth rate of the travel industry.

Information technology business cash-generating unit

The recoverable amount of the information technology business cash-generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10.93% (2004: 10.72%). The growth rate used to extrapolate the cash flows of the information technology business unit beyond the five-year period is 4% (2004: 4%) which is the same as the long term average growth rate of the information technology business industry.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2005	2004
	HK$'000	HK$'000
Cash-generating unit:		
Electronic toy products	**1,374**	1,374
Travel business	**2,994**	2,994
Information technology business	**3,504**	4,129
	7,872	8,497

Key assumptions were used in the value-in-use calculation of the electronic toy products, travel business and information technology business cash-generating units for 2005 and 2004. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

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24. INTANGIBLE ASSETS

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January and 31 December		
Carrying value	**836**	836

Pursuant to the restructuring of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Futures Exchange (the "Future Exchange"), effective on 6 March 2001, the Group received four Stock Exchange Trading Rights, five Futures Exchange Trading Rights and 10,187,500 ordinary shares of HK$1 each in Hong Kong Exchanges and Clearing Limited (the "HKEC Shares") in exchange for its four shares previously held in the Stock Exchange and five shares previously held in the Futures Exchange.

The carrying costs of the previously held shares in the Stock Exchange and Futures Exchange have been apportioned to the Stock Exchange Trading Rights, the Futures Exchange Trading Rights and the HKEC Shares on the basis of their respective estimated fair values on 6 March 2001.

The Stock Exchange Trading Rights and the Futures Exchange Trading Rights have been classified as intangible assets as above.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS/NON-TRADING SECURTIES

	Group	
	2005	2004
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**22,662**	43,817
Club debentures and memberships	**18,666**	—
	41,328	43,817

During the year, the gross loss of the Group's listed equity securities recognised directly in equity amounted to HK$2,678,000 (2004: gain of HK$269,000) and impairment of HK$553,000 (2004: Nil) in respect of the Group's debentures was recognised in the income statement.

The above investments consist of investments in equity securities, club debentures and memberships which have no fixed maturity date or coupon rate. The fair values of the Group's available-for-sale financial assets/non-trading securities are based on quoted market prices and where quoted market prices are not available, the fair values are based on director's valuation.

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26. OTHER NON-CURRENT ASSETS

	Group	
	2005	2004
	HK$'000	HK$'000
		(restated)
Membership in Chinese Gold and Silver Exchange	**1,280**	1,280
Statutory deposits in respect of securities and commodities dealings	**4,235**	4,320
Deposit for acquisition of properties	**6,622**	6,622
Project pending development	**16,937**	16,338
Berths	**16,666**	16,666
Club debentures and membership	**—**	19,219
	45,740	64,445

Berths owned by the Group are revalued at director's estimation, at HK$16,666,000 as at the balance sheet date.

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27. INVENTORIES

	Group	
	2005	2004
	HK$'000	HK$'000
Raw materials	**222,699**	199,242
Work in progress	**128,895**	118,725
Finished goods	**72,828**	84,967
	424,422	402,934
Provision against obsolete inventories	**(72,052)**	(73,379)
	352,370	329,555

At 31 December 2005, the Group's inventories with a value of HK$81,225,000 (2004: HK$88,773,000) were pledged to secure general banking facilities granted to the Group (note 35).

28. PROPERTIES HELD FOR SALE

	Group	
	2005	2004
	HK$'000	HK$'000
Held under medium-term land use rights in Mainland China	**—**	19,221

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29. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of HK$322,202,000 (2004: HK$286,655,000). The Group's trading terms with its customers are on credit with credit period ranging from period of two days to three months, depends on a number of factors including trade practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An aged analysis of trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within 90 days	**303,164**	266,289
91 to 180 days	**17,599**	14,023
181 to 365 days	**1,439**	6,343
	322,202	286,655

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/TRADING SECURITIES

	Group	
	2005	2004
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**59,925**	68,746
Elsewhere	**—**	29
	59,925	68,775

The above financial assets at 31 December 2005 were classified as held for trading, of which approximately HK$33,611,000 (2004: HK$40,423,000) were pledged to banks to secure banking facilities granted to the Group (note 35).

The market values of these Group's listed equity investments (based on the investment portfolios as at 31 December 2005) at the date of approval of the financial statements were approximately HK$85,406,000.

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31. DUE FROM/TO RELATED COMPANIES

The amounts due from/to related companies of the Group are unsecured, interest-free and repayable on demand.

32. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

		Group		Company	
	Note	**2005**	2004	**2005**	2004
		HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**256,575**	173,381	**68**	144
Time deposits		**20,980**	19,950	**—**	—
		277,555	193,331	**68**	144
Less: Pledged time deposits:					
Pledged for a guarantee provided to Hong Kong Futures Exchange Clearing Corporation Limited for commodities dealing	46	**(5,000)**	(5,000)	**—**	—
Pledged for a guarantee provided to Hong Kong Securities Clearing Company Limited for securities dealing	46	**(500)**	(500)	**—**	—
Pledged for bank overdraft facilities	46	**(15,480)**	(14,450)	**—**	—
Cash and cash equivalents		**256,575**	173,381	**68**	144

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$84,103,000 (2004: HK$62,349,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

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33. CLIENT DEPOSITS

The Group's client deposits arose from securities, bullion and commodities dealings.

The client deposits are unsecured, bear interest at bank deposit saving rate (2004: bank deposit saving rate) and are repayable on the demand.

Included in client deposits are deposits from certain directors of the subsidiary and of the Group of HK$2,555,000 (2004: Nil) and HK$4,891,000 (2004: HK$4,237,000), respectively, which are subject to similar terms to those offered by the Group to its major clients.

The carrying amounts of the Group's client deposits approximate to their fair values.

34. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$536,082,000 (2004: HK$471,445,000) and their aged analysis based on the invoice date is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within 90 days	**453,139**	349,207
91 to 180 days	**50,929**	93,539
181 to 365 days	**17,684**	15,892
Over 365 days	**14,330**	12,807
	536,082	471,445

The trade payables are non-interest-bearing and are normally settled on up to 210 day terms. The trade payables related to securities, bullion and commodities dealings are payable on the settlement dates of the relevant trades or upon demand of customers.

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35. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2005 HK$'000	Group 2004 HK$'000	Company 2005 HK$'000	Company 2004 HK$'000
Current						
Finance lease payables (note 36)	1.7-9.0	2006	**13,056**	10,626	**—**	—
Bank overdrafts - unsecured	2.4-9.8	On demand	**16,065**	15,026	**—**	—
Bank overdrafts - secured	2.4-7.8	On demand	**9,627**	36,142	**9,401**	7,000
Bank loans - unsecured	2.1-8.5	2006	**52,755**	50,441	**—**	—
Bank loans - secured	0.9-7.5	2006	**107,908**	142,017	**1,500**	1,034
Trust receipt loans	1.9-5.6	2006	**81,225**	88,774	**—**	—
			280,636	343,026	**10,901**	8,034
Non-current						
Finance lease payables (note 36)	1.7-9.0	2007-2010	**9,353**	9,065	**—**	—
Bank loans - unsecured	2.1-8.5	2007-2010	**2,080**	3,766	**—**	—
Bank loans - secured	0.9-7.5	2007-2014	**101,062**	71,389	**8,500**	—
			112,495	84,220	**8,500**	—
			393,131	427,246	**19,401**	8,034
Analysed into:						
Bank loans and overdrafts repayable:						
Within one year or on demand			**267,580**	332,400	**10,901**	8,034
In the second year			**17,505**	18,584	**1,500**	—
In the third to fifth year, inclusive			**46,099**	31,140	**4,500**	—
Over five years			**39,538**	25,431	**2,500**	—
			370,722	407,555	**19,401**	8,034
Finance lease repayable:						
Within one year or on demand			**13,056**	10,626	**—**	—
In the second year			**7,739**	8,746	**—**	—
In the third to fifth year, inclusive			**1,614**	319	**—**	—
			22,409	19,691	**—**	—
			393,131	427,246	**19,401**	8,034

Notes to the Financial Statements

31 December 2005

35. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) The Group's overdraft facilities amounting to HK$143,000,000 (2004: HK$106,000,000), of which HK$16,065,000 (2004: HK$15,026,000) had been utilised as at the balance sheet date, are secured by the pledge of certain of the Group's time deposits amounting to HK$250,000 (2004: HK$250,000).

