1. ORGANISATION AND OPERATIONS

ONFEM Holdings Limited ("**Company**") and its subsidiaries (collectively, "**Group**") is principally engaged in real estate development, property leasing, specialised construction, manufacturing and trading, and securities investment and trading businesses. The Group's businesses participate in two principal economic environments. Hong Kong and Macau, and the People's Republic of China (other than Hong Kong and Macau) ("**PRC**") are the major markets for all the Group's businesses, with a small portion of its income derived from other countries.

The Company is a limited liability company incorporated in Bermuda and an investment holding company. The Company has its primary listing on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") .

The financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. The financial statements have been approved for issue by the board of directors of the Company on 13 April 2006.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(a) Basis of preparation *(cont'd)*

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements and current year classification.

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 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
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 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HK(SIC)-Int 27	Evaluating the Substance of Transaction Involving the Legal Form of a Lease
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(a) Basis of preparation *(cont'd)*

The adoption of new/revised HKFRS (cont'd)

(i) The adoption of new/revised HKASs 1, 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 37, HK-Int 4, HK(SIC)-Ints 15 and 27 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

– HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 27, 33, 37, HK-Int 4, HK(SIC)-Ints 15 and 27 have no material effect on the Group's accounting policies.

(ii) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights under operating leases from property, plant and equipment. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. If the lease payment for a lease of land and building cannot be allocated reliably between the land and building elements, the entire lease is classified as a finance lease and the leasehold land and building is stated collectively at cost less accumulated depreciation and accumulated impairment. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

(iii) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of trading and non-trading securities into financial assets at fair value through profit or loss and available-for-sale financial assets.

(iv) The adoption of revised HKAS 40 has resulted in a change in the accounting policy whereby the changes in fair value of investment properties are recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve while decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

(v) The adoption of revised HK(SIC)-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the basis of measurement was to assume that the carrying amount of that asset was expected to be recovered through sale.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(a) Basis of preparation *(cont'd)*

The adoption of new/revised HKFRS (cont'd)

(vi) The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective 1 January 2005, the Group expenses the cost of share options in the income statement. There is no impact on the prior year financial statements as the Group had no unvested share options outstanding as at 1 January 2005.

(vii) The adoption of HKFRS 3 and HKAS 36 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004,

– Goodwill was amortised on a straight-line basis over a period ranging from 5 to 15 years and assessed for an indication of impairment at each balance sheet date.

– Negative goodwill was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases, it was recognised in the income statement as those expected losses were incurred.

In accordance with the provisions of HKFRS 3:

– For previously recognised goodwill, the Group ceased amortisation from 1 January 2005 and the accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is an indication of impairment.

– For previously recognised negative goodwill, the carrying amount of negative goodwill at 1 January 2005 was derecognised, with a corresponding adjustment to the opening balance of retained earnings.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(a) Basis of preparation *(cont'd)*

The adoption of new/revised HKFRS (cont'd)

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;

– HKAS 40 – since the Group has adopted the fair value model and disclosed publicly the fair value of the investment properties, the Group is encouraged, but not required, to adjust the opening balance of retained earnings for the earliest period presented for which such fair value was disclosed publicly, and to restate comparative information for those periods. The Group has chosen to restate the 2004 comparatives;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – applied prospectively after the adoption date, with any adjustment made to the retained earnings as at 1 January 2005.

The Group has not early adopted the following new standards or interpretations of HKFRS that have been issued but not yet effective. The adoption of such standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment):	Capital Disclosures
HKAS 19 (Amendment):	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosure
HKAS 21 (Amendment):	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKFRS 7:	Financial Instruments: Disclosures
HK(IFRIC)-Int 4:	Determining Whether an Arrangement Contains a Lease

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(b) Consolidation *(cont'd)*

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement *(see Note 2(j))*.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

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

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(d) Foreign currency translation *(cont'd)*

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the revaluation reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

(i) Sales of completed properties

Sales of completed properties is recognised when title to the properties has passed to the purchaser.

(ii) Operating lease rental income

Operating lease rental income is recognised on a straight-line basis over the lease period.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(e) Revenue recognition *(cont'd)*

(iii) Contract revenue

The accounting policy for contract revenue recognition is set out in Note 2(o).

(iv) Sales of goods

Sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(v) Sales of securities investments

The accounting policy for sales of securities investments is set out in Note 2(l).

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

(f) Leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(g) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

Leasehold land and buildings	2% – 5%
Leasehold improvements	Over the remaining period of the lease
Plant and machinery	5% – 25%
Furniture, fixtures and equipment	15% – 25%
Motor vehicles	20% – 30%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(see Note 2(k))*.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings.

Investment property is measured initially at its costs, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

(k) Impairment of assets

Assets are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(l) Investments in securities

The Group classifies its investments in securities, other than investments in subsidiaries, as financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(l) Investments in securities *(cont'd)*

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from securities investment. The fair values of quoted investments are based on current bid prices.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(m) Inventories

(i) Manufacturing and trading

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(ii) Properties under development

Properties under development represent interests in land and buildings under construction.

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or re-development the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised as an expense immediately.

Properties under development are carried at the lower of cost and net realisable value. Cost comprises original land acquisition costs, costs of land use rights, construction expenditures incurred, other direct development costs attributable to such properties, including borrowing costs capitalised *(see Note 2(g))*, and an appropriate proportion of overheads. Net realisable value is the anticipated sales proceeds estimated by the directors based on prevailing market prices, on an individual property basis, less estimated costs to completion and costs to be incurred in selling the property.

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(o) Construction contracts in progress

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenues and costs to be recognised in a given period, and the stage of completion is measured by reference to the percentage of contract costs incurred to date to total estimated contract costs for the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as gross amounts due from customers for contract work, under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as gross amounts due to customers for contract work, under current liabilities.

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(q) Share capital

Ordinary shares are classified as equity.

