1. Corporate Information

Lei Shing Hong Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New World Tower I, 18 Queen's Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- trading of motor vehicles and spare parts and provision of after-sales services
- trading of heavy equipment and provision of product support services
- property development and investment
- general trading
- securities broking and trading
- trading of foreign exchange
- money lending

2.1. Basis of Preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for certain investment properties which have been measured at the carrying amount as at 1 January 2005 as their deemed cost and available-for-sale financial assets and investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

2.2. Impact of New and Revised Hong Kong Financial Reporting Standards

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

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent 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 Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 23, 27, 28, 31, 33, 37, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

2.2. Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

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

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

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

(a) HKAS 1 – Presentation of Financial Statements

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

In prior years, non-current liabilities would not become current liabilities if the lender had agreed, after the balance sheet date and before the authorisation of the financial statements for issue, not to demand immediate repayment as a consequence of the breach of an undertaking under a long term loan agreement.

Upon the adoption of HKAS 1, non-current liabilities are classified as current liabilities even if a waiver agreement is obtained after the balance sheet date and before the authorisation of the financial statements for issue.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparatives on the consolidated balance sheet as at 31 December 2004 have been reclassified to reflect a reclassification from "Interest-bearing bank borrowings" under non-current liabilities to "Interest-bearing bank borrowings and other non interest-bearing borrowing" under current liabilities (note 34).

2.2. Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

(b) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land premiums, while buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts in the consolidated balance sheet as at 31 December 2004 have been restated to reflect the reclassification of the leasehold land.

(c) HKAS 32 and HKAS 39 – Financial Instruments

(i) Measurement and disclosure of financial instruments

In prior years, the Group's long term investments comprised non-trading investments in unlisted equity investments and credit linked notes intended to be held on a long term basis, club membership debentures and statutory deposits. Unlisted equity investments and credit linked notes were stated at their estimated fair values, on an individual basis. Club membership debentures and statutory deposits were stated at cost less any impairment losses. Changes in fair values of the long term investments were recognised in the long term investment revaluation reserve.

Upon the adoption of HKAS 39, investments in unlisted equity investments and club membership debentures held by the Group at 1 January 2005 in the amount of HK$204,019,000 and HK$7,905,000, respectively, are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment. When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.2. Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

(c) HKAS 32 and HKAS 39 – Financial Instruments (continued)

(i) Measurement and disclosure of financial instruments (continued)

Investments in credit linked notes and statutory deposits held by the Group at 1 January 2005 in the amount of HK$155,973,000 and HK$217,000, respectively, are designated as loans and receivables under the transitional provisions of HKAS 39 and accordingly are measured at amortised cost using the effective interest method less provision for impairment until subsequent derecognition or impairment.

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$148,703,000 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

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

This change in accounting policy has had no effect on the consolidated income statement and retained profits. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(ii) Recognition and derecognition of financial instruments

In prior years, trade receivables factored with full recourse were derecognised. Proper note disclosures under contingent liabilities in the consolidated financial statements were made (note 41).

Upon the adoption of HKAS 39, derecognition of trade receivables factored with full recourse before the settlement of trade receivables by debtors is not allowed as all of the risks associated with the trade receivables are still retained. The trade receivables are retained on the balance sheet and the proceeds received are recognised as a liability. As and when the trade receivables are settled by debtors and the cash is passed over to the factoring entity, the trade receivables and the liability are derecognised.

As at 31 December 2005, the Group had outstanding bills of HK$183,857,000 discounted with full recourse. Pursuant to HKAS 39, the discounted trade receivables and the related proceeds of the same amount are included in the Group's current assets and current liabilities as at 31 December 2005.

2.2. Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

(c) HKAS 32 and HKAS 39 – Financial Instruments (continued)

(ii) Recognition and derecognition of financial instruments (continued)

This change in accounting policy has had no effect on the consolidated income statement and retained profits. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated (31 December 2004: HK$282,778,000).

(iii) Derivative financial instruments

In prior years, derivative instruments used for hedging were not separately recognised on the balance sheet. Gains or losses relating to the fair value changes in these derivative instruments were recognised in the income statement offsetting the fair value changes of the hedged liabilities.

Upon the adoption of HKAS 39, cross currency swap agreements designated as a hedge against the Group's exposure to changes in fair value of recognised liabilities are disclosed as a separate item at fair value with any gains or losses being recognised in the income statement.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(d) HKAS 38 – Intangible Assets

In prior years, the Group's intangible asset was amortised on the straight-line basis over its estimated useful life of 10 years, less any impairment losses.

Upon the adoption of HKAS 38, the Group's eligibility right to trade on or through the Stock Exchange of Hong Kong Limited (the "Stock Exchange") is permitted to be regarded as having an indefinite life, which should not be amortised and is subject to annual impairment test.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 38, comparative amounts have not been restated.

(e) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

2.2. Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

(e) HKAS 40 – Investment Property (continued)

Upon the adoption of HKAS 40, investment properties are stated at cost less depreciation and any impairment losses. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to deem the carrying amount of investment properties as at 1 January 2005 as the cost of the investment properties and to transfer the carrying amount of the investment property revaluation reserve at 1 January 2005 to retained profits and comparative amounts have not been restated. The effects of the above changes are summarised in note 2.4 to the financial statements.

(f) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 2.5 "Summary of significant accounting policies" below.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 December 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 December 2003, at 31 December 2004 and at 31 December 2005.