(b) Certain of the Group's bank loans are secured by:

(i) charge over the Group's investment properties situated in Hong Kong and Mainland China, which had an aggregate carrying value at the balance sheet date of approximately HK$427,567,000 (2004: HK$298,575,000) (note 16);

(ii) pledges over the Group's inventories which had an aggregate carrying value at the balance sheet date of approximately HK$81,225,000 (2004: HK$88,773,000) (note 27);

(iii) charge over the Group's certain owner-occupied properties and machinery and equipment which had an aggregate carrying value at the balance sheet date of approximately HK$94,607,000 (2004: HK$138,172,000) (note 15);

(iv) the pledge of certain of the Group's time deposits amounting to HK$20,980,000 (2004: HK$19,950,000) (note 32); and

(v) Listed equity investments belonging to the Group and clients totaling approximately HK$162,348,000 (2004: HK$333,379,000).

(c) Except for secured bank loans with aggregate amount of HK$7,115,000 (2004: HK$5,745,000) and unsecured bank loans of HK$1,702,000 (2004: HK$1,662,000) which are denominated in Renminbi, all other borrowings are denominated in Hong Kong Dollars.

Other interest rate information:

	Group			
	2005		2004	
	Fixed rate HK$'000	**Floating rate HK$'000**	Fixed rate HK$'000	Floating rate HK$'000
Finance lease payables	**14,267**	**8,142**	7,210	12,481
Bank overdrafts - unsecured	**—**	**16,065**	—	15,026
Bank overdrafts - secured	**—**	**9,627**	—	36,142
Bank loans - unsecured	**2,279**	**52,556**	5,172	49,035
Bank loans - secured	**7,115**	**201,855**	2,699	210,707
Trust receipt loans	**—**	**81,225**	—	88,774

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35. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	Company			
	2005		2004	
	Fixed rate HK$'000	**Floating rate HK$'000**	Fixed rate HK$'000	Floating rate HK$'000
Bank overdraft - secured	**—**	**9,401**	—	7,000
Bank loans - secured	**—**	**10,000**	—	1,034

The carrying amount of the Group's bank and other borrowing approximates to its fair value. The fair value of bank and other borrowings is estimated as the present value of future cash flows, discounted at prevailing interest rates at 31 December 2005.

36. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its electronic components business. These leases are classified as finance leases and have remaining lease terms ranging from 1 to 4 years.

At 31 December 2005, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
Group	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Amounts payable:				
Within one year	**14,079**	11,269	**13,056**	10,626
In the second year	**7,998**	9,008	**7,739**	8,746
In the third to fifth year, inclusive	**1,722**	338	**1,614**	319
Total minimum finance lease payments	**23,799**	20,615	**22,409**	19,691
Future finance charges	**(1,390)**	(924)		
Total net finance lease payables	**22,409**	19,691		
Portion classified as current liabilities (note 35)	**(13,056)**	(10,626)		
Non-current portion (note 35)	**9,353**	9,065		

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37. ADVANCES FROM SHAREHOLDERS

The advances from shareholders are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

38. ADVANCES FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The advances from minority shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts as included under non-current liabilities will not be repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

39. DEFERRED TAX

The movements of deferred tax liabilities and assets during the year are as follows:

Group

Deferred tax liabilities

	Loss available for offset against future taxable profits HK$'000	**Accelerated depreciation** HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 1 January 2004	(1,922)	2,675	—	753
Deferred tax debited/(credited) to the income statement during the year (note 10)	(897)	1,208	680	991
At 31 December 2004 and 1 January 2005	(2,819)	3,883	680	1,744
Deferred tax debited/(credited) to the income statement during the year (note 10)	(8,971)	6,067	16,942	14,038
At 31 December 2005	(11,790)	9,950	17,622	15,782

Notes to the Financial Statements

31 December 2005

39. DEFERRED TAX *(Continued)*

Group

Deferred tax assets

	Loss available for offset against future taxable profits	**Provision**	**Decelerated depreciation**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	1,200	2,765	27	3,992
Deferred tax debited to the income statement during the year (note 10)	(1,200)	—	—	(1,200)
At 31 December 2004 and 1 January 2005	—	2,765	27	2,792
Deferred tax credited/(debited) to the income statement during the year (note 10)	11,233	—	(4)	11,229
At 31 December 2005	11,233	2,765	23	14,021

The Group has tax losses of HK$1,617,959,000 (2004: HK$1,407,254,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax asset has been recognised in respect of HK$105,608,000 (2004: HK$54,457,000) of these tax losses. No deferred tax assets have been recognised in respect of the remaining HK$1,512,351,000 (2004: HK$1,352,797,000) as they have arisen in companies that have been loss-making for some time.