(r) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(ii) Pension obligations

Group companies participate in various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(t) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(u) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(w) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. FINANCIAL RISK FACTORS AND MANAGEMENT

The Group is exposed to foreign exchange, credit, liquidity and interest rate risks arising in its ordinary course of business. These risks are managed by the Group's financial management polices and practices as described below to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group invests substantially in the PRC and is exposed to foreign exchange risk with respect to Renminbi ("**RMB**"). Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. The expected appreciation of RMB will benefit the Group as a whole.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and it has no significant concentration of credit risk. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Interest rate risk

As the Group has no significant 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 which bear variable rates and expose the Group to cash flow interest rate risk. Considering all the Group's borrowings are short-term, repayable within one year, and the interest rate risk is not significant, the Group has not used any interest rate swaps to hedge its exposure.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing uncertainty to the carrying amounts of assets and liabilities are discussed below:

(a) Investment properties

CB Richard Ellis Limited were engaged to carry out an independent valuation of the Group's investment property portfolio as at 31 December 2005. This valuation was carried out in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors which defines market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion". The values of the Group's investment properties were derived by making reference to comparable sales evidences as available in the markets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

(b) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates *(Note 16)*.

(c) Fair value estimation of financial assets and liabilities

The fair value of financial instruments traded in active markets (such as available-for-sale financial assets) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(d) Construction contracts in progress

As explained in the accounting policy stated in Note 2(o), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and nature of the construction activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in Note 21 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(e) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. TURNOVER AND SEGMENT INFORMATION

(a) Primary reporting format – business segments

In accordance with its internal financial reporting the Group has determined that business segments should be presented as the primary reporting format. In order to better align with the Group's business development, the grouping of different businesses under each business segment has been changed with prior year segment information reclassified for comparative purposes. As at 31 December 2005, the Group has categorised its businesses into the following segments:

Real estate development:	Development of residential and commercial properties, as well as provision of construction project management services.
Specialised construction:	Design, installation and selling of curtain walls and aluminium windows, doors and fire-proof materials.
Property leasing:	Leasing of premises to generate rental income and to gain from the appreciation in the properties' values in the long term.
Manufacturing and trading:	Manufacturing and trading of lubricant oil and chemical products.
Securities investment and trading:	Trading and investment of securities.

Turnover during the year comprised the following:

	2005	2004
	HK$'000	*HK$'000*
Revenue from provision of construction project management services	**14,995**	7,609
Revenue from specialised construction contracts	**144,075**	15,447
Gross rental and management fee income from investment properties	**12,078**	10,620
Sales of lubricant oil and chemical products	**59,781**	52,480
Dividend income from securities investment	**393**	449
	231,322	86,605

5. TURNOVER AND SEGMENT INFORMATION *(cont'd)*

(a) Primary reporting format – business segments *(cont'd)*

Segment revenue and result

	Real estate development		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue												
Sales to external customers	**14,995**	7,609	**144,075**	15,447	**12,078**	10,620	**59,781**	52,480	**393**	449	**231,322**	86,605
Result												
Segment result	**12,629**	(13,374)	**8,110**	(7,338)	**24,832**	31,259	**2,726**	835	**616**	708	**48,913**	12,090
Gain on deconsolidation of subsidiaries											**–**	78,707
Write-back of provision for a bank guarantee											**–**	10,148
Unallocated costs											**(23,823)**	(13,369)
Operating profit											**25,090**	87,576
Finance costs											**(583)**	(1,385)
Income tax											**3,642**	(1,082)
Profit for the year											**28,149**	85,109

Unallocated costs represent corporate expenses and losses net of corporate income and gains.

5. TURNOVER AND SEGMENT INFORMATION *(cont'd)*

(a) Primary reporting format – business segments *(cont'd)*

Segment assets and liabilities

	Real estate development		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets												
Segment assets	**350,839**	253,817	**128,687**	74,969	**249,954**	236,058	**23,855**	22,722	**32,127**	31,177	**785,462**	618,743
Unallocated corporate assets											**52,973**	116,710
Total assets											**838,435**	735,453
Liabilities												
Segment liabilities	**43,640**	35,724	**88,530**	49,954	**4,890**	5,017	**5,595**	5,106	**–**	–	**142,655**	95,801
Unallocated corporate liabilities											**95,746**	78,592
Total liabilities											**238,401**	174,393

Segment assets consist primarily of property, plant and equipment, investment properties, goodwill, available-for-sale financial assets, inventories, receivables and operating cash. Segment liabilities comprise all operating liabilities.

5. TURNOVER AND SEGMENT INFORMATION *(cont'd)*

(a) Primary reporting format – business segments *(cont'd)*

Other segment information

	Real estate development		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure	**537**	177	**1,985**	20	**737**	29	**548**	916	**–**	–
Depreciation	**238**	221	**467**	155	**117**	73	**942**	1,728	**–**	1
Amortisation of land lease premium	**–**	–	**–**	113	**–**	–	**–**	–	**–**	–
Revaluation gain on investment properties	**–**	–	**–**	–	**15,196**	23,633	**–**	–	**–**	–
Provision for properties under development	**–**	25,000	**–**	–	**–**	–	**–**	–	**–**	–
Impairment loss recognised in the income statement	**–**	–	**–**	88	**–**	–	**–**	1,798	**–**	–
Other non-cash expenses/(income)	**–**	–	**–**	997	**–**	567	**(590)**	386	**(289)**	(347)

Capital expenditure comprises additions to property, plant and equipment *(Note 14)*.

(b) Secondary reporting format – geographical segments

The Group's business segments operate in two main geographical areas:

Hong Kong and Macau: Specialised construction, property leasing, manufacturing and trading, and securities investment and trading

The PRC: Real estate development, specialised construction, property leasing, and manufacturing and trading

In presenting information on the basis of geographical segments, sales are presented based on the geographical locations of the customers. Segment assets and capital expenditure are presented based on the geographical locations of the assets.

5. TURNOVER AND SEGMENT INFORMATION *(cont'd)*

(b) Secondary reporting format – geographical segments *(cont'd)*

	Hong Kong and Macau		The PRC		Other countries		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
External sales	**24,549**	16,483	**206,378**	69,765	**395**	357	**231,322**	86,605
Segment assets	**297,031**	291,152	**488,431**	327,578	**–**	13	**785,462**	618,743
Capital expenditure	**1,118**	2,645	**2,875**	961	**–**	–	**3,993**	3,606

6. OTHER INCOME

	2005	2004
	HK$'000	*HK$'000*
Interest income from bank deposits	**2,358**	2,276
Interest income from loans to a deconsolidated subsidiary	**–**	107
Unrealised gain on financial assets at fair value through profit or loss/trading securities	**289**	347
	2,647	2,730
Investment income (excluding dividend income)		
Gain on disposal of property, plant and equipment	**6,215**	294
Others	**1,455**	–
	10,317	3,024

The investment income (including dividend income) from listed and unlisted investments for the year ended 31 December 2005 were HK$682,000 (2004: HK$796,000) and HK$2,358,000 (2004: HK$2,383,000) respectively.

7. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	2005 HK$'000	2004 HK$'000
Gross rental and management fee income from investment properties	**(12,078)**	(10,620)
Less: outgoings	**2,150**	2,185
	(9,928)	(8,435)
Depreciation	**2,929**	3,220
Less: depreciation capitalised into properties under development	**(193)**	(204)
	2,736	3,016
Amortisation of land lease premium	**1,822**	9,873
Less: amortisation capitalised into properties under development	**(1,822)**	(9,760)
	–	113
Operating lease charges – minimum lease payment in respect of land and buildings	**4,441**	3,894
Less: amount capitalised into properties under development	**(324)**	(260)
	4,117	3,634
Cost of inventories sold	**33,586**	27,245
Auditors' remuneration	**1,620**	1,660
Net foreign exchange gain	**(1,533)**	(1,129)
Impairment loss of other assets	**1,312**	–
Employee benefit expense *(Note 8)*	**34,562**	35,233
Other operating expenses arising from investment properties that did not generate rental income	**70**	745
Provision/(write-back of provision) for inventory obsolescence	**398**	(636)
Write-back of provision for impairment of receivables (a)	**(5,300)**	(9,295)

(a) An amount of approximately HK$1,585,000 (2004: HK$3,603,000), being the write-back of the provision for a loan to China Nonferrous Metals Group (Hong Kong) Limited ("**CNMG**"), a former intermediate holding company of the Company, is included in the write-back of provision for impairment of receivables. The said amount was received during the year from the liquidators of CNMG as interim dividends to the unsecured creditors of CNMG.

8. EMPLOYEE BENEFIT EXPENSE

	2005 HK$'000	2004 HK$'000
Wages and salaries	**33,950**	34,248
Provision for unutilised annual leave	**41**	20
Write-back of provision for long service payment	**–**	(86)
Pension costs – defined contribution plans *(Note 29)*	**571**	1,051
	34,562	35,233

(a) Directors' emoluments

The remuneration of each director of the Company ("**Director**", collectively "**Directors**") for the year ended 31 December 2005 is set out below:

Name of Director	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Employer's contributions to pension scheme *HK$'000*	Total *HK$'000*
Mr. Lin Xizhong	–	–	–	–	–
Mr. Wang Xingdong	–	2,136	–	–	2,136
Mr. Yan Xichuan	–	1,300	–	60	1,360
Mr. Qian Wenchao	–	–	–	–	–
Ms. He Xiaoli	–	1,040	15	–	1,055
Mr. Lam Chun, Daniel	300	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	310
Ms. Tam Wai Chu, Maria	300	–	–	–	300
	910	4,476	15	60	5,461

8. EMPLOYEE BENEFIT EXPENSE *(cont'd)*

(a) Directors' emoluments *(cont'd)*

The remuneration of each Director for the year ended 31 December 2004 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Employer's contributions to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lin Xizhong	–	–	–	–	–
Mr. Wang Xingdong	–	2,136	82	–	2,218
Mr. Yan Xichuan	–	1,300	50	60	1,410
Mr. Qian Wenchao	–	–	–	–	–
Ms. He Xiaoli	–	1,040	46	–	1,086
Mr. Lam Chun, Daniel	300	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	310
Ms. Tam Wai Chu, Maria	300	–	–	–	300
	910	4,476	178	60	5,624

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or as compensation for loss of office (2004: Nil) and no Directors have waived their emoluments in respect of their services to the Group for the year (2004: Nil).

(b) Five highest-paid individuals

The five highest-paid individuals in the Group for the year ended 31 December 2005 included three (2004: three) Executive Directors whose emoluments are disclosed in (a) above. Details of the emoluments of the remaining two (2004: two) individuals during the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,557**	2,224
Bonuses	**149**	35
Employer's contributions to pension scheme	**219**	198
	2,925	2,457

8. EMPLOYEE BENEFIT EXPENSE *(cont'd)*

(b) Five highest-paid individuals *(cont'd)*

The emoluments fell within the following bands:

	2005	2004
Nil to HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**1**	1
	2	2

During the year, no emoluments were paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2004: Nil).

9. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Bank loans and overdrafts		
Wholly repayable within five years	**2,000**	2,773
Other loans		
Wholly repayable within five years	**4,837**	316
Finance leases	**–**	6
	6,837	3,095
Less: borrowing costs capitalised into properties under development (a)	**(6,254)**	(1,710)
	583	1,385

(a) Borrowing costs were capitalised at a rate ranging from 5.58% to 5.74% (2004: 5.31% to 5.58%) per annum.

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the year (2004: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2005	2004
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Over-provision in respect of prior years	**(3,675)**	–
Current tax – Overseas		
Provision for the year	**653**	977
Over-provision in respect of prior years	**(620)**	–
	33	977
Deferred tax		
Origination of temporary differences	**–**	105
	(3,642)	1,082

10. INCOME TAX *(cont'd)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2005	2004
	HK$'000	*HK$'000*
Profit before tax	**24,507**	86,191
Tax calculated at domestic tax rates applicable to profits in the respective countries	**4,351**	15,841
Over-provision of income tax in respect of prior years	**(4,295)**	–
Income not subject to tax	**(5,367)**	(22,587)
Expenses not deductible for tax purposes	**2,898**	7,322
Utilisation of previously unrecognised tax losses	**(1,229)**	–
Unrecognised tax losses	**–**	506
Income tax (credit)/charges	**(3,642)**	1,082

The weighted average applicable tax rate was 17.8% (2004: 18.4%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Consolidated profit attributable to equity holders of the Company includes a profit of approximately HK$1,345,000 (2004: HK$21,278,000) which has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company of approximately HK$28,149,000 (2004: HK$85,109,000) by the weighted average number of 772,181,783 ordinary shares (2004: 772,181,783 ordinary shares) in issue during the year.

There were no dilutive potential shares in existence during the year.

13. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2005 (2004: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment are as follows:

	Group					
	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004						
Cost	4,574	9,334	10,956	11,311	5,856	42,031
Accumulated depreciation and impairment	(1,604)	(8,108)	(8,530)	(9,788)	(4,782)	(32,812)
Net book amount	2,970	1,226	2,426	1,523	1,074	9,219
Year ended 31 December 2004						
Opening net book amount	2,970	1,226	2,426	1,523	1,074	9,219
Exchange differences	–	–	–	3	5	8
Additions	–	2,273	157	637	539	3,606
Transfer from investment properties	253	–	–	–	–	253
Transfer between categories	–	–	(227)	227	–	–
Acquisition of a subsidiary	–	–	–	88	–	88
Write-back of provision/ (provision) for impairment loss	493	–	–	(88)	–	405
Disposals	–	–	(61)	(73)	(52)	(186)
Depreciation	(62)	(1,533)	(510)	(506)	(609)	(3,220)
Closing net book amount	3,654	1,966	1,785	1,811	957	10,173

14. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(a) Movements in property, plant and equipment are as follows: *(cont'd)*

	Group					
	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2004						
Cost	4,827	9,355	7,585	5,476	4,767	32,010
Accumulated depreciation and impairment	(1,173)	(7,389)	(5,800)	(3,665)	(3,810)	(21,837)
Net book amount	3,654	1,966	1,785	1,811	957	10,173
Year ended 31 December 2005						
Opening net book amount	3,654	1,966	1,785	1,811	957	10,173
Exchange differences	–	3	114	10	6	133
Transfer from investment properties	5,187	–	–	–	–	5,187
Additions	–	759	882	1,448	904	3,993
Disposals	–	(8)	(739)	(460)	(4)	(1,211)
Depreciation	(88)	(1,372)	(457)	(588)	(424)	(2,929)
Closing net book amount	8,753	1,348	1,585	2,221	1,439	15,346
At 31 December 2005						
Cost	**10,014**	**10,040**	**4,908**	**5,814**	**5,677**	**36,453**
Accumulated depreciation and impairment	**(1,261)**	**(8,692)**	**(3,323)**	**(3,593)**	**(4,238)**	**(21,107)**
Net book amount	**8,753**	**1,348**	**1,585**	**2,221**	**1,439**	**15,346**

14. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(b) The carrying amounts of leasehold land and buildings are analysed as follows:

	2005 HK$'000	2004 HK$'000
In Hong Kong, held on:		
Long-term leases (over 50 years)	**8,753**	1,873
In the PRC, held on:		
Long-term leases (over 50 years)	**–**	1,781
	8,753	3,654

Leasehold land and buildings with carrying amounts of approximately HK$8,753,000 (2004: Nil) have been pledged as securities for bank borrowings *(Note 28(a))*.

15. INVESTMENT PROPERTIES

	Group 2005 HK$'000	2004 HK$'000
Balance at 1 January	**229,890**	206,510
Transfer to property, plant and equipment	**(5,187)**	(253)
Revaluation gain	**15,196**	23,633
Balance at 31 December	**239,899**	229,890

The investment properties were revalued at 31 December 2005 by CB Richard Ellis Limited, an independent firm of professional valuers. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties at their net book values are analysed as follows:

	2005 HK$'000	2004 HK$'000
In Hong Kong, held on:		
Long-term leases (over 50 years)	**236,299**	228,100
In the PRC, held on:		
Long-term leases (over 50 years)	**3,600**	1,790

Investment properties with carrying amounts of approximately HK$236,299,000 (2004: HK$215,000,000) have been pledged as securities for bank borrowings *(Note 28(a))*.

16. GOODWILL

(a) Goodwill and negative goodwill arising from acquisitions are as follows:

		Group	
	Goodwill	**Negative Goodwill**	**Net**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2004			
Cost and net book amount	–	–	–
Year ended 31 December 2004			
Opening net book amount	–	–	–
Additions	20,275	(12,738)	7,537
Amortisation	(1,317)	5,271	3,954
Closing net book amount	18,958	(7,467)	11,491
At 31 December 2004			
Cost	20,275	(12,738)	7,537
Accumulated amortisation and impairment	(1,317)	5,271	3,954
Net book amount	18,958	(7,467)	11,491
Year ended 31 December 2005			
Opening net book amount, as previously reported	18,958	(7,467)	11,491
Opening adjustment on derecognision of negative goodwill *(see Note 2(a))*	–	7,467	7,467
Opening net book amount, as restated	18,958	–	18,958
Exchange differences	425	–	425
Closing net book amount	19,383	–	19,383
At 31 December 2005			
Cost	**19,383**	**–**	**19,383**
Accumulated amortisation and impairment	**–**	**–**	**–**
Net book amount	**19,383**	**–**	**19,383**

16. GOODWILL *(cont'd)*

(b) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("**CGU**") identified according to business segment as follows:

	2005	2004
	HK$'000	*HK$'000*
Specialised construction	**19,383**	18,958

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period.

The sale growth rate and discount rate used for value-in-use calculations are 5.00% and 5.58% respectively.

Management determined the sale growth rate based on past performance and its expectation for market development. The discount rate used is the cost of borrowings of the CGU.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted share investments, at cost	**695,296**	695,296
Less: provision for impairment in value	**(695,296)**	(695,296)
	–	–
Loans to subsidiaries (a)	**51,423**	51,928
Less: provision for loans to subsidiaries	**(47,800)**	(47,800)
	3,623	4,128
Amounts due from subsidiaries (b)	**1,032,171**	1,003,855
Less: provision for amounts due from subsidiaries	**(488,212)**	(511,674)
	543,959	492,181
	547,582	496,309

17. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

(a) Included in the loans to subsidiaries are loans to subsidiaries of approximately HK$47,800,000 (2004: HK$47,800,000) which are non-interest bearing. The remaining balances bear interest at commercial lending rates. All balances are unsecured and repayable on demand.

(b) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

(c) The following is a list of the principal subsidiaries at 31 December 2005:

Name of subsidiary	Place of incorporation/ operations	Particulars of issued/ registered and paid up capital *(i)*	Percentage of equity Directly held by the Company	Percentage of equity Indirectly held by the Company	Principal activities
Best Pearl Development Limited	Hong Kong	1,000 shares of HK$1 each	–	100	Property investment
Brena Company Limited	Hong Kong	500,000 shares of HK$1 each	–	100	Provision of management services
Bright Circle Limited	Hong Kong	10,000 shares of HK$1 each	–	100	Property investment
Dongguan Bridgman Fire Doors Limited *(ii)*	PRC	RMB12,062,711	–	100	Manufacturing of fire proof doors
Eastrend (Hong Kong) Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Enful Engineering Limited	Hong Kong/ Hong Kong and PRC	100 shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	–	100	Selling and installation of fire proof materials and products

17. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

(c) The following is a list of the principal subsidiaries at 31 December 2005: *(cont'd)*

