Notes to the Consolidated Financial Statements

1. General Information

First Shanghai investments Limited (the "Company") and its subsidiaries (hereby collectively referred to as the "Group") are principally engaged in securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, sales of motor vehicles meters, hotel operation, investment holding, property holding and management.

The Company is a limited liability company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of First Shanghai Investments Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting standards ("HKAS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, available-for-sale financial assets, financial assets and financial liabilities at fair value through income statement and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS/HKAS 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 consolidated financial statements, are disclosed in note 4.

The adoption of new/revised HKFRS/HKAS

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

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 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS/HKAS *(continued)*

HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31 and 33 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

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

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 from property, plant and equipment to operating leases. 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. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Following the adoption of HKASs 32 and 39, the financial assets have been classified into available-for-sale financial assets, financial assets at fair value through income statement and loans and receivables. The classification depends on the purpose for which the investments were acquired. Available-for-sale financial assets are measured at fair value and changes in fair value are recognised in the investment revaluation reserve. Loans and receivables are measured at amortised cost. The carrying amount of the asset is computed by discounting the future cash flows to the present value using the effective interest method.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS/HKAS *(continued)*

The Group has adopted the transitional provisions of HKAS 39 as follows:

– redesignate all "investment securities" as "available-for-sale financial assets" or "loans and receivables", and "other investments" as "financial assets at fair value through income statement" at 1st January 2005;

– remeasure those financial assets or financial liabilities that should be measured at fair value and those that should be measured at amortised cost at 1st January 2005.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective on 1st January 2005, the Group expenses the cost of share options in the income statement.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was:

– amortised on a straight line basis over its estimated useful economic life; and

– assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– the Group ceased amortisation of goodwill from 1st January 2005;

– accumulated amortisation as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– from the year ending 31st December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS/HKAS *(continued)*

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

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Hong Kong Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st January 2005.

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property.

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

– HKFRS 3 – prospectively after 1st January 2005.

– HKFRS 5 – The adoption of HKFRS 5 has resulted in a change in the accounting policy for non-current assets held for sale. The non-current assets held for sale were previously neither classified nor presented as current assets or liabilities. There was no difference in measurement for non-current assets held for sale or for continuing use. The application of HKFRS 5 does not have impact on the prior-year financial statements other than a change in the presentation of the results and cash flows of discontinued operations.

(i) The adoption of revised HKAS 17 resulted in a decrease in opening reserves at 1st January 2004 and 2005 by approximately HK$29,245,000 and HK$28,642,000 respectively.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS/HKAS *(continued)*

(ii) The effect of changes in accounting policies on the consolidated balance sheets are as follows:

	Effect of adoption						
	HKAS 17	HKAS 32 & HKAS 39	HKAS 40	HKFRS 2	HKFRS 3 & HKAS 38	HKFRS 5	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2005							
Decrease in property, plant and equipment	(66,377)	–	(19,260)	–	–	(51,481)	(137,118)
Increase/(decrease) in leasehold land and land use rights	66,377	–	–	–	–	(16,876)	49,501
Increase in investment properties	–	–	19,260	–	–	–	19,260
Increase in available-for-sale financial assets	–	19,841	–	–	–	–	19,841
Increase in loans receivable	–	11,873	–	–	–	–	11,873
Increase in financial assets at fair value through income statement	–	30,437	–	–	–	–	30,437
Decrease in investment securities	–	(66,560)	–	–	–	–	(66,560)
Decrease in other investments	–	(1,483)	–	–	–	–	(1,483)
Increase in intangible assets	–	–	–	–	8,224	–	8,224
Increase in deferred tax assets	–	–	–	89	–	–	89
Increase/(decrease) in investments in jointly controlled entities	–	–	–	–	5,917	(344,010)	(338,093)
Increase in non-current assets held for sale	–	–	–	–	–	412,367	412,367
(Decrease)/increase in net assets	–	(5,892)	–	89	14,141	–	8,338
Increase in employee share-based compensation reserve	–	–	–	2,507	–	–	2,507
Increase in investment revaluation reserve	–	17,500	–	–	–	–	17,500
(Decrease)/increase in retained earnings	–	(23,392)	–	(2,418)	14,141	–	(11,669)
(Decrease)/increase in equity	–	(5,892)	–	89	14,141	–	8,338
At 31st December 2004							
Decrease in property, plant and equipment	(89,177)	–	–	–	–	–	(89,177)
Increase in leasehold land and land use rights	89,177	–	–	–	–	–	89,177
Increase in net assets	–	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS/HKAS *(continued)*

(iii) The effect of changes in accounting policies on the consolidated income statement are as follows:

	Effect of adoption						
	HKAS 17	HKAS 32 & HKAS 39	HKAS 40	HKFRS 2	HKFRS 3 & HKAS 38	HKFRS 5	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December 2005							
Decrease/(increase) in administrative expenses	**656**	**–**	**–**	**(2,507)**	**–**	**–**	**(1,851)**
Increase in other gains – net	**–**	**15,247**	**1,261**	**–**	**1,470**	**–**	**17,978**
Decrease in taxation	**–**	**–**	**–**	**89**	**–**	**–**	**89**
Decrease in share of profits less losses of jointly controlled entities	**–**	**–**	**–**	**–**	**–**	**(40,961)**	**(40,961)**
Increase in profit for the year from discontinued operations	**–**	**–**	**–**	**–**	**–**	**40,961**	**40,961**
Increase/(decrease) in profit attributable to shareholders	**656**	**15,247**	**1,261**	**(2,418)**	**1,470**	**–**	**16,216**
For the year ended 31st December 2004							
Decrease in administrative expenses	656	–	–	–	–	–	656
Decrease in share of profits less losses of jointly controlled entities	–	–	–	–	–	(28,728)	(28,728)
Increase in profit for the year from discontinued operations	–	–	–	–	–	28,728	28,728
Increase in profit attributable to shareholders	656	–	–	–	–	–	656

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS/HKAS *(continued)*

(iii) The effect of changes in accounting policies on the consolidated income statements are as follows *(continued)*:

At the date of authorisation of these financial statements, the Group has not early adopted the following new standards or interpretations or amendments which have been issued but are not yet effective. The adoption of these new HKFRS/HKAS is not expected to result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of financial statements – capital disclosures
HKAS 19 (Amendment)	Employee Benefits
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment) and HKFRS 6 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS – Int 4	Determining whether an Arrangement contains a Lease
HKFRS – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environments Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 7	Financial Reporting in Hyperinflationary economies

The Group has carried out an assessment if the impact of the new HKFRS/HKAS which have been issued but not yet effective and have not been early adopted by the Group.

2.2 Consolidation

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

(a) *Subsidiaries*

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the Board of Directors, controls more than half of the voting power or holds more than half of the issued share capital.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) *Subsidiaries (continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at 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 consolidated income statement (note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recorded in the consolidated income statement.

(c) *Associated companies*

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 2.7).

The Group's share of its associated companies, post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

2. Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(c) *Associated companies* *(continued)*

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) *Jointly controlled entities*

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in the jointly controlled entities equals or exceeds its interest in the jointly controlled entities, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.3 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.

2. Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation

(a) *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 (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *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 consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through income statement are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are, included in the fair value reserve in equity.

(c) *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:

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

(ii) 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

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

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.

2. Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment

(a) *Buildings in Hong Kong*

In previous years the Group carried its buildings in Hong Kong at cost or at revalued amounts and revaluation surpluses or deficits are dealt with as movements in the assets revaluation reserve. Effective from 30th September 1995, no further revaluations have been carried out. The Group places reliance on paragraph 80A of HKAS 17 issued by the HKICPA which provides exemption from the need to make regular revaluations for such assets.

(b) *Construction-in-progress*

Construction-in-progress comprises hotel, properties under construction, and other property, plant and equipment under installation, and is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any impairment losses. No depreciation is provided on construction-in-progress until such time as the relevant assets are completed and put into use.

(c) *Other property, plant and equipment*

Other property, plant and equipment comprise mainly buildings outside Hong Kong, furniture fixtures and equipment, plant and machinery, motor vehicles and trucks 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 repairs and maintenance costs are expensed in the income statement during the financial year in which they are incurred.

(d) *Depreciation and amortisation*

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

Buildings	Over the shorter of the term of the leases or 20 to 40 years
Furniture, fixtures and equipment	15% – 33 1/3%
Plant and machinery	10%
Motor vehicles	20%
Trucks	12.5%

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

An 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 (note 2.8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

(e) Gains and losses on disposal

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 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 held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, 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. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

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. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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 repairs and maintenance costs are expensed in the income statement during the financial year in which they are incurred.

Changes in fair values are recognised in the income statement as part of ‘other gains – net’ (note 6).

2. Summary of significant accounting policies *(continued)*

2.7 Intangible assets

(a) *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/associated companies/ jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of associated companies and jointly controlled entities is included in 'investments in associated companies' and 'investments in jointly controlled entities' respectively. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) *Trading rights*

The trading rights at the Hong Kong Futures Exchange Limited ("Futures Exchange trading rights') is recognised as an intangible asset. It is stated at cost and amortised using the straight-line method over its estimated useful life of 10 years.

(c) *Patent*

Expenditure on acquired patent is capitalised and amortised using the straight-line method over its estimated useful life of 5 years. Patent is not revalued as there is no active market for this asset.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.9 Financial assets

From 1st January 2004 to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries, associated companies and jointly controlled entities, as investment securities and other investments.