At 31 December 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint venture entities as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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40. SHARE CAPITAL

	2005 HK$'000	2004 HK$'000
Authorised:		
4,000,000,000 (2004: 4,000,000,000)		
ordinary shares of HK$0.025 (2004: HK$0.025) each	**100,000**	100,000
Issued and fully paid:		
1,823,401,376 (2004: 1,823,401,376)		
ordinary shares of HK$0.025 (2004: HK$0.025) each	**45,584**	45,584

41. SHARE OPTION SCHEMES

The directors and employees of the Company and its subsidiaries are entitled to participate in share option schemes operated by the Company and its subsidiaries. Details of these schemes are as follows:

The Company, SCB and SCI Share Option Schemes

(1) **Purpose of the Share Option Schemes**

In order to provide the Company, SCB and SCI (collectively the "Companies") with a flexible means of giving incentives or rewards to the participants for their contribution to the Companies and to enable the Companies to attract and retain employees of appropriate qualifications and with necessary experience to work for the Companies and any entity in which any member of the Group holds equity interests (the "Invested Entity"), the shareholders of the respective company have approved the adoption of the share option schemes (the "Share Option Schemes") at the respective annual general meetings held on 31 May 2002.

(2) **Participants of the Share Option Schemes**

According to the Companies' Share Option Schemes, the respective board may, at its absolute discretion, grant options to any person belonging to any of the following classes of participants to subscribe for shares:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the relevant group or any Invested Entity or substantial shareholder;

(ii) any non-executive directors (including any independent non-executive directors) of any member of the relevant group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the relevant group or any Invested Entity or substantial shareholder;

Notes to the Financial Statements

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41. SHARE OPTION SCHEMES *(Continued)*

The Company, SCB and SCI Share Option Schemes *(Continued)*

(2) **Participants of the Share Option Schemes** *(Continued)*

(iv) any shareholder of any member of the relevant group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the relevant group or any Invested Entity or substantial shareholder;

(v) any business partner, consultant or contractor of any member of the relevant group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the relevant group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the relevant group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the relevant group or any Invested Entity or substantial shareholder; and

(ix) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(3) **Total number of shares available for issue under the Share Option Schemes**

As at the date of this Annual Report, the total number of shares available for issue under the Share Option Schemes of the Companies are as follows:

(i) A total of 182,340,137 shares of the Company are available for issue under the Company's Share Option Scheme, which represents 10% of the issued share capital of the Company as at the date of this Annual Report.

(ii) A total of 486,193,674 shares of SCB are available for issue under the SCB Share Option Scheme, which represents approximately 9.71% of the issued share capital of SCB as at the date of this Annual Report.

(iii) A total of 53,033,474 shares of SCI are available for issue under the SCI Share Option Scheme, which represents 10% of the issued share capital of SCI as at the date of this Annual Report.

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41. SHARE OPTION SCHEMES *(Continued)*

The Company, SCB and SCI Share Option Schemes *(Continued)*

(3) **Total number of shares available for issue under the Share Option Schemes** *(Continued)*

As at 31 December 2005, no share options were granted under the Share Option Schemes of the Companies and hence the disclosure of value of options granted during the year is not applicable.

Subsequent to the balance sheet date, on 16 March 2006, a total of 198,000,000 share options were granted to certain eligible participants under SCB Share Option Scheme. These share options have a subscription price of HK$0.128 per share and an exercise period ranging from 16 March 2007 to 15 March 2011. The price of the SCB's shares at the date of grant of share options was HK$0.103 per share.

(4) **Maximum entitlement of each participant**

No Participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted under respective Share Option Scheme (including both exercised and outstanding options) in any 12 month period up to the date of grant to such participant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed participant and his associates (as defined in the Listing Rules) abstaining from voting.

(5) **Period within which the shares must be taken up under an option**

The respective board may, at its absolute discretion, determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant. The respective board may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

Notes to the Financial Statements

31 December 2005

41. SHARE OPTION SCHEMES *(Continued)*

The Company, SCB and SCI share option schemes *(Continued)*

(6) **Minimum period, if any , for which an option must be held before it can be exercised**

There is no specific requirement under the Share Option Schemes that an option must be held for any minimum period before it can be exercised, but the terms of the Share Option Schemes provide that the respective board has the discretion to impose a minimum period at the time of grant of any particular option.

(7) **Amount payable upon acceptance of the option and the period within which the payment must be made**

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within five business days from the date of grant of share options.