Name of subsidiary	Place of incorporation/ operations	Particulars of issued/ registered and paid up capital *(i)*	Percentage of equity Directly held by the Company	Percentage of equity Indirectly held by the Company	Principal activities
Enful Holdings Limited	British Virgin Islands/ Hong Kong and PRC	10,000 shares of US$1 each and 4 non-voting deferred shares of US$1 each	–	100	Investment holding
Full Pacific Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Geraldine Profits Limited	British Virgin Islands/ Hong Kong	1 share of US$1	–	100	Securities trading
Great Way Properties Limited	Hong Kong/ PRC	2 shares of HK$1 each	–	100	Property investment
Jaeger Development Limited	British Virgin Islands	1 share of US$1	–	100	Investment holding
Jaeger Oil & Chemical Company Limited	Hong Kong	10 shares of HK$100 each and 20,000 non-voting deferred shares of HK$100 each	–	100	Manufacturing and trading of lubricant oil and chemical products
Jaeger Oil & Chemical Holdings Limited	British Virgin Islands/ Hong Kong and PRC	100 shares of US$1 each	–	100	Investment holding

17. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

(c) The following is a list of the principal subsidiaries at 31 December 2005: *(cont'd)*

Name of subsidiary	Place of incorporation/ operations	Particulars of issued/ registered and paid up capital *(i)*	Percentage of equity Directly held by the Company	Percentage of equity Indirectly held by the Company	Principal activities
Linkcheer Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
ONFEM Company Limited	Hong Kong	2 shares of HK$1 each	–	100	Investment holding
ONFEM Finance Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	100	–	Provision of financing for other Group companies
ONFEM Investments Limited	British Virgin Islands/ Hong Kong	100 shares of US$10 each	100	–	Investment holding
Oriental Dragon Construction Limited	Hong Kong/ Hong Kong and PRC	10,000 shares of HK$1 each	–	100	Investment holding
Shanghai Jin Qiao Condo Decoration Engineering Company Limited *(iii)*	PRC	US$2,040,000	–	100	Design and installation of curtain walls and aluminium windows
Tinnex Management Limited	Hong Kong	2 shares of HK$1 each	–	100	Property management
Top Gain Properties Limited	Hong Kong/ PRC	2 shares of HK$1 each	–	100	Property investment
Virtyre Limited	Hong Kong	2 shares of HK$10 each	–	100	Property investment

17. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

(c) The following is a list of the principal subsidiaries at 31 December 2005: *(cont'd)*

Name of subsidiary	Place of incorporation/ operations	Particulars of issued/ registered and paid up capital *(i)*	Percentage of equity Directly held by the Company	Percentage of equity Indirectly held by the Company	Principal activities
Wilson Murray Far East Limited	Hong Kong	100 shares of HK$10 each	–	100	Provision of construction project management services
Zhuhai (Oriental) Blue Horrison Properties Company Limited *(iv)*	PRC	RMB44,000,000	–	100	Property development

(i) The class of shares held is ordinary unless otherwise stated. None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2005.

(ii) Dongguan Bridgman Fire Doors Limited ("**Dongguan Bridgman**") is a Sino-foreign equity joint venture established in the PRC with an initial operating period of 12 years up to 2005 and further extending to 2017, of which Bridgman Fire Doors (H.K.) Limited ("**Bridgman HK**"), a wholly owned subsidiary of the Company, is a joint venture partner. Pursuant to the terms as stipulated in the joint venture agreement, the Chinese joint venture partner is entitled to a fixed annual guaranteed distribution of RMB60,000 while Bridgman HK is entitled to share all the profit/loss of Dongguan Bridgman after deducting the distribution to the Chinese joint venture partner.

(iii) Shanghai Jin Qiao Condo Decoration Engineering Company Limited, a wholly owned subsidiary of the Company, is a foreign investment enterprise established in the PRC with an operating period of 15 years up to 2008.

(iv) Zhuhai (Oriental) Blue Horrison Properties Company Limited, a wholly owned subsidiary of the Company, is a foreign investment enterprise established in the PRC with an operating period of 8 years up to 2007.

(d) The Company has undertaken to provide continuing support to finance the future operations of certain subsidiaries.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS/NON-TRADING SECURITIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Balance at 1 January	**28,440**	28,440
Revaluation surplus transferred to equity *(Note 25)*	**900**	–
Balance at 31 December	**29,340**	28,440

Available-for-sale financial assets/non-trading securities include the following:

	2005	2004
	HK$'000	*HK$'000*
Equity securities:		
Listed in Hong Kong, at fair value	**29,340**	28,440
Unlisted, at cost	**243,600**	243,600
Less: provision for impairment in value	**(243,600)**	(243,600)
	–	–
	29,340	28,440

19. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Manufacturing and trading stocks		
Raw materials	5,129	5,603
Work in progress	–	196
Finished goods	3,723	3,542
	8,852	9,341
Less: provision for inventory obsolescence	(2,759)	(2,361)
Manufacturing and trading stocks, net	6,093	6,980
Properties under development – located in the PRC	244,979	231,787
Less: provision for net realisable value	(36,276)	(36,276)
Properties under development, net (a)	208,703	195,511
	214,796	202,491

(a) Properties under development

	2005 HK$'000	2004 HK$'000
Land use right	77,342	79,164
Construction in progress	131,361	116,347
	208,703	195,511

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and contract receivables, net (a)	**83,170**	31,672	**–**	–
Retention receivables *(Note 21)*	**7,039**	15,023	**–**	–
Deposits	**52,242**	25,374	**650**	652
Prepayments	**876**	910	**324**	387
Others	**18,655**	10,511	**28**	13
	161,982	83,490	**1,002**	1,052

(a) Trade and contract receivables, net

The aging analysis of trade and contract receivables is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**40,924**	9,194
31 – 60 days	**16,710**	5,340
61 – 90 days	**6,898**	3,247
Over 90 days	**34,027**	33,148
	98,559	50,929
Less: provision for impairment of receivables	**(15,389)**	(19,257)
	83,170	31,672

For trade receivables, the normal credit period granted by the Group to the customers is from 30 days to 60 days from the date of invoice. The credit period for contract receivables varies in accordance with the terms of contracts.