(a) *Investment securities*

Investments securities are held for identified long term purpose and stated at cost less any accumulated impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. This impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(b) *Other investments*

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recogised in the income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

From 1st January 2005 onwards:

The Group classifies its financial assets into the following categories: at fair value through income statement, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) *Financial assets at fair value through income statement*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through income statement at inception. 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. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

2. Summary of significant accounting policies *(continued)*

2.9 Financial assets *(continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'loan receivables', 'loans and advances' and 'trade and other receivables' (note 2.11) in the balance sheet.

(iii) 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 twelve months of the balance sheet date.

Regular 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 income statement. Financial assets carried at fair value through income statement are initially recognised at fair value and transaction costs are expensed in the income statement. 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 income statement are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising, from changes in the fair value of the 'financial assets at fair value through income statement' category including interest and dividend income, are presented in the income statement within 'other gains – net', in the year in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and 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 recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.9 Financial assets *(continued)*

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 an indicator that 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. Impairment testing of trade receivables is described in note 2.11.

2.10 Inventories

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

2.11 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 within 'selling and distribution costs'.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings as current liabilities in the balance sheet.

2. Summary of significant accounting policies *(continued)*

2.13 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 year 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 twelve months after the balance sheet date.

2.14 Deferred taxation

Deferred taxation 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 consolidated financial statements. However, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially 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.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(a) *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 leave are not recognised until the time of leave.

(b) *Discretionary bonus*

The expected cost of discretionary bonus payments are recognised as a liability when the group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for discretionary bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.15 Employee benefits

(c) *Pension obligations*

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

As stipulated by rules and regulations in Chinese Mainland, the Group contributes to state-sponsored retirement plans for its employees in Chinese Mainland. The Group contributes to the retirement plans certain percentage of the basic salaries of its employees, and has no further obligations for the actual payment of post-retirement benefits.

(d) *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 total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

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.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Summary of significant accounting policies *(continued)*

2.17 Contingent liabilities

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

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

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Revenue from the sale of goods is recognised on 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.

Revenue from brokerage and commission, management and consultancy and advisory services rendered and container transportation and freight forwarding services is recognised once the duties under the service contracts are performed and outcome of the transactions can be foreseen with reasonable certainty.

All transactions related to securities trading are recorded in the financial statements based on trade dates. Accordingly, only those trade dates falling within the accounting year have been taken into account.

Hotel room income is recognised when services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

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

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

2.19 Finance costs

Finance costs that are directly attributable to the acquisition or construction 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. All other finance costs are charged to the income statement in the year in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.20 Operating leases

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 charged in the income statement on a straight-line basis over the period of the lease.

2.21 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

The Group adopted HKFRS 5 from 1st January 2005 prospectively in accordance with the standard's provisions. The adoption of HKFRS 5 has resulted in change in the accounting policy for non-current assets (or disposal groups) held for sale. The non-current assets (or disposal groups) held for sale were previously neither classified nor presented as current assets or liabilities. There was no difference in measurement for non-current assets (or disposal groups) held for sale or for continuing use.

The application of HKFRS 5 does not impact on the prior-year financial statements other than a change in the presentation of the results and cash flows of discontinued operations.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's shareholders.

2.23 Comparatives

As further explained above, due to the adoption of the new/revised HKFRS/HKAS during the current year, the accounting treatment and presentation of certain items in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparatives have been restated to conform with the current year presentation.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk, liquidity risk and interest rate risk. Risk management is carried out by senior management of the Group under policies approved by the Board of Directors of the Company.

(a) *Market risk*

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar and Renminbi. Revenue and majority of its operating costs and cost of sales are in Hong Kong dollar and Renminbi basis. No significant foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations is expected in the foreseeable future.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through income statement. The Group is not exposed to commodity price risk.

(b) *Credit risk*

The Group has no significant concentrations of credit risk. The carrying amount of trade receivables included in the consolidated balance sheets represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products and services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the consolidated financial statements.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) *Interest rate risk*

The Group's income and operation cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets, other than cash at banks. The Group's exposure to changes in interest rates is mainly attributable to its bank loans. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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 fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less impairment provision 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.

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.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Estimated fair value of available-for-sale financial assets*

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in active market is determined based on available recent market information such as most recent market transaction price with third parties and the latest available financial information existing at each balance sheet date.

(b) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. 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).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(c) *Incomes taxes*

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining 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 audit 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 year in which such determination is made.

(d) *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4.2 Critical judgements in applying the Group's accounting policies

The following critical accounting judgements may be applicable, among many other possible areas not presented in these consolidated financial statements.

(a) *Impairment of available-for-sale financial assets*

The Group follows the guidance if HKAS 39 in determining whether an investment in available-for-sale financial assets is impaired. This determination requires significant judgements. In making these judgements, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, change in technology and operational and financing cash flow.

(b) *Estimated allowance for doubtful debts*

The Group makes allowance for doubtful debts based on an assessment of the recoverability of loan receivables, loan and advances and trade and other receivables. Allowance is made when there are events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of loans receivable, loan and advances and trade and other receivables is different from the original estimate, such difference will impact the carrying value of loans receivable, loan and advances and trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Critical judgements in applying the Group's accounting policies *(continued)*

(c) *Estimated allowance for write-down of inventories to net realisable value*

The Group makes allowance for write-down of inventories based on assessment of the net realisable value of existing inventories. Allowance is made if there is an indication that the net realisable value of inventories are lower than the cost. Calculation of net realisable value requires the use of judgement and estimates.

(d) *Distinction between investment properties and owner-occupied*

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

(e) *Employee benefits – share-based payments*

The valuation of the fair value of the share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to become exercisable stated in note 2.15 (d). Where the outcome of the number of options that are exercisable is different, such difference will impact the income statement in the subsequent remaining vesting period of the relevant share options.

5. SEGMENT INFORMATION

The Group is principally engaged in securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, hotel operation, sales of motor vehicles meters and components, investment holding, property holding and management.

5. SEGMENT INFORMATION *(continued)*

The Group has determined the business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude taxation and deterred taxation. Capital expenditure comprises additions to leasehold land and land use rights, and property, plant and equipment.

In respect of geographical segment reporting, sales are based on the country in which the customers are located.

Primary reporting format – business segments

The Group is organised into seven main business segments:

- Securities trading and investment
- Corporate finance and stockbroking
- Container transportation and freight forwarding services
- Hotel operation
- Sales of motor vehicles meters and components
- Investment holding, property holding and management
- Sales of child products

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

	Securities trading and investment 2005 HK$'000	Corporate finance and stockbroking 2005 HK$'000	Container transportation and freight forwarding services 2005 HK$'000	Hotel operation 2005 HK$'000	Sales of motor vehicles meters and components 2005 HK$'000	Investment holding, property holding and management 2005 HK$'000	*Sales of child products 2005 HK$'000	Group 2005 HK$'000
Sales	145,616	73,685	953,500	11,793	29,380	40,754	–	1,254,728
Segment results	8,337	18,447	6,951	(16,671)	(3,538)	(26,149)	–	(12,623)
Finance costs								(8,409)
Share of profits less losses of								
– Associated companies	–	–	–	–	(125)	33,615	2,841	36,331
– Jointly controlled entities	–	–	–	–	–	16,380	1,147	17,527
Profit before taxation								32,826
Taxation								(3,637)
Profit for the year from continuing operations								29,189
Profit for the year from discontinued operations (note 41)	–	–	–	–	–	–	40,961	40,961
Profit for the year								70,150
Balance sheet								
Segment assets	53,295	317,742	319,233	151,185	29,929	287,384	–	1,158,768
Investments in associated companies	–	–	–	–	10,201	266,059	–	276,260
Investments in jointly controlled entities	–	–	–	–	–	50,956	21,253	72,209
Non-current assets classified as held for sale (note 41)	–	–	–	–	–	68,357	344,010	412,367
Tax recoverable								4,003
Deferred tax assets								603
Total assets								1,924,210
Segment liabilities	1,960	28,426	224,280	125,850	22,153	94,129	–	496,798
Liabilities directly associated with non-current assets classified as held for sale (note 41)						11,989		11,989
Taxation payable								1,447
Deferred tax liabilities								516
Total liabilities								510,750
Other information								
Capital expenditure	18	1,237	21,654	126,649	537	40,993	–	191,088
Depreciation	37	1,809	9,510	3,332	510	2,930	–	18,128
Amortisation on leasehold land and land use rights	–	–	603	729	2	173	–	1,507
Amortisation of trading rights and patents	–	164	–	–	–	932	–	1,096

There are no sales among the business segments.

* As at 31st December 2004, Geoby International Holdings Limited ("Geoby") and its subsidiaries were jointly controlled entities of the Group. In December 2005, the Group entered into agreements to dispose the entire interests in Geoby and was completed in January 2006. Details are disclosed in notes 41 and 43(a) to the financial statements.