(8) **Basis of determining the exercise price of the option**

The exercise price is determined by the respective board, and shall be at least the highest of: (i) the closing price of the respective company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day, and; (ii) the average closing price of the respective company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the respective company's shares.

(9) **Remaining life of the Share Option Schemes**

Subject to early termination of the Share Option Schemes pursuant to the terms thereof, the Share Option Schemes for the Company and SCB will be valid and effective for a period of 10 years commencing on the date on which they became unconditional on 28 June 2002 while the Share Option Scheme for SCI will be valid and effective for a period of 10 years commencing on the date on which it became unconditional on 18 June 2002.

Notes to the Financial Statements

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42. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium account	**Capital redemption reserve**	**Contributed surplus**	**Retained profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	253,234	56	286,429	222,578	762,297
Loss for the year	—	—	—	(340)	(340)
Final 2003 dividend paid	—	—	—	(10,029)	(10,029)
At 31 December 2004	253,234	56	286,429	212,209	751,928
Loss for the year	—	—	—	(147)	(147)
At 31 December 2005	253,234	56	286,429	212,062	751,781

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

The Company's reserves available for distribution represent the share premium account, contributed surplus and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2005 amounted to approximately HK$751,725,000 (2004: HK$751,872,000).

Notes to the Financial Statements

31 December 2005

43. BUSINESS COMBINATIONS

In October 2005, the Group acquired a 75% equity interest in Liaoning Da Fa from an independent third party. Liaoning Da Fa is engaged in the real estate development projects. The purchase consideration of HK$7,213,000 for the acquisition was in the form of cash, which was paid at the acquisition date.

On 31 March 2004, the Group acquired the remaining 51% issued share capital of Deep Treasure Investments Limited ("Deep Treasure") for a consideration of HK$5,500,000. Deep Treasure is an investment holding company. Its subsidiaries are principally engaged in the information technology related business.

	Carrying amounts and fair value	
	2005	2004
	HK$'000	HK$'000
NET ASSETS/(LIABILITIES) ACQUIRED:		
Property, plant and equipment	—	4,140
Construction in progress	**40,385**	—
Interests in associates	—	835
Inventories	—	7,730
Trade and other receivables	—	10,632
Cash and bank balances	—	1,864
Trade and other payables	**(30,768)**	(9,426)
Bank borrowings	—	(6,165)
Amounts due to group companies	—	(10,526)
Amount due to a minority shareholder of a subsidiary	—	(733)
Minority interests	**(2,404)**	(3,109)
	7,213	(4,758)
Reclassified from interests in associates	—	6,754
Goodwill on acquisition	—	3,504
Total consideration	**7,213**	5,500
SATISFIED BY		
Cash	**7,213**	500
Other receivables	—	5,000
	7,213	5,500

Notes to the Financial Statements

31 December 2005

43. BUSINESS COMBINATIONS *(Continued)*

Net cash inflow/(outflow) from acquisition of subsidiaries is as follow:

	2005 HK$'000	2004 HK$'000
Bank balances and cash	—	1,864
Cash consideration paid	(7,213)	(500)
Net inflow/(outflow) of cash and cash equivalents in respect of acquisition of subsidiaries	(7,213)	1,364

Since its acquisition, Liaoning Da Fa contributed no turnover and a loss of HK$340,000 to the Group's consolidated income statement for the year ended 31 December 2005.

Since the acquisition of Deep Treasure, it contributed HK$49,697,000 to the Group's turnover and HK$1,426,000 to the Group's consolidated profit for the year ended 31 December 2004.

44. MAJOR NON-CASH TRANSACTIONS

(a) During the year, additions to plant and equipment amounting to approximately HK$15,881,000 (2004: HK$18,915,000) were financed by new finance leases.

(b) During the current year, an amount of HK$19,231,000 (2004: Nil) in respect of capital contribution from a minority shareholder of a subsidiary was settled against the amount due to the minority shareholder. There was no cash flow impact on this transaction.

Notes to the Financial Statements

31 December 2005

45. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Guarantees given to banks in connection with banking facilities granted to an associate, FWIL	**210,000**	174,000
Undertaking given to a third party for banking facilities utilised by an associate	**13,526**	13,526
	223,526	187,526

As at 31 December 2005, the banking facilities guaranteed by the Group to FWIL were utilised to the extent of approximately HK$210,000,000 (2004: HK$139,922,000).