20. TRADE AND OTHER RECEIVABLES *(cont'd)*

(a) Trade and contract receivables, net *(cont'd)*

The carrying amounts of trade and contract receivables are denominated in the following currencies:

	Group 2005 HK$'000	Group 2004 HK$'000
Hong Kong dollar	13,135	11,591
RMB	40,253	9,952
United States dollar	29,782	10,129
	83,170	31,672

21. CONSTRUCTION CONTRACTS IN PROGRESS

	Group 2005 HK$'000	Group 2004 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	112,699	20,773
Less: progress billings to date	(111,955)	(19,899)
	744	874
Included in current assets/(liabilities) under the following captions:		
Gross amounts due from customers for contract work	744	1,684
Gross amounts due to customers for contract work	–	(810)
	744	874

As at 31 December 2005, retentions held by customers for contract work included in non-current retention receivables of the Group and trade and other receivables of the Group under Note 20 amounted to approximately HK$4,539,000 (2004: HK$879,000) and HK$7,039,000 (2004: HK$15,023,000), respectively.

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
At fair value:		
Equity securities listed in Hong Kong	**2,778**	2,489

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits with banks	**143,299**	120,703	**49,976**	75,457
Cash on hand	**48**	136	**–**	–
Cash and bank deposits (a)	**143,347**	120,839	**49,976**	75,457
Bank overdraft *(Note 28)*	**(1,103)**	(1,158)	**–**	–
	142,244	119,681	**49,976**	75,457

23. CASH AND CASH EQUIVALENTS *(cont'd)*

(a) The carrying amounts of cash and bank deposits are denominated in the following currencies:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**25,900**	67,459	**5,569**	39,511
RMB	**72,970**	17,355	**–**	–
United States dollar	**44,433**	36,025	**44,407**	35,946
Other currencies	**44**	–	**–**	–
	143,347	120,839	**49,976**	75,457

24. SHARE CAPITAL

	2005		2004	
	No. of Shares	**Amount**	No. of Shares	Amount
	('000)	***HK$'000***	*('000)*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	**772,182**	**77,218**	772,182	77,218

24. SHARE CAPITAL *(cont'd)*

(a) Share options

On 29 May 2003, the Company adopted a share option scheme under which the Directors may, at their discretion, invite any person who has contributed or will contribute to the Group to take up options at a nominal consideration of HK$10 for each lot of share options granted.

(i) Share options were granted on 15 March 2004 under the share option scheme and are exercisable during a three-year period commencing on the date of acceptance of the share options by each respective Director or employee, and shall expire at the end of the three-year period. As at 31 December 2005, the details of the share options granted and outstanding are as follows:

Category of participant	Exercise period of share options	Exercise price *HK$*	Number of share options *('000)*
Directors	16 March 2004 to 15 March 2007	0.83	**12,000**
Employees	17 March 2004 to 26 April 2007	0.83	**8,100**
			20,100

(ii) Movements in the number of share options outstanding of the above share options granted are as follows:

	2005 Number of share options *('000)*	2004 Number of share options *('000)*
Balance at 1 January	**20,900**	–
Granted	**–**	21,100
Lapsed	**(800)**	(200)
Balance at 31 December	**20,100**	20,900

25. RESERVES

(a) Group

	Share premium HK$'000	Contributed surplus (c) HK$'000	Capital redemption reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2004	409,738	601,415	769	11,520	(1,601)	(624,352)	397,489
Currency translation adjustments	–	–	–	–	2,247	–	2,247
Release of reserve upon liquidation of a subsidiary	–	(1,003)	–	–	–	–	(1,003)
Profit for the year, as restated	–	–	–	–	–	85,109	85,109
Balance at 31 December 2004	409,738	600,412	769	11,520	646	(539,243)	483,842
Balance at 1 January 2005, as per above	**409,738**	**600,412**	**769**	**11,520**	**646**	**(539,243)**	**483,842**
Opening adjustment on derecognition of negative goodwill on the adoption of HKFRS 3 *(see Note 2(a))*	**–**	**–**	**–**	**–**	**–**	**7,467**	**7,467**
Balance at 1 January 2005, as restated	**409,738**	**600,412**	**769**	**11,520**	**646**	**(531,776)**	**491,309**
Currency translation adjustments	**–**	**–**	**–**	**–**	**2,458**	**–**	**2,458**
Revaluation surplus of available-for-sale financial assets	**–**	**–**	**–**	**900**	**–**	**–**	**900**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**28,149**	**28,149**
Balance at 31 December 2005	**409,738**	**600,412**	**769**	**12,420**	**3,104**	**(503,627)**	**522,816**

25. RESERVES *(cont'd)*

(b) Company

	Share premium HK$'000	Contributed surplus (c) HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2004	409,738	575,220	769	(503,323)	482,404
Profit for the year	–	–	–	21,278	21,278
Balance at 31 December 2004	**409,738**	**575,220**	**769**	**(482,045)**	**503,682**
Profit for the year	**–**	**–**	**–**	**1,345**	**1,345**
Balance at 31 December 2005	**409,738**	**575,220**	**769**	**(480,700)**	**505,027**

(c) Contributed surplus mainly represents the excess of the fair value of shares in ONFEM Investments Limited acquired by the Company over the nominal value of the new shares of the Company issued pursuant to the Share Exchange Agreement dated 19 November 1991.

Under the Companies Act of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities, issued share capital and share premium account.

(d) At 31 December 2005, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$95,289,000 (2004: HK$93,944,000).

26. DEFERRED TAX

The movement on the deferred tax assets is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Balance at 1 January	**932**	932
Recognised in the income statement	**–**	–
Balance at 31 December	**932**	932

The movement on the deferred tax liabilities during the year is as follows:

	2005	2004
	HK$'000	*HK$'000*
Balance at 1 January	**105**	–
Recognised in the income statement	**–**	105
Balance at 31 December	**105**	105

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2005, the Group had unrecognised tax losses in Hong Kong of approximately HK$215,180,000 (2004: HK$260,816,000) to carry forward against future taxable income, and these tax losses have no expiry date. In addition, the Group had unrecognised tax losses in the PRC of approximately HK$24,278,000 as at 31 December 2005 (2004: HK$26,588,000), and these tax losses will expire within 5 years.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade, bills and contract payables (a)	**99,794**	75,301	**–**	–
Retention payables	**10,453**	6,436	**–**	–
Accruals and other payables	**38,459**	24,804	**3,078**	2,730
Provisions (b)	**–**	–	**18,237**	–
Temporary receipts	**7,699**	103	**–**	–
Rental deposits received	**1,195**	1,922	**–**	–
	157,600	108,566	**21,315**	2,730

(a) The aging analysis of trade, bills and contract payables is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**25,617**	14,024
31 – 60 days	**10,161**	11,504
61 – 90 days	**3,821**	1,151
Over 90 days	**60,195**	48,622
	99,794	75,301

The carrying amounts of trade, bills and contract payables are denominated in the following currencies:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong dollar	**2,599**	6,357
RMB	**96,257**	68,249
US dollar	**568**	509
Other currencies	**370**	186
	99,794	75,301

27. TRADE AND OTHER PAYABLES *(cont'd)*

(b) Provisions

	Company	
	2005	2004
	HK$'000	*HK$'000*
Balance at 1 January	**–**	50,078
Provisions for the year	**18,237**	–
Payments	**–**	(28,459)
Unused amounts reversed	**–**	(21,619)
Balance at 31 December	**18,237**	–

The amount represents the provision made for corporate guarantees in respect of banking facilities extended to subsidiaries.