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

	Securities trading and investment Restated 2004 *HK$'000*	Corporate finance and stockbroking Restated 2004 *HK$'000*	Container transportation and freight forwarding services Restated 2004 *HK$'000*	Sales of motor vehicles meters and components Restated 2004 *HK$'000*	Investment holding, property holding and management Restated 2004 *HK$'000*	*Sales of child products Restated 2004 *HK$'000*	Group Restated 2004 *HK$'000*
Sales	99,718	104,443	48,606	310,172	24,906	–	587,845
Segment results	1,213	53,714	(3,487)	(55)	(33,959)	–	17,426
Finance costs							(4,709)
Share of profits less losses of							
– Associated companies	–	–	–	(11,804)	56,692	10,739	55,627
– Jointly controlled entities	–	–	–	–	1,806	(7,091)	(5,285)
Profit before taxation							63,059
Taxation							(10,722)
Profit for the year from continuing operations							52,337
Profit for the year from discontinued operations (note 41)	–	–	–	–	–	28,728	28,728
Profit for the year							81,065
Balance sheet							
Segment assets	36,894	320,687	103,724	3,154	425,600	–	890,059
Investments in associated companies	–	–	–	9,813	245,495	115,490	370,798
Investments in jointly controlled entities	–	–	–	–	37,125	311,265	348,390
Total assets							1,609,247
Segment liabilities	880	139,046	22,599	1,203	53,167	–	216,895
Taxation payable							3,202
Deferred tax liabilities							659
Total liabilities							220,756
Other information							
Capital expenditure	420	2,222	9,795	2,921	72,490	–	87,848
Depreciation	91	1,258	4,904	3,624	3,249	–	13,126
Amortisation on leasehold land and land use rights	–	–	642	2	171	–	815
Amortisation of trading rights and patents	–	165	–	136	–	382	683

There are no sales among the business segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(continued)*

Secondary reporting format – geographical segments

The Group operates in two main geographical areas:

Hong Kong – securities trading and investment, corporate finance and stockbroking, investment holding, property holding and management

Chinese Mainland – container transportation and freight forwarding services, hotel operation, sales of motor vehicles meters and components

	Sales 2005 HK$'000	Segment results 2005 HK$'000	Total assets 2005 HK$'000	Capital expenditure 2005 HK$'000
Hong Kong	**229,721**	**28,439**	**610,226**	**1,544**
Chinese Mainland	**1,024,569**	**(45,631)**	**502,574**	**189,526**
Others	**438**	**4,569**	**45,968**	**18**
	1,254,728	**(12,623)**	**1,158,768**	**191,088**
Investments in associated companies			**276,260**	
Investments in jointly controlled entities			**72,209**	
Non-current assets classified as held for sale			**412,367**	
Tax recoverable			**4,003**	
Deferred tax assets			**603**	
Total assets			**1,924,210**	

	Sales 2004 HK$'000	Segment results Restated 2004 HK$'000	Total assets Restated 2004 HK$'000	Capital expenditure 2004 HK$'000
Hong Kong	217,679	49,681	536,453	51,474
Chinese Mainland	369,790	(30,480)	318,035	35,963
Others	376	(1,775)	35,571	411
	587,845	17,426	890,059	87,848
Investments in associated companies			370,798	
Investments in jointly controlled entities			348,390	
Total assets			1,609,247	

There are no sales among the geographical segments.

6. OTHER GAINS – NET

	Group	
		Restated
	2005	2004
	HK$'000	*HK$'000*
Other financial assets at fair value through income statement:		
– fair value losses	**(7,637)**	–
– fair value gains	**24,299**	–
Losses on trading securities	**–**	(318)
Provision for diminution in value of available-for-sale financial assets (note 24)	**(7,800)**	–
Interest income	**3,993**	2,427
Dividend income	**660**	–
Investment income, net	**13,515**	2,109
Fair value gains on investment properties	**1,261**	–
	14,776	2,109

7. OPERATING (LOSS)/PROFIT

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

	Group	
		Restated
	2005	2004
	HK$'000	*HK$'000*
Crediting		
Gain on disposal of partial interest in subsidiaries *(note 38(d))*	**161**	4,241
Net gain on disposal of partial interest in an associated company	**2,966**	–
Recovery of bad debts previously written off	**161**	259
Gain on disposal of property, plant and equipment	**183**	–
Net foreign exchange gain	**614**	–
Negative goodwill charged to income statement	**1,470**	–
Amortisation of negative goodwill	**–**	5,521
Charging		
Depreciation	**18,128**	13,126
Amortisation of leasehold land and land use rights	**1,507**	815
Amortisation of goodwill	**–**	21,024
Amortisation of trading rights and patents	**1,096**	683
Impairment losses on goodwill	**13,667**	–
Direct expense in respect of container transportation and freight forwarding services	**929,338**	45,249
Cost of inventories	**32,013**	173,935
Staff costs *(note 13)*	**117,622**	128,263
Operating leases rental in respect of land and buildings	**4,059**	4,660
Auditors' remuneration	**1,830**	1,530
Provision for doubtful debts	**3,748**	4,746
Loss on disposal of leasehold land and land use rights, and property, plant and equipment	**24**	956
Net foreign exchange loss	**–**	34

8. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**6,453**	4,709
Interest on other loans	**1,956**	–
	8,409	4,709

9. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. 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.

(a) The amount of taxation charged to the consolidated income statement represents:

	Group	
		Restated
	2005	2004
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current	**3,494**	6,433
Under-provision in previous years	**169**	35
Overseas taxation		
Current	**720**	4,610
Over-provision in previous years	**–**	(134)
Deferred taxation *(note 37)*	**(746)**	(222)
Taxation charge	**3,637**	10,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. TAXATION *(continued)*

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

	2005 HK$'000	Restated 2004 HK$'000
(Loss)/profit before taxation (net of share of profits less losses of associated companies, jointly controlled entities and discontinued operations)	**(21,032)**	12,717
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(3,681)**	2,225
Effect of different taxation rates in other countries	**(520)**	1,255
Income not subject to taxation	**(5,352)**	(1,538)
Expenses not deductible for taxation purposes	**4,278**	3,976
Under/(over)-provision in previous years, net	**165**	(99)
Utilisation of previously unrecognised tax losses	**–**	(292)
Unrecognised deferred tax assets	**9,291**	5,006
Others	**(544)**	189
Taxation charge	**3,637**	10,722

(b) The amount of taxation in the Group's consolidated balance sheets represents:

	2005 HK$'000	2004 HK$'000
Recoverable		
Hong Kong	**3,991**	–
Overseas	**12**	–
	4,003	–
Payable		
Hong Kong	**927**	2,399
Overseas	**520**	803
	1,447	3,202

10. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt within the financial statements of the Company to the extent of HK$91,920,000 (2004: loss of HK$13,408,000).

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK$76,320,000 (restated 2004: HK$80,955,000). The basic earnings per share is based on the weighted average number of 1,175,441,673 (2004: 1,173,691,705) shares in issue during the year. The diluted earnings per share is based on 1,192,483,905 (2004: 1,194,874,270) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 17,042,232 (2004: 21,182,565) shares deemed to be issued at no consideration if all outstanding options had been exercised.

12. DIVIDEND

	2005	2004
	HK$'000	*HK$'000*
Final dividend, proposed, of HK$0.015 (2004: HK$0.01) per ordinary share	**17,730**	11,737

At a meeting held on 21st April 2006, the Directors declared a final dividend of HK$0.015 per ordinary share. The proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2006.

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2005	2004
	HK$'000	*HK$'000*
Wages, salaries and allowance	**103,486**	117,169
Benefits	**6,352**	6,032
Share-based payments *(note 35)*	**2,508**	–
Pension cost – defined contribution plans *(note 15)*	**5,276**	5,062
	117,622	128,263

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st December 2005 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Share-based payments	2005 Total	2004 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:							
Mr. Lao Yuan Yi	–	2,475	2,580	212	983	6,250	5,643
Mr. Xin Shulin, Steve	–	1,817	800	122	508	3,247	2,742
Mr. Yeung Wai Kin	–	2,156	1,200	185	508	4,049	3,628
Mr. Hu Yi Ming	–	580	–	1	–	581	606
Non-executive director:							
Mr. Kwok Lam Kwong, Larry, *J.P.*	270	–	–	–	–	270	270
Independent non-executive director:							
Prof. Woo Hia Wei	270	–	–	–	–	270	270
Mr. Liu Ji	270	–	–	–	–	270	270
Mr. Yu Qi Hao [(a)]	220	–	–	–	–	220	–

(a) Appointed on 17th March 2005

Certain Directors of the Company have been granted options to acquire shares of the Company. Details of share options granted, exercised and lapsed during the year are disclosed in the Report of the Directors.

No Directors have waived emoluments in respect of the years ended 31st December 2005 and 2004.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2004: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**4,228**	4,167
Discretionary bonuses	**1,042**	4,692
Retirement scheme contributions	**172**	126
Share-based payments	**508**	–
	5,950	8,985

The emoluments fell within the following bands:

Emolument bands	**Number of individuals**	
HK$	**2005**	2004
2,000,001 – 3,000,000	**1**	–
3,000,001 – 4,000,000	**1**	1
5,000,001 – 6,000,000	**–**	1
	2	2

15. RETIREMENT BENEFIT COSTS

The Group operates defined contribution retirement schemes which are available to Hong Kong employees. The rates of contributions are 5% of basic salary from the employees and 5% to 10% from the employer depending on the length of service of the individuals. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

HK$140,543 (2004: Nil) of defined contribution retirement schemes in Hong Kong was utilised during the year. There is no outstanding balance as at the balance sheet dates of 2005 and 2004 available to reduce the contributions payable in the future years.