2.2. Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

(g) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the consolidated reserves in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill. Goodwill previously eliminated against the consolidated reserves remains eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(h) HK-Int 3 – Revenue – Pre-Completion Contracts for the Sale of Development Properties

In prior years, when properties under development had been pre-sold, the total estimated profit was apportioned over the entire period of construction to reflect the progress of the development. On this basis, the profit recognised on the pre-sold portion of the properties was calculated by reference to the stage of completion of the properties, limited to the extent of non-refundable progress payments received. No profit was recognised until the construction work had progressed to the stage where the eventual completion of the project, and the estimated profit thereon, could be determined with a reasonable degree of certainty.

Upon the adoption of HK-Int 3, revenue arising from pre-completion contracts for the sale of development properties that do not fall within the scope of HKAS 11 “Construction Contracts” is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group retains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties under development sold. Such properties are stated at cost.

2.2. Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

(h) HK-Int 3 – Revenue – Pre-Completion Contracts for the Sale of Development Properties (continued)

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HK-Int 3, comparative amounts have not been restated.

2.3. Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards

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

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

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

2.3. Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

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

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

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

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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

2.4 Summary of the Impact of Changes in Accounting Policies

(a) Effect on the consolidated balance sheet

At 1 January 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 1# Presentation HK$'000	HKAS 17# Prepaid land premiums HK$'000	HKAS 32# and HKAS 39* Change in classification of investments HK$'000	HKAS 40# Investment property revaluation reserve HK$'000	Total HK$'000
Assets					
Property, plant and equipment	–	(191,153)	–	–	(191,153)
Investment properties	–	(10,334)	–	–	(10,334)
Prepaid land premiums	–	201,487	–	–	201,487
Available-for-sale investments	–	–	211,924	–	211,924
Long term investments	–	–	(368,114)	–	(368,114)
Loans and receivables	–	–	156,190	–	156,190
Equity investments at fair value through profit or loss	–	–	148,703	–	148,703
Short term investments	–	–	(148,703)	–	(148,703)
					–

2.4 Summary of the Impact of Changes in Accounting Policies (continued)

(a) Effect on the consolidated balance sheet (continued)

At 1 January 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 1# Presentation HK$'000	HKAS 17# Prepaid land premiums HK$'000	HKAS 32# and HKAS 39* Change in classification of investments HK$'000	HKAS 40# Investment property revaluation reserve HK$'000	Total HK$'000
Liabilities/equity					
Interest-bearing bank borrowings under current liabilities	662,483	–	–	–	662,483
Interest-bearing bank borrowings under non-current liabilities	(662,483)	–	–	–	(662,483)
Investment property revaluation reserve	–	–	–	(1,483)	(1,483)
Retained profits	–	–	–	1,483	1,483
					–

* Adjustments taken effect prospectively from 1 January 2005

\# Adjustments/presentation taken effect retrospectively

2.4 Summary of the Impact of Changes in Accounting Policies (continued)

(a) Effect on the consolidated balance sheet (continued)

At 31 December 2005

Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 17 Prepaid land premiums HK$'000	HKAS 32 and HKAS 39 Change in classification of investments HK$'000	HKAS 38 Discontinuation of amortisation of intangible assets HK$'000	HKAS 39 Recognition of financial instruments HK$'000
Assets				
Property, plant and equipment	(230,554)	–	–	–
Investment properties	(10,334)	–	–	–
Prepaid land premiums	240,888	–	–	–
Goodwill	–	–	–	–
Other intangible asset	–	–	300	–
Interests in associates	–	–	–	–
Available-for-sale investments	–	260,515	–	–
Long term investments	–	(416,733)	–	–
Loans and receivables	–	156,218	–	–
Properties held for sale	–	–	–	–
Equity investments at fair value through profit or loss	–	126,370	–	–
Short term investments	–	(126,370)	–	–
Bills receivable with full recourse	–	–	–	183,857

Effect of adopting						
HKAS 39 Fair value hedges HK$'000	HKAS 40 Investment property revaluation reserve HK$'000	HKAS 40 Depreciation of investment properties HK$'000	HKAS 40 Surplus on revaluation of investment properties HK$'000	HKFRS 3 Discontinuation of amortisation of goodwill HK$'000	HK–Int 3 Derecognition of profit from pre-completion contracts for the sale of development properties under the stage of completion method HK$'000	Total HK$'000
–	–	–	–	–	–	(230,554)
–	–	(5,940)	(81,838)	–	–	(98,112)
–	–	–	–	–	–	240,888
–	–	–	–	40,741	–	40,741
–	–	–	–	–	–	300
–	–	–	–	17,898	–	17,898
–	–	–	–	–	–	260,515
–	–	–	–	–	–	(416,733)
–	–	–	–	–	–	156,218
–	–	–	–	–	426,476	426,476
–	–	–	–	–	–	126,370
–	–	–	–	–	–	(126,370)
–	–	–	–	–	–	183,857
						581,494

2.4 Summary of the Impact of Changes in Accounting Policies (continued)

(a) Effect on the consolidated balance sheet (continued)

At 31 December 2005

Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 17 Prepaid land premiums HK$'000	HKAS 32 and HKAS 39 Change in classification of investments HK$'000	HKAS 38 Discontinuation of amortisation of intangible assets HK$'000	HKAS 39 Recognition of financial instruments HK$'000
Liabilities/equity				
Derivative financial instruments	–	–	–	–
Interest-bearing bank borrowings	–	–	–	–
Bills discounted with full recourse	–	–	–	183,857
Sundry payable and accruals	–	–	–	–
Tax payable	–	–	–	–
Investment property revaluation reserve	–	–	–	–
Retained profits	–	–	300	–