28. SHORT-TERM BORROWINGS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Bank overdrafts, secured *(Note 23)*	**1,103**	1,158
Bank term-loans, secured	**13,936**	35,247
Bank borrowings, secured (a)	**15,039**	36,405
Loan from a former minority investor	**–**	6,726
Loan from a fellow subsidiary, secured *(Note 33)*	**48,055**	–
	63,094	43,131

28. SHORT-TERM BORROWINGS *(cont'd)*

(a) Banking facilities

The Group's aggregate banking facilities, including bank borrowings, as at 31 December 2005 were approximately HK$194,685,000 (2004: HK$50,262,000), of which the unutilised facilities as at the same date amounted to approximately HK$176,011,000 (2004: HK$13,295,000). Securities for the facilities include:

(i) fixed deposits of the Group of approximately HK$5,000,000 (2004: HK$38,100,000), including that of the Company of approximately HK$5,000,000 (2004: HK$9,500,000);

(ii) investment properties and leasehold land and buildings with carrying amounts of approximately HK$236,299,000 (2004: HK$215,000,000) and HK$8,753,000 (2004: Nil) respectively; and

(iii) corporate guarantees given by the Company.

(b) All the short-term borrowings are on a floating interest rate basis. The effective interest rates at the balance sheet date were as follows:

	2005		2004	
	HK$	***RMB***	*HK$*	*RMB*
Bank overdrafts, secured	**7.75%**	**–**	5.00%	–
Bank term-loans, secured	**–**	**5.58%**	–	5.51%
Loan from a fellow subsidiary, secured	**–**	**5.74%**	–	–

(c) The carrying amounts of short-term borrowings approximate their fair values and are denominated in the following currencies:

	2005	2004
	HK$'000	*HK$'000*
Hong Kong dollar	**1,103**	1,158
RMB	**61,991**	41,973
	63,094	43,131

29. PENSION OBLIGATIONS

The Group participates in a defined contribution pension scheme and a Mandatory Provident Fund ("**MPF**") scheme for the eligible employees in Hong Kong.

A defined contribution pension scheme is provided to certain eligible employees ("**Employees**") employed by the Group. The Group is required to make monthly contributions to the scheme at 5% of the Employees' monthly salary. Employees under the defined contribution scheme are entitled to 100% of the employer's contributions and the accrued interest upon retirement or leaving the Group after completing ten years of service from the date of joining the Group, or at a scale of between 20% and 90% after completing at least two but less than ten years of service from the date of joining the Group.

Under the MPF scheme, each of the Hong Kong subsidiaries of the Group and those employees not eligible to join the defined contribution pension scheme make monthly contributions to the MPF at 5% of the employees' cash income as defined under the MPF legislation. Contributions by both of the Hong Kong subsidiaries and their employees are subject to a maximum of HK$1,000 per month per employee and thereafter contributions are voluntary and are not subject to any limitation. The mandatory contributions under the MPF are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees. In addition to the mandatory contribution, employees are entitled to 100% of the employers' voluntary contributions to the fund plus investment earnings upon leaving employment after completing ten years of service, or upon retirement after attaining the retirement age notwithstanding the number of years of service, or upon death or ceasing to be an employee due to total incapacity . Employees are also entitled to the employers' voluntary contributions to the fund plus investment earnings calculated at a scale of between 20% and 90% after completing a period of service of at least two but less than ten years.

The Group's contributions to the pension scheme and the MPF scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Forfeited contributions totalling HK$57,000 (2004: HK$61,000) were utilised during the year and there were no unutilised forfeited contributions available as at 31 December 2005.

As stipulated by rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local government. The Group is required to contribute to the plan at a rate ranging from 10% to 22% of the basic salary of the PRC employees in addition to contributions by employees at a rate of 8% of the basic salary as specified by the local government, and the Group has no further obligations for the actual payment of the pensions or post-retirement benefits beyond the annual contributions made.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before tax to cash generated from/(used in) operations:

	2005	2004
	HK$'000	*HK$'000*
Profit before tax	**24,507**	86,191
Interest income	**(2,358)**	(2,383)
Interest expense	**583**	1,385
Depreciation	**2,929**	3,220
Amortisation of land lease premium	**–**	113
Amortisation of goodwill and negative goodwill	**–**	(3,954)
Revaluation gain on investment properties	**(15,196)**	(23,633)
Impairment loss of leasehold land and land use rights	**–**	1,798
Write-back of provision for impairment loss of property, plant and equipment	**–**	(405)
Gain on disposal of property, plant and equipment	**(6,215)**	(294)
Gain on deconsolidation of subsidiaries	**–**	(78,707)
Impairment loss of other assets	**1,312**	–
Provision for properties under development	**–**	25,000
Provision/(write-back of provision) for inventory obsolescence	**398**	(636)
Write-back of provision for impairment of receivables	**(5,300)**	(9,295)
Unrealised gain on revaluation of financial assets at fair value through profit or loss/trading securities	**(289)**	(347)
Write-back of provision for a bank guarantee	**–**	(10,148)
Dividend income from securities investment	**(393)**	(449)
Wavier of debt by a former minority investor	**–**	(3,051)
Operating loss before working capital changes	**(22)**	(15,595)
Increase in retention receivables, non-current portion	**(3,660)**	(272)
Decrease in other assets	**55**	22
Increase in inventories	**(6,449)**	(6,670)
Decrease in amount due from a fellow subsidiary	**–**	1
Decrease in amount due from a minority investor	**–**	37
Increase in trade and other receivables	**(73,192)**	(4,044)
Decrease in gross amounts due from/to customers for contract work, net	**130**	2,722
Decrease in pledged deposits	**33,100**	15,110
Decrease in amounts due to minority investors	**–**	(690)
Increase/(decrease) in trade and other payables	**49,034**	(22,304)
Increase in other liabilities	**286**	649
Exchange adjustments	**1,900**	2,480
Cash generated from/(used in) operations	**1,182**	(28,554)

31. CONTINGENT LIABILITIES

The Company had executed:

(a) corporate guarantees to various banks in respect of banking facilities extended to subsidiaries amounting to approximately HK$194,400,000 (2004: HK$21,600,000). As at 31 December 2005, the facilities utilised amounted to approximately HK$18,528,000 (2004: HK$1,452,000); and

(b) a letter of guarantee amounting to approximately HK$8,993,000 (2004: Nil) to an employer of a specialised construction contract undertaken by a subsidiary in respect of an advanced payment made by the employer to the subsidiary on such contract.