(b) In the course of its normal business, the Group also had outstanding claims and counter claims arising from its investment and operating activities. In the opinion of the directors, ultimate resolution of these claims and counter claims will not have a material impact on its financial position or the results for the year.

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

46. PLEDGES OF ASSETS

At the balance sheet date, certain of the Group's assets were pledged to secure the banking facilities granted to the Group and are analysed as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Net book value of pledged assets:		
Investment properties	**427,567**	298,575
Property, plant and equipment	**94,607**	138,172
Inventories	**81,225**	88,773
Financial assets at fair value through profit or loss	**33,611**	40,423
Bank deposits	**20,980**	19,950
Other non-current assets	**—**	16,338
	657,990	602,231

Notes to the Financial Statements

31 December 2005

47. OPERATING LEASES ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**9,862**	9,395
In the second to fifth year, inclusive	**7,335**	7,892
	17,197	17,287

(b) As lessee

The Group leases certain of its factory premises and office properties under operating lease arrangements. Leases for these factory premises are negotiated for terms ranging from one to five years, and those for office properties are for terms ranging between one and three years.

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**19,040**	14,797
In second to fifth year, inclusive	**47,167**	29,021
Over five years	**74,259**	77,924
	140,466	121,742

Notes to the Financial Statements

31 December 2005

48. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 47(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2005	2004
	HK$'000	HK$'000
Contracted but not provided for:		
Property, plant and equipment	**5,825**	3,984
Land use rights	**7,386**	6,724
	13,211	10,708

At the balance sheet date, the Company did not have any significant capital commitments (2004: nil).

49. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

Name of related party	**Nature of transaction**	Notes	**2005**	2004
			HK$'000	HK$'000
Associates	Management fee income	(i)	**(492)**	—
	Interest income	(ii)	**(1,436)**	(1,457)
Jessica Management Limited *	Administrative fee income received	(i)	**(720)**	(984)
	Colour separation and photo processing income received	(i)	**(733)**	(874)
	Marketing service fees received	(i)	**—**	(17)
	Photo taking service fees received	(i)	**—**	(488)
	Rental income received	(i)	**(273)**	(241)
	Subscription of magazines paid	(i)	**11**	11
Capital Publishing Management Limited *	Administrative fee income received	(i)	**—**	(982)
	Colour separation and photo processing income received	(i)	**(270)**	(757)
	Marketing service fees received	(i)	**—**	(6)
	Rental income received	(i)	**(266)**	(240)
Directors and companies in which certain directors have beneficial interests	Commission and brokerage fee and interest income received from securities and financial services	(iii)	**(1,301)**	(809)

* Mr. Ng Hung Sang, a director of the Company, is also a director and substantial shareholder of these companies

Notes to the Financial Statements

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49. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Note:

(i) These transactions were carried out on terms determined and agreed by both parties.

(ii) Interest was charged at a rate of 0.5% (2004: 0.5%) per annum on the outstanding advances to an associate.

(iii) Commission and brokerage income was calculated based on the rates charged to third party. Interest income was calculated with reference to Hong Kong Prime rate.

(b) Other transactions with related parties:

Details of a guarantee given by the Group to an associate are set out in note 45(a) to the financial statements.

(c) Outstanding balances with related parties:

Details of the balances with related parties at the balance sheet date are included in notes 20, 31, 33, 37 and 38 to the financial statements.

(d) Compensation of key management personnel of the Group:

The executive directors and the non-executive directors are the key management personnel to the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, other interest-bearing loans, equity securities, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk, liquidity risk and equity instrument price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

As the Group has no significant net interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The directors expect that the interest rates will peak in 2006 and accordingly, the interest rate risk is considered limited.

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31 December 2005

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and US dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in Mainland China operations. The directors consider that the rates of HK dollars against Renminbi and US dollars in the foreseeable future are expected to be relatively stable and the appreciation in Renminbi against HK dollars is expected to be mild, therefore, there is no significant exposure to fluctuation in foreign exchange rates and any related hedges.

The Group has certain investments in Mainland China operations, whose net assets are exposed to translation risk. The management does not expect any material adverse impact on the foreign exchange fluctuation, as an expected mild appreciation in Renminbi will further benefit the Group's net assets position in Mainland China.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts due from cash clients and loans due from margin clients with collateral shortfalls. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical location arises mainly in Hong Kong. The Group has no significant concentration of credit risk by an single debtor, with exposure spread over a number of counterparties and customers.