Effect of adopting						
HKAS 39 Fair value hedges HK$'000	HKAS 40 Investment property revaluation reserve HK$'000	HKAS 40 Depreciation of investment properties HK$'000	HKAS 40 Surplus on revaluation of investment properties HK$'000	HKFRS 3 Discontinuation of amortisation of goodwill HK$'000	HK–Int 3 Derecognition of profit from pre-completion contracts for the sale of development properties under the stage of completion method HK$'000	Total HK$'000
31,224	–	–	–	–	–	31,224
(31,224)	–	–	–	–	–	(31,224)
–	–	–	–	–	–	183,857
–	–	–	–	–	558,028	558,028
–	–	–	–	–	(54,128)	(54,128)
–	(1,483)	–	(81,838)	–	–	(83,321)
–	1,483	(5,940)	–	58,639	(77,424)	(22,942)
						581,494

2.4 Summary of the Impact of Changes in Accounting Policies (continued)

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

At 1 January 2005 Effect of a new policy (Increase/(decrease))	Effect of adopting HKAS 40 Investment property revaluation reserve HK$'000
Investment property revaluation reserve	**(1,483)**
Retained profits	**1,483**

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

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

	Effect of adopting						
Effect of new policies	HKAS 1 Share of post-tax profits and losses of associates HK$'000	HKAS 38 Discontinuation of amortisation of intangible assets HK$'000	HKAS 40 Depreciation of investment properties HK$'000	HKFRS 3 Discontinuation of amortisation of goodwill arising from acquisition of subsidiaries HK$'000	HKFRS 3 Discontinuation of amortisation of goodwill arising from acquisition of an associate HK$'000	HK-Int 3 Derecognition of profit from pre-completion contracts for the sale of development properties under the stage of completion method HK$'000	Total HK$'000
Year ended 31 December 2005							
Decrease in revenue	-	-	-	-	-	(558,028)	(558,028)
Decrease in cost of sales and services	-	-	-	-	-	426,476	426,476
Decrease/(increase) in other operating expenses	-	300	(5,940)	40,741	17,898	-	52,999
Decrease in share of profits and losses of associates	(23,710)	-	-	-	-	-	(23,710)
Decrease in tax	23,710	-	-	-	-	54,128	77,838
Total increase/(decrease) in profit	-	300	(5,940)	40,741	17,898	(77,424)	(24,425)
Increase/(decrease) in basic earnings per share (HK cents)	-	0.0003	(0.0057)	0.0388	0.0171	(0.0738)	(0.0233)
Decrease in diluted earnings per share (HK cents)	-	-	-	-	-	(0.0001)	(0.0001)

2.4 Summary of the Impact of Changes in Accounting Policies (continued)

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

Effect of a new policy	Effect of adopting HKAS 1 Share of post-tax profits and losses of a jointly-controlled entity and associates HK$'000
Year ended 31 December 2004	
Decrease in share of profit of a jointly-controlled entity	(3,585)
Decrease in share of profits and losses of associates	(21,426)
Decrease in tax	25,011
Total effect in profit	–
Effect in basic earnings per share	–
Effect in diluted earnings per share	–

2.5. Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

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

Joint ventures

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

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

2.5. Summary of Significant Accounting Policies (continued)

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors;

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

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

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

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated against the consolidated reserves at the time of acquisition, is included as part of the Group's interests in associates.

2.5. Summary of Significant Accounting Policies (continued)

Goodwill

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

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005
Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

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

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

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

2.5. Summary of Significant Accounting Policies (continued)

Goodwill (continued)

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of Statement of Standard Accounting Practice ("SSAP") 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against the consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations ***(applicable to business combinations for which the agreement date is on or after 1 January 2005)***

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

Impairment of assets

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

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

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

2.5. Summary of Significant Accounting Policies (continued)

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

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

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

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

Property, plant and equipment and depreciation

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

2.5. Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

Construction in progress	Nil
Freehold land	Nil
Freehold building	1.6%-3.3%
Long term leasehold land and buildings	Over the terms of the individual leases or 50 years, whichever is shorter
Medium term leasehold land and buildings	Over the terms of the individual leases
Leasehold improvements	Over the terms of the individual leases or 5 years, whichever is shorter
Furniture, fixtures and equipment	20%-33.3%
Motor vehicles	20%
Vessel	10%

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

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

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

Construction in progress represents buildings and offices under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and other related expenses incurred during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Properties under development

Applicable to the year ended 31 December 2004

Properties under development include the cost of land, construction, financing and other related expenses plus, in the case of pre-sold properties or portions thereof, any attributable profit received on the contracted sales less any provision for foreseeable losses deemed necessary by the directors.

Development properties where construction either has not yet commenced, or has been deferred, are included as land held for development and are stated at cost less any impairment losses.

2.5. Summary of Significant Accounting Policies (continued)

Properties under development (continued)

Applicable to the year ended 31 December 2004 (continued)

Properties under development held for sale in respect of which occupancy permits are expected to be granted within one year from the balance sheet date are included as properties held for sale in current assets at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Applicable to the year ended 31 December 2005

Properties under development include the cost of land, construction, financing and other related expenses less any impairment losses.

Development properties where construction either has not yet commenced, or has been deferred, are included as land held for development and are stated at cost less any impairment losses.