Contributions totalling HK$88,000 (2004: HK$97,000) were payable to the retirement scheme at the year-end and are included in accounts payable.

The Group also contributes retirement plans for its employees in the Chinese Mainland and overseas. The rates of contributions are approximately 17% to 28% of basic salary from the Group for its employees in the Chinese Mainland and approximately 12% of basic salary from the Group for its overseas employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Negative goodwill HK$'000	Future Exchange trading rights and patent HK$'000	Total HK$'000
Cost				
At 1st January 2005, as previously reported	57,264	(8,622)	5,805	54,447
Effect of adopting HKFRS 3	(40,604)	8,622	–	(31,982)
At 1st January 2005, as restated	16,660	–	5,805	22,465
Disposal	–	–	(2,869)	(2,869)
Exchange adjustment	–	–	22	22
At 31st December 2005	16,660	–	2,958	19,618
Accumulated amortisation and impairment				
At 1st January 2005, as previously reported	40,604	(1,868)	3,824	42,560
Effect of adopting HKFRS 3	(40,604)	1,868	–	(38,736)
At 1st January 2005, as restated	–	–	3,824	3,824
Disposal	–	–	(2,869)	(2,869)
Charge for the year	–	–	1,096	1,096
Impairment expenses	13,667	–	–	13,667
Exchange adjustment	–	–	7	7
At 31st December 2005	13,667	–	2,058	15,725
Net book value				
At 31st December 2005	2,993	–	900	3,893

16. INTANGIBLE ASSETS *(continued)*

	Goodwill	Negative goodwill	Future Exchange trading rights and patent	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1st January 2004	49,634	(13,195)	4,506	40,945
Acquisition of subsidiaries *(note 38(c))*	7,630	–	1,299	8,929
Disposal of subsidiaries *(note 38(d))*	–	4,573	–	4,573
At 31st December 2004	57,264	(8,622)	5,805	54,447
Accumulated amortisation				
At 1st January 2004	20,108	(220)	3,141	23,029
Charge for the year	20,496	(2,563)	683	18,616
Disposal of subsidiaries *(note 38(d))*	–	915	–	915
At 31st December 2004	40,604	(1,868)	3,824	42,560
Net book value				
At 31st December 2004	16,660	(6,754)	1,981	11,887

Impairment test for goodwill

Goodwill acquired through business combination has been allocated to the business segment of investment holding, property holding and management for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering a period of five to ten years. The discount rate applied to cash flow projection is prime rate quoted by the principal banker of the Company plus 2%.

The impairment expenses amounted to HK$13,677,000 for the year ended 31 December 2005 (2004: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings						
	Long-term leases in Hong Kong HK$'000	Medium-term leases outside Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles and trucks HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation							
At 1st January 2005, as previously reported	103,185	72,649	30,869	10,157	58,236	70,913	346,009
Effect of adopting HKAS 17	(77,345)	(52,445)	–	–	–	–	(129,790)
At 1st January 2005, as restated	25,840	20,204	30,869	10,157	58,236	70,913	216,219
Additions	–	242	34,661	27,364	11,207	117,614	191,088
Disposals	–	–	(175)	(36)	(947)	–	(1,158)
Disposal of a subsidiary *(note 38(d))*	–	–	(53)	–	–	–	(53)
Transfer to non-current assets classified as held for sale *(note 41)*	–	–	–	–	–	(51,481)	(51,481)
Transfer to investment property *(note 18)*	(3,176)	–	–	–	–	–	(3,176)
Reclassification	–	129,212	(1,538)	1,538	–	(129,212)	–
Exchange adjustment	–	444	219	170	871	1,180	2,884
At 31st December 2005	22,664	150,102	63,983	39,193	69,367	9,014	354,323
Accumulated depreciation							
At 1st January 2005, as previously reported	12,775	13,204	17,922	5,798	36,834	–	86,533
Effect of adopting HKAS17	(6,703)	(4,870)	–	–	–	–	(11,573)
At 1st January 2005, as restated	6,072	8,334	17,922	5,798	36,834	–	74,960
Charge for the year	677	2,561	8,223	2,729	3,938	–	18,128
Disposals	–	–	(128)	(25)	(879)	–	(1,032)
Transfer to investment property *(note 18)*	(826)	–	–	–	–	–	(826)
Reclassification	–	–	(327)	327	–	–	–
Exchange adjustment	–	155	68	97	570	–	890
At 31st December 2005	5,923	11,050	25,758	8,926	40,463	–	92,120
Net book value							
At 31st December 2005	16,741	139,052	38,225	30,267	28,904	9,014	262,203

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Group *(continued)*

	Buildings						
	Long-term leases in Hong Kong Restated HK$'000	Medium-term leases outside Hong Kong Restated HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles and trucks HK$'000	Construction–in-progress HK$'000	Total Restated HK$'000
Cost or valuation							
At 1st January 2004, as previously reported	97,485	64,464	25,929	40,668	56,095	36,452	321,093
Effect of adopting of HKAS 17	(73,241)	(34,992)	–	–	–	–	(108,233)
At 1st January 2004, as restated	24,244	29,472	25,929	40,668	56,095	36,452	212,860
Additions	–	17,400	4,295	2,058	8,370	34,663	66,786
Acquisition of subsidiaries *(note 38(c))*	–	–	2,516	–	353	–	2,869
Disposals	–	(412)	(1,874)	(287)	(4,523)	(202)	(7,298)
Disposal of subsidiaries *(note 38(d))*	–	(26,256)	–	(32,282)	(2,059)	–	(60,597)
Transfer from investment properties (note 18)	1,596	–	–	–	–	–	1,596
Exchange adjustment	–	–	3	–	–	–	3
At 31st December 2004	25,840	20,204	30,869	10,157	58,236	70,913	216,219
Accumulated depreciation							
At 1st January 2004, as previously reported	11,410	19,598	15,477	23,188	39,464	–	109,137
Effect of adopting of HKAS 17	(5,984)	(4,378)	–	–	–	–	(10,362)
At 1st January 2004, as restated	5,426	15,220	15,477	23,188	39,464	–	98,775
Charge for the year	646	2,492	4,128	3,076	2,784	–	13,126
Disposals	–	(136)	(1,685)	(237)	(4,084)	–	(6,142)
Disposal of subsidiaries *(note 38(d))*	–	(9,242)	–	(20,229)	(1,330)	–	(30,801)
Exchange adjustment	–	–	2	–	–	–	2
At 31st December 2004	6,072	8,334	17,922	5,798	36,834	–	74,960
Net book value							
At 31st December 2004	19,768	11,870	12,947	4,359	21,402	70,913	141,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Group *(continued)*

The analysis of the cost or valuation at 31st December 2005 of the above assets is as follows:

	Buildings						
	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction–in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	**11,539**	**150,102**	**63,983**	**39,193**	**69,367**	**9,014**	**343,198**
At professional valuation – 1994	**11,125**	**–**	**–**	**–**	**–**	**–**	**11,125**
	22,664	**150,102**	**63,983**	**39,193**	**69,367**	**9,014**	**354,323**

The analysis of the cost or valuation at 31st December 2004 of the above assets is as follows:

	Buildings						
	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction–in-progress	Total
	Restated	Restated					Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	14,715	20,204	30,869	10,157	58,236	70,913	205,094
At professional valuation – 1994	11,125	–	–	–	–	–	11,125
	25,840	20,204	30,869	10,157	58,236	70,913	216,219

The carrying amount of the buildings in Hong Kong under long-term leases would have been HK$10,222,000 (2004: HK$10,555,000) had they been stated at cost less accumulated depreciation.

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Company

	Motor vehicles	
	2005	2004
	HK$'000	*HK$'000*
Cost		
At 1st January and at 31st December	**442**	442
Accumulated depreciation		
At 1st January	**199**	110
Charge for the year	**88**	89
At 31st December	**287**	199
Net book value		
At 31st December	**155**	**243**

18. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Net book value at 1st January	**10,950**	16,650
Reclassification from/(to) leasehold land and land use rights *(note 19)*	**5,107**	(4,104)
Reclassification from/(to) property, plant and equipment *(note 17)*	**2,350**	(1,596)
Net fair value gains	**853**	–
Net book value at 31st December	**19,260**	10,950

The investment properties were revalued at 31st December 2005 on an open market value basis by independent, professionally qualified valuers, Chung, Chan & Associates.

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

	2005	2004
	HK$'000	*HK$'000*
In Hong Kong, held on leases over 50 years	**6,000**	–
Outside Hong Kong, held on leases over 50 years	**13,260**	10,950
	19,260	10,950

19 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Net book value at 1st January, as previously reported	**89,177**	–
Effect of adopting HKAS 17 *(note 2.1)*	**–**	68,175
Net book value at 1st January, as restated	**89,177**	68,175
Exchange translation differences	**690**	–
Additions	**–**	18,193
Disposal	**–**	(7)
Disposal of subsidiaries	**–**	(473)
Amortisation	**(1,507)**	(815)
Reclassification (to)/from investment property *(note 18)*	**(5,107)**	4,104
Transfer to non-current assets classified as held for sale *(note 41)*	**(16,876)**	–
Net book value 31st December	**66,377**	89,177

The leasehold land and land use rights at their carrying value are analysed as follows:

	2005	2004
	HK$'000	*HK$'000*
In Hong Kong, held on leases over 50 years	**36,449**	41,603
Outside Hong Kong, held on leases between 10 to 50 years	**29,928**	47,574
	66,377	89,177

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted investments, at cost	**34,280**	33,772
Loans to subsidiaries	**70,000**	1,076,954
Less: accumulated impairment losses	**(15,452)**	(251,337)
	88,828	859,389

Except for the loan to First Shanghai Securities Limited of HK$70 million which is interest bearing at prime rate plus 1%, the loans to subsidiaries are unsecured, interest-free and not repayable with the next twenty months as at balance sheet date. The effective interest rate at 31st December 2005 was prime rate quoted by The Hong Kong and Shanghai Banking Corporation Limited plus 1%. The carrying value of loan to a subsidiary approximate to its fair value as at 31 December 2005.