Bank balances are placed in various authorised institutions and directors of the Company consider the credit risk for such is minimal.

Liquidity risk

Internally generated cash flow and bank borrowings are the general sources of funds to finance the operations of the Group. Majority of the Group's banking facilities are subject to floating rate and are renewable annually. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity instrument price risk

Equity instrument price risk represents the possibilities of changes in fair value or future cash flows due to changes in market prices. The Group is exposed to equity securities price risk through its investment held classified as available-for-sale financial assets and financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. Management monitors this exposure by maintaining a portfolio of investments with different risk profiles and the Investment Committee meets on an ad hoc basis to review the investments held by the Group in order to minimise the equity instrument price risk.

51. POST BALANCE SHEET EVENT

(a) On 24 March 2006, Micon Limited ("Micon"), a subsidiary of SCI, acquired 9.31% equity interest of Nority International Group Limited ("Nority") from independent third parties at a consideration of HK$11.7 million. Pursuant to Rule 26.1 of the Codes on Takeover and Mergers and Share Repurchases, Micon is required to make a mandatory unconditional cash offer for all the remaining issued share capital of Nority.

(b) At the Special General Meeting of Wah Shing International Holdings Limited ("Wah Shing") held on 20 February 2006, the resolution in relation to the proposed voluntary delisting of Wah Shing from the Official List of Singapore Exchange Securities Trading Limited pursuant to Rule 1306 of the SGX-ST Listing Manual was duly passed by its shareholders. Up to the date of this Annual Report, SCI had further acquired approximately 26.4% of Wah Shing for total consideration of approximately HK$62.2 million. As at the date of this annual report, the Group holds 257,283,175 shares in Wah Shing, respesenting 94.5% of the total issued capital of Wah Shing.

(c) A wholly-owned subsidiary of SCB entered into an agreement to acquire 51% equity interest in a company with a controlling interest in exploration rights in Gold, Copper and Tungsten mines for a consideration of HK$38,250,000 to be satisfied by way of allotment and issuance of additional 294 million SCB shares subject to certain precedent conditions.

(d) In March 2006, the SCB warrant holders exercised 142,900,000 SCB warrants at an exercise price of HK$0.1012, resulting in the issuance of additional 142,900,000 ordinary shares of HK$0.025 each of SCB with gross proceed of approximately HK$14,461,000. As a result, the Company's attributable equity interest in SCB is diluted from 74.7% to 72.5%.

(e) On 16 March 2006, 198,000,000 SCB share options were granted to certain eligible participants of the Company and SCB, as further detailed in note 41 to the financial statements.

Notes to the Financial Statements

31 December 2005

52. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain opening adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 19 April 2006.

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2005 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Buji Soft Toys Company (BVI) Limited	British Virgin Islands/Mainland China	US$1,000	51.0%	Manufacturing of toys
Buji Soft Toys Company Limited	Hong Kong	HK$20 HK$6,000,000 Non-voting deferred (note b)	51.0%	Trading of toys
Chongqing Fortuna Information Technology Co. Ltd. (note d)	The PRC/ Mainland China	RMB3,330,000	60.4%	Information technology related business
Chongqing South China Incyber Opt. Inf. Sci. & Tech. Co. Ltd (note d)	The PRC/ Mainland China	RMB3,500,000	48.6%	Information technology related business
Chongqing South China Zenith Information Technology Co. Ltd. (note d)	The PRC/ Mainland China	RMB20,000,000	44.9%	Information technology related business
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	US$200	51.0%	Property investment

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54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Guangdong Huaxing Fruit Development Co. Ltd (note c)	The PRC/ Mainland China	USD6,674,852	74.8%	Fruit plantation
Hong Kong Four Seas Tours Limited	Hong Kong	HK$20,800,000 HK$1,200,000 Non-voting deferred (note b)	74.8%	Sale of air tickets and provision of travel related services
遼寧大發房地產有限責任公司	The PRC/ Mainland China	RMB130,000,000	38.2%	Real estate development
Man Wah Trading Limited	Hong Kong	HK$10,000	51.0%	Investment in securities
Micon Limited	Hong Kong	HK$2	74.8%	Investment holding
Shenyang Shenglian Electronics Science & Technology Ltd. (note d)	The PRC/ Mainland China	RMB4,000,000	52.3%	Information technology related business
Shineway Investments Limited	Hong Kong	HK$500,000	51.0%	Trading of shoes
South China Brokerage Company Limited (Listed on The Stock Exchange of Hong Kong Limited)	Hong Kong	HK$121,549,774	74.6%	Investment holding
South China Capital Limited	Hong Kong	HK$2	74.6%	Corporate finance advisory services
South China Commodities Limited	Hong Kong	HK$10,000,000	74.6%	Commodities broking
South China Finance and Management Limited	Hong Kong	HK$2	74.6%	Share dealing and provision of management service
South China Financial Credits Limited	Hong Kong	HK$42,125,000	72.7%	Money lending