Properties under development held for sale in respect of which occupancy permits are expected to be granted within one year from the balance sheet date are included as properties held for sale in current assets at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Properties held for sale

Applicable to the year ended 31 December 2004

Properties held for sale, including properties under development which have been pre-sold, are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs, including the cost of land, construction, financing and other related expenses, attributable to unsold properties plus, in the case of pre-sold properties or portions thereof, any attributable profit received on the contracted sales less any provision for foreseeable losses deemed necessary by the directors. Net realisable value is determined by reference to prevailing market prices on an individual property held for sale basis.

Applicable to the year ended 31 December 2005

Properties held for sale, including properties under development which have been pre-sold, are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs, including the cost of land, construction, financing and other related expenses less any impairment losses. Net realisable value is determined by reference to prevailing market prices on an individual property held for sale basis.

2.5. Summary of Significant Accounting Policies (continued)

Profit on sale of properties under development

Applicable to the year ended 31 December 2004

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, the profit recognised on the pre-sold portion of the properties is calculated by reference to the stage of completion of the properties, limited to the extent of non-refundable progress payments received. No profit is recognised until the construction work has progressed to the stage where the eventual completion of the project, and the estimated profit thereon, can be determined with a reasonable degree of certainty.

The profit or loss arising from the outright sale of an interest in an entire development prior to completion is recognised when a binding contract becomes unconditional.

Investment properties

Applicable to the year ended 31 December 2004

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties with unexpired lease terms of more than 20 years are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Applicable to the year ended 31 December 2005

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property to its residual value over its estimated useful life. The principal annual rate used for this purpose is over the terms of the individual leases.

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

2.5. Summary of Significant Accounting Policies (continued)

Investment properties (continued)

Applicable to the year ended 31 December 2005 (continued)

Transfers between investment properties, owner-occupied properties and inventories do not change the carrying amount or the cost of the properties transferred.

Intangible asset (other than goodwill)

Trading right

Applicable to the year ended 31 December 2004

Trading right, representing the eligibility right to trade on the Stock Exchange, is stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of the trading right over its estimated useful life of 10 years.

Applicable to the year ended 31 December 2005

Trading right, representing the eligibility right to trade on or through the Stock Exchange with an indefinite useful life, is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the leasee are accounted for as finance leases. Where the Group is the lessor, assets leased out by the Group under finance leases are derecognised at the inception of the finance leases. Finance lease income is recognised in the income statement progressively using the applicable effective interest rates over the lease terms so as to provide a constant periodic rate of return on the net investment.

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

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

2.5. Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Applicable to the year ended 31 December 2004

The Group classified its equity investments, other than subsidiaries, associates and a jointly-controlled entity, as long term investments and short term investments.

Long term investments

Long term investments comprise non-trading investments in unlisted equity securities intended to be held on a long term basis, club membership debentures and statutory deposits.

Unlisted equity securities are stated at their estimated fair values, on an individual basis. The estimated fair values of unlisted investments are determined by the directors having regard to the most recent reported sales or purchases of the securities. Club membership debentures and statutory deposits are stated at cost less any impairment losses.

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

Short term investments

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

Applicable for the year ended 31 December 2005

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

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

2.5. Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 December 2005 (continued)

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

2.5. Summary of Significant Accounting Policies (continued)

Impairment of financial assets

Applicable to the year ended 31 December 2005

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

Assets carried at amortised cost

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

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

2.5. Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

Applicable to the year ended 31 December 2005

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

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

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

Interest-bearing bank borrowings

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

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

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

2.5. Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

Applicable to the year ended 31 December 2005

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

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

Derivative financial instruments and hedging

Applicable to the year ended 31 December 2005

The Group uses derivative financial instruments such as cross currency interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of cross currency interest rate swap contracts is determined by reference to the present value of estimated future cash flows.

For the purpose of hedge accounting, hedges are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2.5. Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedging (continued)

Applicable to the year ended 31 December 2005 (continued)

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised; the hedge no longer meets the criteria for hedge accounting; or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of motor vehicles and machines and engines is determined on the unit cost basis. The cost of all other inventories is determined on the weighted average basis. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.5. Summary of Significant Accounting Policies (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provision for product warranties granted by the Group to its customers on certain of its motor vehicles is based on sales volumes and past experience of the level of repairs.

Income tax

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

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

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

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5. Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Revenue recognition

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

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

2.5. Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

(b) from the rendering of repair services, based on the stage of completion of the transaction, provided that the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;

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

(d) currency options premiums, on the transaction date when the relevant currency options contract is entered into;

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

(f) from the trading of foreign exchange, on the transaction date when the foreign exchange position is closed out;

(g) commission and brokerage income from securities dealing, on a trade date basis;

(h) from the rendering of insurance brokerage services, when the related insurance premiums become payable; and

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

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

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

2.5. Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Employment Ordinance long service payments (continued)

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

Retirement benefits schemes

The Group operates an occupational retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426). This scheme has been granted exemption pursuant to Section 5 of the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employees' basic salaries. When an employee leaves the scheme, unvested benefits will be used to reduce the ongoing employer's contributions.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The Group's employer contributions based on 5% of the employees' relevant income will vest fully with the employees upon retirement.

Contributions to these schemes are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group and managed by independent professional fund managers.

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

The Group's subsidiaries which operate in the Republic of Korea ("Korea") are required to comply with the Korean Law on Guarantee of Employees' Severance and Retirement Benefits, under which employees of those subsidiaries terminating their employment with at least one year of service are entitled to severance and retirement benefits, based on the rates of pay in effect at the time of termination, years of service and certain other factors. The liability at the estimated obligation arising from services performed to and at rates of pay in effect at the balance sheet date is accrued. A portion of the severance and retirement benefits obligation had been deposited in separate funds held by financial institutions to offset against the liability of those subsidiaries for the respective severance and retirement benefits of the employees at the balance sheet date.