The following is a list of the principal subsidiaries at 31st December 2005 (see note (a) below):

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2005	Effective interest held 2004	Principal activities
Shares held directly:					
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares of HK$1 each	**100%**	100%	Property investment
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares of HK$1 each	**100%**	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Nominee services
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
First Shanghai Investment Management Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%**	100%	Financial advisory

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held **2005**	Effective interest held 2004	Principal activities
Shares held directly: *(continued)*					
First Shanghai Finance Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Money lending
UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A$1 each	**100%**	100%	Securities investment
Shares/Investments held indirectly:					
First Shanghai Capital Limited	Hong Kong	12,000,000 ordinary shares of HK$1 each	**100%**	100%	Corporate finance
First Shanghai Securities Limited	Hong Kong	65,000,000 ordinary shares of HK$1 each	**100%**	100%	Stockbroking
First Information Technology Limited	British Virgin Islands	5,000,000 ordinary shares of US$0.01 each	**78.21%**	78.21%	Investment holding
First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Golad Resources Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held **2005**	Effective interest held 2004	Principal activities
Shares/Investments held indirectly: *(continued)*					
Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	Chinese Mainland	US$11,025,000	**62%**	54%	Container transportation and freight forwarding
Atlas Securities Pty. Limited	Australia	2 ordinary shares of A$1 each	**100%**	100%	Securities investment
Leading Business Limited	British Virgin Islands	1,450,000 ordinary shares of US$1 each	**100%**	100%	Property holding
Yin Zin Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Public Holdings (Australia) Limited (Listed in Sydney, Australia)	Australia	14,979,000 ordinary shares of A$0.125 each	**78.6%**	78.6%	Securities investment
P.H.A Investment Pty. Limited	Australia	60,000 ordinary shares of A$2 each	**78.6%**	78.6%	Property investment
P.H.A Trading Pty. Limited	Australia	2 ordinary shares of A$0.5 each	**78.6%**	78.6%	Securities investment
First Shanghai Futures Limited	Hong Kong	8,000,000 ordinary shares of HK$1 each	**100%**	100%	Futures broking
China C&Y International Holdings Limited	Cayman Islands	160,000 ordinary shares of US$1 each	**100%**	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2005	Effective interest held 2004	Principal activities
Shares/Investments held indirectly: *(continued)*					
CT Prime Assets Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment
First Shanghai Venture Capital Management Limited	Chinese Mainland	HK$1,000,000	**100%**	100%	Venture capital & management
BonVision International Consulting Limited	Chinese Mainland	HK$1,000,000	**100%**	100%	Financial consultancy
Bonvision Technology (Shanghai) Limited	Chinese Mainland	US$200,000	**100%**	100%	Technology consultancy
Fu Hai Digital Science & Technology (Shanghai) Company Limited	Chinese Mainland	US$5,000,000	**100%**	100%	Property development
Kunshan Traders Park Hotel Company Limited	Chinese Mainland	US$12,000,000	**65%**	65%	Hotel development
Crimson Pharmaceutical (Shanghai) Company Limited	Chinese Mainland	US$1,400,000	**51%**	51%	Pharmaceutical services
Shanghai Transvision Network Application Services Company Limited	Chinese Mainland	US$1,800,000	**100%**	100%	Investment holding
Shanghai Yi Hang Logistic Network Management Limited	Chinese Mainland	RMB2,000,000	**75.48%**	73.39%	Logistics services

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2005	2004	Principal activities
Shares/Investments held indirectly: *(continued)*					
Changchun FAW Sihuan Betung Instrument Company Limited	Chinese Mainland	RMB7,700,000	**55%**	55%	Manufacture of autoparts
Yongzhou Chang Yi Car Electronic Limited Company	Chinese Mainland	RMB9,400,000	**51%**	51%	Manufacture of autoparts
Draco Equity Investment Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment
GTI Financial Information Limited ("GTI")	Hong Kong	379,999,999 ordinary shares of HK$0.01 each	**65.70%**	61.45%	Investment holding
Shanghai Huan Ya Insurance Agency Company Limited ("Huan Ya")	Chinese Mainland	RMB20,000,000	**62%**	62%	Insurance broker
China Assets Investment Management Limited ("CAIML") (see note 21(d))	Hong Kong	2,000 ordinary shares of HK$1 each	**–**	65,45%	Management and investment advisory services

Notes:

(a) The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

(b) The subsidiaries operate principally in their places of incorporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Carrying value at 1st January	**370,798**	302,059
Share of associated companies' results		
– profit before taxation	**37,094**	57,097
– taxation	**(763)**	(1,470)
Share of associated companies' reserve	**(17,325)**	4,825
Dividend received	**(5,184)**	(13,331)
Exchange differences	**224**	–
Increase in investments in associated companies	**1,172**	21,618
Disposal of partial interest of an associated company	**(54,754)**	–
Transfer to available-for-sale financial assets *(note 24)*	**(55,002)**	–
Carrying value at 31st December	**276,260**	370,798

Investments in associated companies at 31st December 2005 include goodwill of HK$547,000 (2004: HK$529,000).

	Group	
	2005	2004
	HK$'000	*HK$'000*
Investment at cost:		
Shares listed in Hong Kong	**81,237**	190,168
Unlisted	**22,808**	21,636
	104,045	211,804
Market value of listed shares	**118,265**	204,803

21. INVESTMENTS IN ASSOCIATED COMPANIES *(continued)*

The Group's interest in principal associated companies are as follows:

Name	Place of incorporation	Particulars of issued shares/ registered capital	Effective interests held indirectly 2005	2004	Principal activities
RBI Holdings Limited ("RBI") *(see note (a), (b) and (c) below)*	Bermuda	333,966,782 ordinary shares of HK$0.1 each	–	19.92%	Manufacture of toys
China Assets (Holdings) Limited ("China Assets") *(see note (a) and (b) below)*	Hong Kong	74,398,160 ordinary shares of US$0.1 each	**33.82%**	33.83%	Investment holding
China Assets Investment Management Limited ("CAIML") *(see note (d) below)*	Hong Kong	2,000 ordinary shares of HK$1 each	**28%**	–	Management and investment advisory services
Yangfeng Visteon Betung Automotive Instrument Company Limited (formerly known as "Zhejiang Shaoxing Betung Instrument Company Limited")	Chinese Mainland	RMB61,950,000	**30%**	30%	Sales of motor vehicle meters and components
Zhejiang Shaohong Instrument Company Limited	Chinese Mainland	RMB3,550,000	**30%**	30%	Sales of motor vehicle meters and *components*

Note:

(a) RBI and China Assets are companies listed on The Stock Exchange of Hong Kong Limited.

(b) Both RBI and China Assets operate principally in Hong Kong.

(c) In September 2005, the Group disposed 8.84% equity interest in RBI at a consideration of HK$57,720,000 and recorded a gain on disposal of approximately HK$2,966,000 in the income statement. RBI was then re-classified as an available-for-sale financial asset.

(d) In December 2005, the Group disposed 37.45% equity interest in CAIML at a consideration of HK$1,685,000. CAIML was then became an associated company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INVESTMENTS IN ASSOCIATED COMPANIES *(continued)*

The Group's interest in its principal associated company is given as follows:

	2005				Restated 2004			
Name	**Assets** *HK$'000*	**Liabilities** *HK$'000*	**Revenue** *HK$'000*	**Profit** *HK$'000*	Assets *HK$'000*	Liabilities *HK$'000*	Revenues *HK$'000*	Profit *HK$'000*
China Assets	265,998	1,111	6,752	33,615	246,138	644	11,299	56,692

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2005 *HK$'000*	2004 *HK$'000*	**2005** *HK$'000*	2004 *HK$'000*
Beginning of the year, as previously reported	**348,390**	328,640	**124,171**	124,171
Effect of adopting HKFRS 3	**5,917**	–	**–**	–
Beginning of the year, as restated	**354,307**	328,640	**124,171**	124,171
Share of jointly controlled entities' results				
– profit/(loss) before taxation	**20,604**	(4,654)	**–**	–
– taxation	**(3,077)**	(631)	**–**	–
Share of jointly controlled entities' reserves	**–**	82	**–**	–
Dividend received	**(3,092)**	–	**–**	–
Amortisation of negative goodwill	**–**	2,448	**–**	–
Transfer to investments in subsidiaries	**–**	(6,223)	**–**	–
Exchange differences	**900**	–	**–**	–
Transfer to non-current assets classified as held for sale	**(297,433)**	–	**–**	–
Profit for the year from discontinued operations	**–**	28,728	**–**	–
End of the year	**72,209**	348,390	**124,171**	124,171

Investments in jointly controlled entities at 31st December 2005 include goodwill of HK$1,692,000 (2004: HK$1,692,000).