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54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
South China Garments Company Limited	Hong Kong	HK$500,000	74.8%	Trading of garments
South China Industries Limited (Listed on The Stock Exchange of Hong Kong Limited)	Cayman Islands/ Hong Kong	HK$53,033,474	74.8%	Investment holding
South China Industries (BVI) Limited	British Virgin Islands/Hong Kong	US$1,000	74.8%	Investment holding
South China Leather Chemical Products Company (HK) Limited	Hong Kong	HK$2	74.8%	Trading of leather chemical products
South China Leesheng Sporting Goods Co., Limited	Hong Kong	HK$2	74.8%	Trading of sports products
South China Media Limited	Hong Kong	HK$2	100%	Provision of publishing, marketing and promotional services
South China Research Limited	Hong Kong	HK$600,000	74.6%	Research publications
South China Securities Limited	Hong Kong	HK$10,000,000	74.6%	Securities broking and margin financing
South China Securities (UK) Limited	United Kingdom	GBP200,000	74.6%	Provision for securities trading services
South China Shoes Products Company Limited	Hong Kong	HK$500,000	51.0%	Trading of shoes
South China Strategic Limited	Hong Kong	HK$308,583,789	74.8%	Investment holding

Notes to the Financial Statements

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54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
South China Strategic Property Development Limited	Hong Kong	HK$5,000,000	74.8%	Property development and investment holding
Spark-Inn Investments Limited	Hong Kong	HK$2	100%	Property investment
Strategic Finance Limited	Hong Kong	HK$2	74.8%	Provision of financing services
Tek Lee Finance and Investment Corporation	Hong Kong	HK$287,498,818	100%	Investment holding
The Express News Limited	Hong Kong	HK$100,000	70%	Investment holding
Tianjin Nan Hua Real Estate Development Co. Ltd. (note d)	The PRC/ Mainland China	RMB43,000,000	51%	Property development
Tianjin South China Leather Chemical Products Co. Ltd (note d)	The PRC/ Mainland China	RMB20,516,500	59.8%	Manufacturing of leather products
Tianjin South China Leesheng Sporting Goods Co. Ltd. (note d)	The PRC/ Mainland China	RMB9,940,167	59.8%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd (note d)	The PRC/ Mainland China	RMB36,100,200	40.8%	Manufacturing of leather footwear products
Wah Shing Electronics Company Limited	Hong Kong/ The PRC	HK$571,500	35.7%	Manufacturing of toys

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54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Wah Shing International Holdings Limited (listed on The Singapore Exchange Securities Trading Limited)	Bermuda/ Hong Kong	HK$54,432,000	51.0%	Investment holding
Wah Shing Toys Company Limited	Hong Kong	HK$2 HK$3,020,002 Non-voting deferred (note b)	51.0%	Trading of toys and investment holding

Notes:

(a) The above principal subsidiaries are all held indirectly by the Company.

(b) The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.

(c) This is a wholly-foreign-owned equity enterprise established in the PRC.

(d) These are sino-foreign equity joint ventures established in the PRC.

The above summary lists only the subsidiaries of the Group which, in the opinion of the Company's Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

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55. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2005 are as follows:

Name	Place of incorporation/ registration and operation	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Firm Wise Investment Limited	Hong Kong	Ordinary	30%	Property development
Nanjing South China Dafang Electric Co., Ltd	The PRC/ Mainland China	Registered capital	51%	Property holding
Nority International Group Limited (listed on the Stock Exchange of Hong Kong Limited)	Cayman Islands /The PRC	Ordinary	42.5%	Manufacturing of shoes and footwear products

In determining whether an investment should be classified as an associate, the directors have also considered whether the Group is in a position to exercise significant influence over the investment even though its interest therein is less than 20% or whether the Group can exercise control over the investment even though its interest therein is more than 50%.

The above associates established in the PRC are sino-foreign equity joint venture companies.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.