2.5. Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

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

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

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

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2005 and to those granted on or after 1 January 2005.

2.5. Summary of Significant Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

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

3. Significant Accounting Judgements and Estimates

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill on acquisitions of subsidiaries and an associate at 31 December 2005 was HK$676,466,000 (2004: HK$681,395,000) and HK$229,689,000 (2004: HK$229,689,000) respectively. More details are given in notes 17 and 20 to the financial statements.

4. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and repair services rendered; the gross proceeds on the sale of properties; interest income earned from time deposits, term loans, margin loans, equity linked notes and credit linked notes; premiums received from currency options; dividend income from listed investments; foreign exchange trading gains/(losses); net gains/(losses) on dealing in listed investments; commission and brokerage income from securities dealing; and insurance brokerage income, but excludes intra-group transactions.

The Group's revenue, other income and gains for the year arose from the following activities:

	2005 HK$'000	2004 HK$'000
Revenue		
Sale of goods	**11,042,583**	7,939,413
Rendering of repair services	**568,150**	380,405
Sale of properties	**473,070**	128,532
Interest income from:		
Time deposits	**1,225**	2,778
Term loans and margin loans	**10,934**	12,672
Equity linked notes	**–**	341
Credit linked notes	**6,698**	3,669
Premium received from currency options	**4,694**	-
Dividend income from listed investments	**7,463**	7,115
Foreign exchange trading gains/(losses), net	**(40,046)**	7,994
Net gains/(losses) on dealing in listed investments	**(4,496)**	55,901
Commission and brokerage income from securities dealing	**3,458**	7,062
Insurance brokerage income	**772**	865
	12,074,505	8,546,747
Other income and gains		
Gain on disposal of a subsidiary (note 40(a))	**–**	90,795
Fair value gains on equity investments at fair value through profit or loss, net/unrealised gains on revaluation of short term investments	**1,851**	27,359
Gross rental income	**34,690**	24,033
Bank interest income	**27,029**	10,644
Other interest income	**4,269**	-
Other income	**73,385**	22,065
	141,224	174,896

5. Profit Before Tax

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

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Cost of inventories sold		**10,476,946**	7,407,316
Cost of services rendered		**388,004**	225,926
Depreciation of property, plant and equipment	13	**89,932**	67,425
Depreciation of investment properties	14	**5,940**	–
Recognition of prepaid land premiums	15	**4,289**	2,929
Goodwill:			
Subsidiaries:			
Amortisation for the year*	17	**–**	41,238
Release upon sales of developed properties**	17	**7,972**	4,084
		7,972	45,322
Associate:			
Amortisation for the year*		**–**	17,898
Amortisation of a trading right*	18	**–**	300
Minimum lease payments under operating leases for land and buildings		**49,738**	37,456
Auditors' remuneration		**4,630**	4,000
Employee benefits expense (including directors' remuneration (note 7)):			
Wages and salaries		**335,644**	253,761
Pension scheme contributions		**17,193**	12,801
Less: Forfeited contributions		**(135)**	(631)
Net pension scheme contributions ***		**17,058**	12,170
		352,702	265,931
Foreign exchange differences, net		**16,741**	(17,699)
Write-down of inventories to net realisable value/ provision against inventories		**20,125**	5,970
Provision for bad and doubtful debts		**18,154**	3,170
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**9,280**	4,011
Provision for long service payments	35	**10,415**	7,191
Provision/(write-back) of provision for product warranties	35	**11,311**	(2,426)

5. Profit Before Tax (continued)

	2005 HK$'000	2004 HK$'000 (Restated)
Write-back of provision for a foreseeable loss on properties held for sale	–	(5,469)
Gain on disposal of a subsidiary	–	(90,795)
Loss/(gain) on disposal of items of property, plant and equipment	**(128)**	1,304
Fair value gains on equity investments at fair value through profit or loss, net/unrealised gains on revaluation of short term investments	**(1,851)**	(27,359)
Dividend income from listed investments	**(7,463)**	(7,115)
Gross rental income	**(34,690)**	(24,033)
Interest income	**(50,155)**	(30,104)

* The amortisation of goodwill and a trading right for the year ended 31 December 2004 were included in "Other operating expenses" on the face of the consolidated income statement.

** Goodwill arising on acquisitions of subsidiaries whose principal activity is property development is released by reference to the sales of the related developed properties. The amount was included in "Other operating expenses" on the face of the consolidated income statement.

*** At 31 December 2005, the Group had forfeited contributions of HK$18,000 (2004: HK$10,000) available to reduce its contributions to the pension schemes in future years.