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The following is a list of the principal jointly controlled entities as at 31st December 2005:

Name	Place of incorporation/ establishment and operation	Principal activities	Effective interest in ownership/voting power/profit sharing 2005	2004
Geoby International Holdings Limited ("Geoby") *(see note (a) below)*	Cayman Islands	Investment holdings	**49.5%**	49.5%
Goodbaby Bairuikang Hygienic Products Company Limited ("Goodbaby Bairuikang") *(see note (b) below)*	Chinese Mainland	Production of diapers and related hygienic products	**50%**	50%
Shanghai Zhangjiang Information Properties Company Limited ("Zhangjiang") *(see note (c) below)*	Chinese Mainland	Property development	**50%**	50%

Note:

(a) Geoby is an investment holding company. Its main subsidiary is Goodbaby Child Products Company Limited which is engaged in the production of baby and infant products. In 2006, the Company disposed the entire interest in Geoby and reclassified the interest into non-current assets classified as held for sale at balance sheet date (note 41 and 43 (a)).

(b) Goodbaby Bairuikang was established as an equity joint venture in the Chinese Mainland in December 1997 for a term of 50 years.

(c) Zhangjiang was established as an equity joint venture in the Chinese Mainland in October 2002 for a term of 50 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The Group's interest in its principal jointly controlled entity is given as follows:

	2005				2004			
Name	**Assets**	**Liabilities**	**Revenue**	**Profit**	Assets	Liabilities	Revenues	Profit
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Geoby (see note (a) above)	773,280	429,270	1,138,158	40,961	869,348	571,915	927,016	28,728

23. INVESTMENT SECURITIES

		Group		Company	
		2005	2004	**2005**	2004
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed shares – overseas	(a)	–	13,223	–	–
Unlisted investment in fund – quoted in Hong Kong	(b)	–	15,406	–	–
Unlisted investments	(c)	–	60,842	–	56,251
		–	89,471	–	56,251

(a) Listed shares – overseas

	Group	
	2005	2004
	HK$'000	*HK$'000*
Listed shares – overseas, at cost	–	13,223
Market value	–	13,785

(b) Unlisted investment in fund – quoted in Hong Kong

	Group	
	2005	2004
	HK$'000	*HK$'000*
Unlisted investment in fund – quoted in Hong Kong, at cost	–	15,406
Market value	–	27,977

23. INVESTMENT SECURITIES *(continued)*

(c) Unlisted investments

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Shares, bonds and debenture, at cost	–	47,078	–	6,704
Less: accumulated impairment losses	–	(35,783)	–	–
	–	11,295	–	6,704
Loan	–	64,034	–	64,034
Less: accumulated impairment losses	–	(14,487)	–	(14,487)
	–	49,547	–	49,547
	–	60,842	–	56,251

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	Company
	2005	**2005**
	HK$'000	***HK$'000***
Beginning of the year upon adopting HKASs 32 and 39	**20,811**	**32,416**
Additions	**7,800**	**–**
Transfer from investment in an associated company *(note 21)*	**55,002**	**–**
Fair value change transfer to equity	**(12,380)**	**(14,893)**
Impairment provision *(note 6)*	**(7,800)**	**–**
End of the year	**63,433**	**17,523**

Available-for-sale financial assets include the following:

	Group	Company
	2005	**2005**
	HK$'000	***HK$'000***
Listed securities		
– Equity securities – Hong Kong	**43,593**	**17,499**
Unlisted securities		
– Equity securities traded on inactive markets and private issuers	**19,840**	**24**
	63,433	**17,523**
Market value of listed securities	**43,593**	**17,499**

25. LOANS RECEIVABLE

The loans receivable represents loans to third parties of HK$11,154,000 (2004: HK$10,028,000) which bear interest at 5.6% (2004: 5%) per annum, and an interest free loan of HK$11,873,000 are repayable after one year from 31st December 2005. The carrying value of loans receivable approximate to its fair value. The weighted average effective interest rate at 31st December 2005 was 7.1% (2004: 8.5%).

26. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**4,300**	1,705
Work-in-progress	**3,093**	57
Finished goods	**11,138**	4,126
	18,531	5,888

At 31st December 2005, the carrying amount of inventories that are carried at net realisable value amounted to HK$11,138,000 (2004: HK$4,126,000).

27. OTHER INVESTMENTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Equity securities, at fair value		
Listed shares		
– Overseas	**–**	11
– Hong Kong	**–**	2,414
Total	**–**	2,425

28. LOANS AND ADVANCES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Margin loans (see note (a))	**90,581**	108,176
Provision for doubtful debt	**(622)**	(782)
	89,959	107,394
Other loans and advances (see note (b))	**31,157**	29,206
Provision for doubtful debt	**(23,821)**	(23,821)
	7,336	5,385
	97,295	112,779

(a) Margin loans to third parties bear interest at Prime rate plus 1% to 3% per annum and are repayable on demand. The carrying value of margin loans approximate to its fair value.

(b) Other loans and advances to third parties include HK$1,150,000 (2004: HK$5,385,000) which bears interest at Prime rate plus 1% and the remaining of HK$6,186,000 (2004: Nil) bears interest at 5% to 6%, are repayable within the next twelve months. The carrying value of other loans and advances approximate to its fair value.

29. TRADE RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	**25,486**	45,084	**–**	–
Trade receivables, net	**291,361**	71,857	**–**	–
Bills receivable	**863**	3,945	**–**	–
	317,710	120,886	**–**	–

All trade receivables are either repayable within one year or on demand. Accordingly, the fair value of the Group's trade receivables are approximately the same as the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. TRADE RECEIVABLES *(continued)*

The ageing analysis of the trade receivables is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**164,240**	103,005
31 – 60 days	**105,428**	7,645
61 – 90 days	**33,929**	4,165
Over 90 days	**14,113**	6,071
	317,710	120,886

For securities business, trade receivables are on credit terms of trading day plus two trading days. For the remaining business of the Group, trade receivables are on credit terms of 30 to 90 days.

30. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other receivables				
Receivables for disposal of subsidiaries	**–**	37,909	**–**	–
Expense paid on behalf of customers	**–**	6,984	**–**	–
Others	**39,118**	22,038	**1,992**	1,202
	39,118	66,931	**1,992**	1,202
Prepayments and deposits	**17,869**	26,406	**1,355**	610
	56,987	93,337	**3,347**	1,812

Other receivables, prepayments and deposits are either repayable within one year or on demand. Accordingly, the fair value of the Group's and the Company's other receivables, prepayments and deposits are approximately the same as the carrying value.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	Group
	2005
	HK$'000
Listed securities	
– Equity securities – listed in Hong Kong	**18,043**
– Equity securities – listed in Overseas	**33,166**
– Equity securities – unlisted	**28,853**
Market value of equity securities	**80,062**

The carrying amounts of the above financial assets are classified as follows:

	Group
	2005
	HK$'000
Held for trading	**51,209**
Designated as fair value through income statement on initial recognition	**28,853**
	80,062

Financial assets at fair value through income statement are presented within the section on operating activities as part of changes in working capital in the cash flow statement (note 38(a)).

Changes in fair values of financial assets at fair value through income statement are recorded in other gains - net in the income statement.

32. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**107,803**	169,496	**3,737**	3,967
Short-term bank deposits				
– secured	**15,000**	15,000	**–**	–
– unsecured	**27,187**	17,476	**–**	–
	149,990	201,972	**3,737**	3,967

Bank balances of HK$82,877,000 (2004: HK$55,193,000) are placed with banks in the Chinese Mainland. The remittance of these funds out of the Chinese Mainland is subject to exchange control restrictions imposed by the PRC government.

The effective interest rate on short term deposits ranged from 3.7% to 4.0% (2004: 0.3% to 0.8%) and these deposits have an average maturity of 90 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Due to stockbrokers and dealers	**–**	311	**–**	–
Due to stockbroking clients	**53,575**	58,609	**–**	–
Trade payables	**198,470**	5,339	**–**	–
Other payables	**79,122**	65,773	**14,307**	14,455
	331,167	130,032	**14,307**	14,455

The ageing analysis of trade payables is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**162,562**	63,754
31 – 60 days	**64,616**	409
61 – 90 days	**8,482**	51
Over 90 days	**16,385**	45
	252,045	64,259

34. BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Bank loans, secured	**87,278**	–	**–**	–
Current				
Short term loans	**19,182**	–	**–**	–
Bank overdraft, secured	**–**	19,882	**–**	19,882
Bank loans, secured	**50,060**	66,981	**28,000**	50,000
Bank loans, unsecured	**9,111**	–	**–**	–
	78,353	86,863	**28,000**	69,882
Liabilities directly associated with non-current assets classified as held for sale *(note 41)*	**11,989**	–	**–**	–
Total borrowings	**177,620**	86,863	**28,000**	69,882

Certain properties and leasehold land and land use rights of the Group with an aggregate net book value of HK$96 million (2004: HK$109 million) as well as fixed deposits of HK$15 million (2004: HK$15 million) are pledged as securities against bank loans and general banking facilities amounting to HK$45 million (2004: HK$84 million) granted to the Group.