32. COMMITMENTS

(a) Capital commitments of the Group outstanding at 31 December 2005 were as follows:

	2005	2004
	HK$'000	*HK$'000*
Contracted but not provided for in respect of property development	**275,890**	29,508

At 31 December 2005, the Company did not have any outstanding capital commitments (2004: Nil).

(b) At 31 December 2005, the Group had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	2005	2004
	HK$'000	*HK$'000*
Not later than one year	**4,475**	3,202
Later than one year and not later than five years	**5,429**	3,202
After five years	**2,550**	3,216
	12,454	9,620

At 31 December 2005, the Company did not have any operating lease commitments (2004: Nil).

32. COMMITMENTS *(cont'd)*

(c) The Group leases out investment properties under operating leases which generally run for an initial period of one to three years. None of the leases includes contingent rentals.

At 31 December 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2005	2004
	HK$'000	*HK$'000*
Not later than one year	**11,226**	9,382
Later than one year and not later than five years	**5,828**	7,919
	17,054	17,301

At 31 December 2005, the Company did not have any future lease receipts (2004: Nil).

33. RELATED PARTY TRANSACTIONS

The Directors consider the immediate holding company to be June Glory International Limited, a company incorporated in the British Virgin Islands; the intermediate holding company to be China Minmetals H.K. (Holdings) Limited ("**Minmetals HK**"), a company incorporated in Hong Kong; and the ultimate holding company to be China Minmetals Corporation ("**China Minmetals**"), a company incorporated in the PRC.

The Group had the following material transactions and balances with related parties, which were carried out in the ordinary and normal course of business of the Group:

(a) Transactions with related parties

	2005	2004
	HK$'000	*HK$'000*
Construction project management service revenue from a fellow subsidiary *(Note (i))*	**15,344**	8,009
Specialised construction revenue from related companies *(Note (ii))*	**30,206**	9,682
Rental expenses and license fees paid to fellow subsidiaries *(Note (iii))*	**1,354**	968
Loan interest costs to a fellow subsidiary *(Note (iv))*	**1,037**	–
Advanced payment to a related company for a specialised construction contract *(Note (ii))*	**2,632**	–
Proceed from disposal of factory to a local government in the PRC *(Note (ii))*	**10,133**	–

(b) Balances with related parties

	2005	2004
Contract receivable from a fellow subsidiary for construction project management services *(Note (i))*	**2,562**	–
Progress payment from a fellow subsidiary for construction project management services *(Note (i))*	**–**	810
Contract and other receivables from related companies for specialised construction contracts *(Note (ii))*	**15,901**	2,641
Contract payable to a related company for a real estate development project *(Note (ii))*	**34,528**	33,768
Contract and retention payables to a related company for a specialised construction contract *(Note (ii))*	**22,540**	5,138
Short-term loan from a fellow subsidiary *(Note (iv))*	**48,055**	–
Loan interest payable to a fellow subsidiary *(Note (iv))*	**84**	–

(c) Key management compensation

	2005	2004
Salaries and short-term employee benefits	**5,401**	5,564
Pension costs – defined contribution plans	**60**	60
	5,461	5,624

33. RELATED PARTY TRANSACTIONS *(cont'd)*

Notes:

(i) Details of the construction project management agreement dated 29 July 2004 entered into between a subsidiary and a fellow subsidiary of the Company have been published in the Company's announcement dated 29 July 2004. The transaction constituted a connected transaction as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

(ii) As China Minmetals is a state-owned enterprise, the government of the PRC ("**PRC Government**") is considered as the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to China Minmetals, directly or indirectly controlled by the PRC Government are also considered as related parties of the Group. Since many state-controlled enterprises have multi-layered and diversified corporate structure and the structure may also change over time as a result of transfers and privatisation programmes, to balance the cost and benefit in making disclosure, the Group has only disclosed material transactions with such stated-controlled enterprises.

(iii) The transactions constituted continuing connected transactions as defined in the Listing Rules.

(iv) The short-term loan from a fellow subsidiary made on 24 August 2005, for working capital purposes to a subsidiary of the Company for a term of 6 months bearing interest at the rate of 5.74% per annum, is secured by a corporate guarantee from Minmetals HK. The transaction constituted a connected transaction as defined in the Listing Rules.

34. EVENTS AFTER THE BALANCE SHEET DATE

On 11 April 2006, a shareholders' agreement was entered into amongst Karman Industries Limited ("**KIL**"), Stillpower Limited ("**SL**") (both are indirect wholly owned subsidiaries of the Company), World Ocean Development Limited ("**WODL**") and Oriental Dragon Construction Limited ("**ODCL**"), pursuant to which ODCL will become a joint venture company, owned as to 71% by the Company through KIL and SL and 29% by WODL, upon completion of the share transfer. ODCL, through Dragon Construction (Nanjing) Properties Company Limited ("**Project Company**"), its wholly owned subsidiary established in the PRC on 5 January 2006, undertakes a residential property development project in Nanjing.

It is estimated that before financing from financial institutions is available, the Project Company would require an initial financing of approximately RMB180,000,000 (approximately HK$173,077,000) to meet the full payment of the relevant land premium and other preliminary expenses, of which approximately RMB172,237,000 (approximately HK$165,613,000) will be provided by the Group as loans to ODCL, while WODL will provide loans of approximately RMB7,763,000 (approximately HK$7,464,000) to ODCL and, together with its associates, pledge properties with acceptable values of approximately RMB44,437,000 (approximately HK$42,728,000) as securities to the Group in exchange for its provision of WODL's share of financing to ODCL.

Further details of the above transaction have been set out in the Company's announcement dated 11 April 2006.