6. Finance Costs

	Group	
	2005 HK$'000	2004 HK$'000
Interest on borrowings wholly repayable within five years:		
Bank loans	**101,336**	58,013
Trust receipt loans	**43,619**	28,388
Bank overdrafts	**3,212**	2,466
Total interest	**148,167**	88,867
Less: Interest capitalised (note 16)	–	(1,351)
	148,167	87,516

7. Directors' Remuneration

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

	Group	
	2005	2004
	HK$'000	HK$'000
Fees	**650**	400
Other emoluments:		
Salaries, allowances and benefits in kind	**11,454**	10,340
Discretionary bonuses	**2,396**	2,382
Pension scheme contributions	**784**	719
	14,634	13,441
	15,284	13,841

(a) Independent non-executive directors

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

	2005	2004
	HK$'000	HK$'000
FUNG Ka Pun	**120**	100
MEIER Hubert	**120**	50
SMITH Alan Howard, JP	**120**	50
	360	200

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

7. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors

2005	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
GAN Khian Seng	–	3,014	750	225	3,989
YONG Foo San, JP	–	3,010	600	180	3,790
HARMS Volker Josef Eckehard	–	1,200	200	90	1,490
LIM Mooi Ying, Marianne	–	3,006	750	225	3,981
POH Yeow Kim Lawrence	–	511	96	29	636
LAM Kwong Yu, SBS (re-designated as non-executive director on 4 August 05)	–	713	–	35	748
	–	11,454	2,396	784	14,634
Non-executive directors:					
YANG Victor	120	–	–	–	120
LANGLEY Christopher Patrick, OBE	120	–	–	–	120
LAM Kwong Yu, SBS (re-designated as non-executive director on 4 August 05)	50	–	–	–	50
	290	–	–	–	290
	290	11,454	2,396	784	14,924
2004					
Executive directors:					
GAN Khian Seng	–	3,000	750	225	3,975
YONG Foo San, JP	–	2,650	600	154	3,404
HARMS Volker Josef Eckehard	–	1,200	200	90	1,490
LIM Mooi Ying, Marianne	–	3,000	750	225	3,975
LAM Kwong Yu, SBS	–	490	82	25	597
	–	10,340	2,382	719	13,441
Non-executive directors:					
YANG Victor	100	–	–	–	100
LANGLEY Christopher Patrick, OBE	100	–	–	–	100
	200	–	–	–	200
	200	10,340	2,382	719	13,641

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

8. Five Highest Paid Employees

The five highest paid employees during the year included three (2004: three) executive directors, further details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2004: two) non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,724**	4,622
Discretionary bonuses	**730**	310
Pension scheme contributions	**204**	257
	5,658	5,189

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

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

9. Tax

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

		Group	
		2005	2004
	Note	**HK$'000**	HK$'000
			(Restated)
Group:			
Current – Hong Kong			
Charge for the year		**18,468**	18,443
Over provision in prior years		**(4,918)**	(246)
Current – Elsewhere		**58,584**	29,820
Deferred	36	**9,938**	569
Total tax charge for the year		**82,072**	48,586

9. Tax (continued)

A reconciliation of the tax charge applicable to profit before tax using the statutory tax rate for the location in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the Group's effective tax rate is as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Profit before tax	346,345	281,206
Tax charge at Hong Kong statutory tax rate	60,610	49,211
Tax effect arising from higher tax rates of overseas subsidiaries, associates and a jointly-controlled entity, ranging from 15% to 33%	22,143	9,337
Tax effect of non taxable income	(16,514)	(12,307)
Tax effect of non deductible expenses	28,582	13,402
Utilisation of tax losses	(8,312)	(4,806)
Tax losses not recognised	11,463	3,306
Adjustments in respect of current tax of previous years	(4,918)	(246)
Tax effect of profits and losses attributable to a jointly-controlled entity and associates	(14,863)	(14,063)
Reversal of a taxable timing difference arising on the revaluation of leasehold properties	(405)	(437)
Provision of a taxable timing difference arising on the unremitted earnings of certain of the Group's overseas investments	4,286	5,189
Tax charge at the Group's effective rate	82,072	48,586

The share of tax attributable to associates amounting to HK$23,710,000 (2004: HK$21,426,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

For the year ended 31 December 2004, the share of tax attributable to a jointly-controlled entity amounting to HK$3,585,000 was included in "Share of profit of a jointly-controlled entity" on the face of the consolidated income statement.

10. Net Profit from Ordinary Activities Attributable to Equity Holders of the Parent

The net profit from ordinary activities attributable to equity holders of the parent for the year ended 31 December 2005 dealt with in the financial statements of the Company was HK$17,508,000 (2004: HK$13,634,000) (note 39(b)).

11. Dividend

	Company 2005 HK$'000	2004 HK$'000
Proposed final – HK 3 cents (2004: HK 3 cents) per ordinary share	**31,816**	31,816

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share is based on the net profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2005 HK$	2004 HK$
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**251,548,000**	240,006,000

	Number of shares 2005	2004
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**1,057,596,486**	1,000,720,460
Effect of dilution – Weighted average number of ordinary shares:		
Warrants	**7,259,401**	24,433,536
	1,064,855,887	1,025,153,996

As the subscription prices of the share options outstanding during the years ended 31 December 2005 and 2004 were higher than the respective average market prices of the Company's shares during these years, there was no dilution effect on the basic earnings per share.