The carrying amount of bank loans approximates to its fair value and is denominated in Hong Kong dollar and Renminbi. The effective interest rate at 31st December 2005 ranged from 4.3% to 6.1% (2004: 2.3% to 5.76%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SHARE CAPITAL

	Ordinary shares of HK$0.2 each			
	2005		2004	
	Number of *shares '000*	***HK$'000***	Number of *shares'000*	*HK$'000*
Authorised:				
At 1st January and 31st December	**2,000,000**	**400,000**	2,000,000	400,000
Issued and fully paid:				
At 1st January	**1,173,692**	**234,738**	1,173,692	234,738
Exercise of share options (note (b))	**8,338**	**1,668**	–	–
At 31st December	**1,182,030**	**236,406**	1,173,692	234,738

(a) On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the 'Scheme') to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

The maximum number of shares subject to the Scheme does not in aggregate exceed 30 percent of the shares in issue of the Company from time to time. The total number of shares may be issued upon exercise of all options to be granted under the Scheme must not exceed 113,132,370 shares, being 10 percent of shares in issue as at date of approval of the Scheme by the Shareholders in Annual General Meeting.

(b) During the year, 8,338,100 new shares of HK$0.2 each were issued upon exercise of options under the Scheme approved by the shareholders of the Company at exercise price ranging from HK$0.283 to HK$0.342 per share. These share rank pari passu with the existing shares of the Company.

35. SHARE CAPITAL *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2005		2004	
	Average exercise price in HK$ per share	**Number of options '000**	Average exercise price in HK$ per share	Number of options '000
Beginning of the year	**0.467**	**56,614**	0.467	56,614
Granted	**0.564**	**58,272**	–	–
Exercised	**0.335**	**(8,338)**	–	–
Lapsed	**0.453**	**(4,939)**	–	–
End of the year	**0.537**	**101,609**	0.467	56,614
Options exercisable at the end of the year		**43,337**		56,614

Options exercised in 2005 resulted in 8,338,100 new shares (2004: Nil) issued at exercise price ranging from HK$0.283 to HK$0.342 per share. The related weighted average share price at the time of exercise was HK$0.586 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SHARE CAPITAL *(continued)*

Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price	Number of options 2005	2004
	HK$	'000	'000
9th February 2005	0.453	**–**	4,939
7th October 2005	0.342	**–**	7,338
15th July 2006	0.318	**11,839**	11,839
12th November 2007	0.816	**16,950**	16,950
15th July 2008	0.283	**14,548**	15,548
29th November 2015	0.564	**58,272**	–
		101,609	56,614

Share-based payments charged to the income statement are determined using the Black-Scholes valuation model based with the following assumptions:

Grant date	30th November 2005
Option value	HK$0.250
Share price at date of grant	HK$0.560
Exercise price	HK$0.564
Expected volatility	39.46%
Annual risk-free interest rate	4.46%
Life of options	9.5 years
Dividend yield	1.79%

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past one year.

36. RESERVES

	Attributable to shareholders of the Company								
	Share premium	Employee share-based compensation reserve	*Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group									
Balance at 31st December 2004, as previously reported	594,896	–	76,094	14,006	46,854	–	9,387	354,352	1,095,589
Prior year adjustment for the adoption of HKAS17 *(note 2.1)*	–	–	–	–	(34,205)	–	–	5,563	(28,642)
Balance at 31st December 2004, as restated	594,896	–	76,094	14,006	12,649	–	9,387	359,915	1,066,947
Opening adjustments for the adoption of HKASs									
– HKAS 39	–	–	–	–	–	32,392	–	(38,103)	(5,711)
– HKAS 40	–	–	–	–	21	–	–	(21)	–
– HKFRS 3	–	–	–	–	–	–	–	12,671	12,671
Balance at 1st January 2005, as restated	594,896	–	76,094	14,006	12,670	32,392	9,387	334,462	1,073,907
Issue of new shares	1,124	–	–	–	–	–	–	–	1,124
Share-based payments	–	2,508	–	–	–	–	–	–	2,508
Capital reserve realised upon disposal of an associated company	–	–	41,011	–	–	–	–	(36,698)	4,313
Share of post-acquisition reserves of an associated company	–	–	(21,637)	–	–	–	–	–	(21,637)
Fair value loss upon reclassification	–	–	–	–	(408)	–	–	–	(408)
Fair value losses of available-for-sale financial assets	–	–	–	–	–	(27,273)	–	–	(27,273)
Currency translation difference	–	–	–	–	–	–	7,650	–	7,650
Transfer from retained earnings	–	–	311	–	–	–	–	(311)	–
Profit for the year	–	–	–	–	–	–	–	76,320	76,320
2004 final dividend paid	–	–	–	–	–	–	–	(11,737)	(11,737)
At 31st December 2005	**596,020**	**2,508**	**95,779**	**14,006**	**12,262**	**5,119**	**17,037**	**362,036**	**1,104,767**
Company and its subsidiaries	596,020	2,508	48,339	14,006	12,262	5,119	14,120	58,256	750,630
Associated companies	–	–	47,245	–	–	–	1,463	132,650	181,358
Jointly controlled entities	–	–	195	–	–	–	1,454	171,130	172,779
At 31st December 2005	**596,020**	**2,508**	**95,779**	**14,006**	**12,262**	**5,119**	**17,037**	**362,036**	**1,104,767**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. RESERVES *(continued)*

	Attributable to shareholders of the Company						
	Share premium	***Capital reserve**	**Capital redemption reserve**	**Assets revaluation reserve**	**Exchange fluctuation reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group							
Balance at 1st January 2004, as previously reported	594,896	73,734	14,006	46,854	7,139	288,430	1,025,059
Prior year adjustment for the adoption of HKAS17 *(note 2.1)*	–	–	–	(34,205)	–	4,960	(29,245)
Balance at 1st January 2004, as restated	594,896	73,734	14,006	12,649	7,139	293,390	995,814
Reversal of negative goodwill against reverse on disposal of subsidiaries	–	(2,910)	–	–	–	–	(2,910)
Share of post-acquisition reserves of associated companies	–	4,842	–	–	–	–	4,842
Share of post-acquisition reserves of jointly controlled entities	–	82	–	–	–	–	82
Currency translation differences	–	–	–	–	2,248	–	2,248
Transfer from retained earnings	–	346	–	–	–	(346)	–
Profit for the year	–	–	–	–	–	80,955	80,955
2003 final dividend paid	–	–	–	–	–	(14,084)	(14,084)
At 31st December 2004	594,896	76,094	14,006	12,649	9,387	359,915	1,066,947
Company and its subsidiaries	594,896	48,028	14,006	12,649	5,764	73,295	748,638
Associated companies	–	27,871	–	–	1,239	133,017	162,127
Jointly controlled entities	–	195	–	–	2,384	153,603	156,182
At 31st December 2004	594,896	76,094	14,006	12,649	9,387	359,915	1,066,947

* Capital reserve mainly includes goodwill arising on acquisition of subsidiaries, associated companies and jointly controlled entities by the Company and its subsidiaries and statutory reserve. As stipulated by regulations in Chinese Mainland, the Company's subsidiaries established and operated in Chinese Mainland are required to appropriate a portion of their after-tax (after offsetting prior year losses) to a general reserve fund and an enterprise expansion fund, at rates as determined by their respective boards of directors. The general reserve fund can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. For the year ended 31st December 2005, a total amount of HK$311,000 (2004: HK$346,000) was transferred from retained earnings to statutory reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. RESERVES *(continued)*

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Company							
At 1st January 2005, as previously reported	**594,896**	**–**	**2,104**	**14,006**	**–**	**5,134**	**616,140**
Opening adjustment for the adoption of HKAS 39	**–**	**–**	**–**	**–**	**32,392**	**(38,103)**	**(5,711)**
At 1st January 2005, as restated	**594,896**	**–**	**2,104**	**14,006**	**32,392**	**(32,969)**	**610,429**
Issue of new shares	**1,124**	**–**	**–**	**–**	**–**	**–**	**1,124**
Share-based payments	**–**	**2,508**	**–**	**–**	**–**	**–**	**2,508**
Investment revaluation	**–**	**–**	**–**	**–**	**(14,893)**	**–**	**(14,893)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**91,920**	**91,920**
2004 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(11,737)**	**(11,737)**
At 31st December 2005	**596,020**	**2,508**	**2,104**	**14,006**	**17,499**	**47,214**	**679,351**

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Company							
At 1st January 2004	594,896	–	2,104	14,006	–	32,626	643,632
Loss for the year	–	–	–	–	–	(13,408)	(13,408)
2003 final dividend paid	–	–	–	–	–	(14,084)	(14,084)
At 31st December 2004	594,896	–	2,104	14,006	–	5,134	616,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
		Restated
	2005	2004
	HK$'000	*HK$'000*
Deferred tax assets	**(603)**	–
Deferred tax liabilities	**516**	659
	(87)	659

The gross movement on deferred taxation is as follows:

	Group	
		Restated
	2005	2004
	HK$'000	*HK$'000*
Beginning of the year	**659**	1,332
Prior year adjustment for the adoption of HKAS 17	**–**	691
Recognised in the income statement *(note 9(a))*	**(746)**	(222)
Tax credited to asset revaluation reserve	**–**	(1,142)
End of the year	**(87)**	659

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities represent accelerated tax depreciation allowances:

	Group	
		Restated
	2005	2004
	HK$'000	*HK$'000*
Beginning to the year	**659**	1,332
Prior year adjustment for the adoption of HKAS 17	**–**	691
Recognised in the income statement	**(143)**	(222)
Tax credited to asset revaluation reserve	**–**	(1,142)
End of the year	**516**	659

37. DEFERRED TAXATION *(continued)*

Deferred tax assets represent tax losses recognised:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Beginning of the year	**–**	–
Recognised in the income statement	**603**	–
End of the year	**603**	–

In 2004, deferred income tax of HK$1,142,000 was transferred from asset revaluation reserve (note 36) to retained earnings. This represents deferred tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of approximately HK$44,096,000 (2004: HK$35,452,000) in respect of tax losses amounting to approximately HK$251,975,000 (2004: HK$202,581,000) that can be carried forward indefinitely against future taxable income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation from continuing operations to net cash inflow from operations

	2005 HK$'000	Restated 2004 HK$'000
Profit before taxation from continuing operations	32,826	63,059
Share of net profit of associated companies and jointly controlled entities	(53,858)	(50,342)
Interest income	(3,993)	(2,427)
Dividend income from listed investments	(660)	(497)
Finance costs	8,409	4,709
Gain/(loss) on disposal of property, plant and equipment	(159)	956
Fair value gain on investment properties	(1,261)	–
Gain on disposal of certain interest in an associated company	(2,966)	–
Gain on disposal of available-for-sale financial assets	(28)	–
Provision for diminution in value of available-for-sale financial assets	7,800	–
Gain on disposal of subsidiaries	(161)	(4,241)
Gain on disposal of investment securities	–	(591)
Depreciation	18,128	13,126
Amortisation of leasehold land and land use rights	1,507	815
Amortisation of trading rights and patent	1,096	683
Amortisation of goodwill	–	21,024
Amortisation of negative goodwill	–	(5,521)
Impairment losses on goodwill	13,667	–
Negative goodwill charged to income statement	(1,470)	–
Share-based payments	2,508	–
Operating profit before working capital changes	21,385	40,753
Increase in inventories	(12,643)	(19,320)
(Increase)/decrease in trade receivables	(196,826)	45,900
Decrease in other receivables, prepayments and deposits	36,302	8,254
Decrease/(increase) in loans and advances	15,484	(30,681)
Decrease in other investments	2,425	21,969
Increase in financial assets at fair value through income statement	(51,433)	–
Increase/(decrease) in trade and other payables	201,858	(55,408)
Net cash inflow from operations	16,552	11,467

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Share capital including premium		Borrowings	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1st January	**829,634**	829,634	**86,863**	146,308
Issue of shares	**2,792**	–	**–**	–
Short-term loans from third parties	**–**	–	**31,171**	–
Repayment of short-term bank loans	**–**	–	**(64,103)**	(70,000)
Short-term bank loans	**–**	–	**56,293**	17,919
Long-term bank loans	**–**	–	**87,278**	–
Bank overdrafts	**–**	–	**(19,882)**	19,882
Disposal of subsidiaries *(note 38(d))*	**–**	–	**–**	(27,246)
At 31st December	**832,426**	829,634	**177,620**	86,863

(c) Acquisition of subsidiaries

The net assets of subsidiaries acquired during the year and the details of purchase consideration are as follows:

	2005	2004
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	**–**	2,869
Intangible assets	**–**	1,299
Trade receivables	**–**	1,973
Other receivables, prepayments and deposits	**–**	27,972
Inventories	**–**	115
Cash and cash equivalents	**–**	3,064
Trade and other payables	**–**	(16,844)
Minority interests	**–**	(7,327)
	–	13,121
Interest in a jointly controlled entity originally held by the Group	**–**	(6,223)
	–	6,898
Goodwill	**–**	7,630
	–	14,528
Satisfied by:		
Cash	**–**	14,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Acquisition of subsidiaries *(continued)*

Analysis of the net cash outflow in respect of the acquisition of subsidiaries:

	2005 HK$'000	2004 HK$'000
Bank balances and cash acquired	–	3,064
Cash consideration	–	(14,528)
Net cash outflow in respect of the acquisition of subsidiaries	–	(11,464)

(d) Disposal of subsidiary

	2005 HK$'000	2004 HK$'000
Net assets disposed of:		
Property, plant and equipment	53	30,269
Investment securities	–	4,093
Inventories	–	70,621
Trade receivables	2	79,558
Other receivables, prepayments and deposits	223	5,205
Financial assets at fair value through income statement	2,250	–
Cash and cash equivalents	2,313	11,670
Trade and other payables	(723)	(97,389)
Taxation payables	–	(1,429)
Borrowings	–	(27,246)
Minority interests	(1,422)	(13,976)
	2,696	61,376
Realisation of goodwill	–	(6,568)
Investment in associated companies	(1,172)	(21,089)
Gain on disposal	161	4,241
	1,685	37,960
Satisfied by		
Cash consideration (included in other receivable as at 31st December 2004)	–	37,909
Cash consideration received	1,685	51
	1,685	37,960

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(d) Disposal of subsidiary *(continued)*

Analysis of the net cash outflow in respect of the disposal of subsidiary:

	2005	2004
	HK$'000	*HK$'000*
Bank balances and cash disposed	**(2,313)**	(11,670)
Cash consideration	**1,685**	51
Net cash outflow in respect of the disposal of subsidiary	**(628)**	(11,619)

39. CONTINGENT LIABILITIES

	Group		**Company**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantee for bank overdraft of a subsidiary	**–**	–	**50,000**	50,000

40. COMMITMENTS

(a) Capital commitments for leasehold land and land use rights, and property, plant and equipment:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Contracted but not provided for	**11,655**	43,844
Authorised but not yet contracted for	**172,638**	–
The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:		
Contracted but not provided for	**13,163**	3,526

The Company did not have any material capital commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. COMMITMENTS *(continued)*

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and land use rights, and property, plant and equipment as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**8,746**	3,440	**–**	–
Later than one year but not later than five years	**9,906**	4,958	**–**	–
More than five years	**–**	189	**–**	–
	18,652	8,587	**–**	–

41. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets include an investment in jointly controlled entities ("Geoby") which have been presented non-current assets classified as held for sale following the approval of the Group's management and shareholders in December 2005 to sell Geoby. The transaction has been completed in January 2006.

In addition, the assets and liabilities include a property held by Fu Hai Digital Science & Technology (Shanghai) Company Limited ("Fu Hai") which have been presented as non-current assets classified as held for sale following the approval of the Group's management in November 2005 to sell the properties. The completion date for the transaction is expected by July 2006.

An analysis of the results of these discontinued operations, and the result recognised on the remeasurement of assets or disposal group is as follows:

	2005	2004
	HK$'000	*HK$'000*
Share of pre-tax profit of jointly controlled entities	**51,679**	30,169
Share of tax of jointly controlled entities	**(10,718)**	(1,441)
Share of profit less loss of jointly controlled entities	**40,961**	28,728

	2005	2004
	HK$'000	*HK$'000*
Investing cash flows	**40,031**	17,438

41. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS *(continued)*

	2005	2004
	HK$'000	*HK$'000*
Non-current assets classified as held for sale:		
Investments in jointly controlled entities *(note 22)*	**344,010**	–
Property, plant and equipment *(note 17)*	**51,481**	–
Leasehold land and land use rights *(note 19)*	**16,876**	–
	412,367	–

	2005	2004
	HK$'000	*HK$'000*
Liabilities directly associated with non-current assets classified as held for sale:		
Short-term loans *(note 34)*	**11,989**	–

42. Related party transactions

a) Mr. Lao Yuan Yi, Mr. Yeung Wai Kin and Mr. Wang Jun Yan are Directors of the China Assets Investment Management Limited ("CAIML"), an associated company of the Company and China Assets (Holdings) Limited ("CAHL"), an associated company of the Company.

During the year, the Company has disposed of 3%, 3% and 31.45% interest respectively in CAIML to Mr. Yeung Wai Kin, Mr. Wang Jun Yan and a third party independent of the Company. Immediately after the disposal, the Company holds 28% interest in CAIML and which is classified as interest in an associated company as at 31st December 2005.

(b) Before the disposal, CAIML was a subsidiary of the Company and received a management fee of HK$9,829,000 (2004: HK$8,009,000) from CAHL, under the management agreement signed between CAIML and CAHL.

(c) Details of director's remuneration (being the key management personal compensation) are shown in note 14 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. EVENTS AFTER THE BALANCE SHEET DATE

a) On 7th November 2005, the Company entered into two conditional agreements for the sales of its entire interest in Geoby International Holdings Limited and its subsidiaries ("Geoby") to Pacific United Development Limited (ultimately controlled by the management team of Geoby) and G-Baby Holding Limited (a third party independent of the Company), at a consideration of US$1,544,399 and US$58,032,683 respectively. Upon completion of the transaction in January 2006, the Company has no interest in Geoby thereon.

b) On 13th March 2006, the Company entered into an agreement for the disposal of the land and buildings owned by Fu Hai Digital Technology (Shanghai) Company Limited, a wholly owned subsidiary of the Company, to Superb Union Investments Limited, being a third party independent of the Company, at an aggregate consideration of RMB175,095,000 (representing approximately HK$168,361,000).

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 21st April 2006.