13. Property, Plant and Equipment

Group

	Note	Construction in progress HK$'000 (Restated)	Land and buildings HK$'000 (Restated)	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000 (Restated)
31 December 2005								
At 31 December 2004 and at 1 January 2005:								
Cost		50,191	844,120	36,868	277,520	138,535	1,850	1,349,084
Accumulated depreciation		–	(107,233)	(16,718)	(133,074)	(50,863)	(1,372)	(309,260)
Net carrying amount		50,191	736,887	20,150	144,446	87,672	478	1,039,824
At 1 January 2005, net of accumulated depreciation		50,191	736,887	20,150	144,446	87,672	478	1,039,824
Additions		58,085	270,413	10,461	95,103	61,268	–	495,330
Disposals		–	(241)	–	(4,034)	(36,220)	–	(40,495)
Depreciation provided during the year		–	(25,243)	(5,149)	(36,770)	(22,585)	(185)	(89,932)
Transfers to inventories and properties held for sale		–	(937)	–	(3,667)	–	–	(4,604)
Transfers to investment properties	14	–	(119,366)	–	–	–	–	(119,366)
Reclassification		(41,506)	41,506	–	–	–	–	–
Exchange realignment		930	13,726	349	2,733	1,669	–	19,407
At 31 December 2005, net of accumulated depreciation		67,700	916,745	25,811	197,811	91,804	293	1,300,164
At 31 December 2005:								
Cost		67,700	1,043,982	47,923	349,379	154,378	1,850	1,665,212
Accumulated depreciation		–	(127,237)	(22,112)	(151,568)	(62,574)	(1,557)	(365,048)
Net carrying amount		67,700	916,745	25,811	197,811	91,804	293	1,300,164

13. Property, Plant and Equipment (continued)

Group

	Notes	Construction in progress HK$'000 (Restated)	Land and buildings HK$'000 (Restated)	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000 (Restated)
31 December 2004								
At 1 January 2004:								
Cost		87,010	559,638	26,512	165,066	98,838	1,850	938,914
Accumulated depreciation		–	(83,148)	(12,429)	(103,522)	(37,589)	(1,187)	(237,875)
Net carrying amount		87,010	476,490	14,083	61,544	61,249	663	701,039
At 1 January 2004, net of accumulated depreciation		87,010	476,490	14,083	61,544	61,249	663	701,039
Additions		102,774	100,086	10,417	94,226	59,333	–	366,836
Disposals		–	–	(191)	(1,635)	(17,553)	–	(19,379)
Acquisition of a subsidiary	40(c)	–	6,343	–	10,466	–	–	16,809
Depreciation provided during the year		–	(20,070)	(4,239)	(23,538)	(19,393)	(185)	(67,425)
Transfers to investment properties	14	–	(4,303)	–	–	–	–	(4,303)
Reclassification		(140,051)	140,051	–	–	–	–	–
Exchange realignment		458	38,290	80	3,383	4,036	–	46,247
At 31 December 2004, net of accumulated depreciation		50,191	736,887	20,150	144,446	87,672	478	1,039,824
At 31 December 2004 and at 1 January 2005:								
Cost		50,191	844,120	36,868	277,520	138,535	1,850	1,349,084
Accumulated depreciation		–	(107,233)	(16,718)	(133,074)	(50,863)	(1,372)	(309,260)
Net carrying amount		50,191	736,887	20,150	144,446	87,672	478	1,039,824

13. Property, Plant and Equipment (continued)

The Group's land and buildings included above are analysed as follows:

	Hong Kong HK$'000	Elsewhere HK$'000	Total HK$'000
Freehold	–	551,177	551,177
Long term leases	8,295	31,785	40,080
Medium term leases	–	323,375	323,375
Short term leases	–	2,113	2,113
Net carrying amount at 31 December 2005	8,295	908,450	916,745

	Hong Kong HK$'000	Elsewhere HK$'000 (Restated)	Total HK$'000 (Restated)
Freehold	-	399,111	399,111
Long term leases	8,505	33,843	42,348
Medium term leases	-	292,130	292,130
Short term leases	-	3,298	3,298
Net carrying amount at 31 December 2004	8,505	728,382	736,887

At 31 December 2004, certain of the Group's leasehold land and buildings with a net book value of approximately HK$11,250,000 were pledged to secure general banking facilities granted to the Group (note 34(a)).

13. Property, Plant and Equipment (continued)

Company

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
31 December 2005						
At 1 January 2005, net of accumulated depreciation	8,505	231	–	3,870	478	13,084
Additions	–	–	–	1,372	–	1,372
Depreciation provided during the year	(210)	(72)	–	(1,190)	(185)	(1,657)
At 31 December 2005, net of accumulated depreciation	8,295	159	–	4,052	293	12,799
At 31 December 2005:						
Cost	10,500	450	12	9,791	1,850	22,603
Accumulated depreciation	(2,205)	(291)	(12)	(5,739)	(1,557)	(9,804)
Net carrying amount	8,295	159	–	4,052	293	12,799

Company

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
31 December 2004						
At 1 January 2004:						
Cost	10,500	359	12	8,419	1,850	21,140
Accumulated depreciation	(1,785)	(152)	(12)	(3,356)	(1,187)	(6,492)
Net carrying amount	8,715	207	–	5,063	663	14,648
At 1 January 2004, net of accumulated depreciation	8,715	207	–	5,063	663	14,648
Additions	–	91	–	–	–	91
Depreciation provided during the year	(210)	(67)	–	(1,193)	(185)	(1,655)
At 31 December 2004, net of accumulated depreciation	8,505	231	–	3,870	478	13,084
At 31 December 2004 and at 1 January 2005:						
Cost	10,500	450	12	8,419	1,850	21,231
Accumulated depreciation	(1,995)	(219)	(12)	(4,549)	(1,372)	(8,147)
Net carrying amount	8,505	231	–	3,870	478	13,084

The Company's land and building is situated in Hong Kong and held under a long term lease.

14. Investment Properties

	Group HK$'000	Company HK$'000
31 December 2005		
Carrying amount at 1 January 2005		
As previously reported	85,364	2,091
Effect of adopting HKAS 17 (note 2.2(b))	(10,334)	–
As restated	75,030	2,091
Additions	274,485	–
Transfer from property, plant and equipment (note 13)	119,366	–
Depreciation provided during the year	(5,940)	(61)
Carrying amount at 31 December 2005	462,941	2,030
At 31 December 2005:		
Cost	475,801	2,091
Accumulated depreciation	(12,860)	(61)
Net carrying amount	462,941	2,030

	Group HK$'000 (Restated)	Company HK$'000
31 December 2004		
Carrying amount at valuation at 1 January 2004	70,727	2,091
Transfer from property, plant and equipment (note 13)	4,303	–
Net carrying amount at valuation at 31 December 2004	75,030	2,091

The Group's investment properties are situated outside Hong Kong and analysed as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Freehold	332,961	–
Long term leases	19,767	14,055
Medium term leases	110,213	60,975
Net carrying amount at 31 December	462,941	75,030

14. Investment Properties (continued)

The Company's investment property is situated in the People's Republic of China ("PRC") and held under a medium term lease. Other details of the Group's investment properties as at 31 December 2005 are as follows:

Location	Group's interest	Gross floor area	Existing use
Unit 703A-B, 7th Floor, Citic Building, Jin Sha Road East, Long Hu District, Shantou, Guangdong, PRC	100%	447m^2	Office
Rooms 1201-06 on 12th Floor and the whole of 24th Floor and car parking spaces nos. 90, 91, 92, 93, 94 and 95 in Basement 2, Guangzhou International Trading Centre, No.1, Lin He Road West, Tianhe District, Guangzhou, Guangdong, PRC	100%	3,158m^2	Office
1000 Huashan Road, Changning District, Shanghai, PRC	100%	715m^2	Office
The Clubhouse, Starcrest, Wangjing Dong Yuan Yi Qu, Chaoyang District, Beijing, PRC	95%	1,835m^2	Clubhouse
16th Floor and two car parking spaces nos. 51 & 52, 2nd Tower Basement, Shartex Plaza, No.88 Zun Yi Nan Road, Changning District, Shanghai, PRC	100%	954m^2	Office
58-20, 98 Hangdong 7 ga, Jung-gu, Incheon, Korea	100%	4,256m^2	Vehicle preparation centre
B301, 101-13, Yulhyeon-dong, Gangnam-gu, Seoul, Korea	100%	341m^2	Used car centre
3rd to 6th Floor, Porsche Tower, 949-11, Daechi-dong, Gangnam-gu, Seoul, Korea	100%	2,192m^2	Showroom and office

14. Investment Properties (continued)

Location	Group's interest	Gross floor area	Existing use
3rd to 6th Floor, Je-il Fire Insurance Building, 168-3, 168-4, Samsung-dong, Gangnam-gu, Seoul, Korea	100%	3,164m^2	Office
No. 285 Gang Ao Road, Wai Gao Qiao Free Trade Zone, Shanghai, PRC	100%	4,614m^2	Warehouse
1#D1, Xiang Xie Hua Yuan, No. 211 Xian Qian West Street, Wuxi, Jiangsu Province, PRC	100%	469m^2	Showroom
No. 989 Huqingping Highway, Minghang District, Shanghai, PRC	100%	3,853m^2	Office
No. 28 Ning Nan Avenue, Nanjing, Jiangsu Province, PRC	100%	1,900m^2	Showroom and office
Reception Area on 1st Level and Office on 2nd Level, No. 443 Chen Xiang Road, Dao Li District, Harbin, Heilongjiang Province, PRC	70%	638m^2	Showroom
1st Level, No. 48 Feng Cheng Wu Road, Economic and Technology Development Zone, Xian, Shaanxi Province, PRC	75%	200m^2	Showroom and office
Room 6, 2A, No. 10 Bei Shan Jing Street, He Ping District, Shenyang, Liaoning Province, PRC	100%	740m^2	Showroom

The aggregate fair value of the Group's investment properties at 31 December 2005 assessed by Chung, Chan & Associates, independent professionally qualified valuers, on an open market, existing use basis was HK$557,639,000. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(a) to the financial statements.

15. Prepaid Land Premiums

	Group	
	2005	2004
	HK$'000	HK$'000
Carrying amount at 1 January		
As previously reported	**–**	–
Effect of adopting HKAS 17 (note 2.2(b))	**201,487**	133,606
As restated	**201,487**	133,606
Exchange adjustments	**2,021**	662
Additions	**48,570**	31,704
Disposals	**(6,901)**	(2,335)
Acquisition of a subsidiary (note 40(c))	**–**	40,779
Recognised during the year	**(4,289)**	(2,929)
Carrying amount at 31 December	**240,888**	201,487
Current portion	**(5,127)**	(4,416)
Non-current portion	**235,761**	197,071

The Group's leasehold land is situated outside Hong Kong and analysed as follows:

	2005	2004
	HK$'000	HK$'000
Freehold	**68,188**	37,540
Long term leases	**5,925**	6,082
Medium term leases	**166,775**	157,865
Net carrying amount at 31 December	**240,888**	201,487

16. Properties under Development

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**1,303,464**	1,092,704
Exchange adjustments	**16,557**	3,634
Additions, at cost	**577,018**	221,330
Reclassified as "Properties held for sale" within the current assets section in the consolidated balance sheet	**(1,234,311)**	(14,204)
At 31 December	**662,728**	1,303,464

For the year ended 31 December 2004, finance costs of HK$1,351,000 were capitalised during the year (note 6).

16. Properties under Development (continued)

Details of the properties under development are as follows:

Location	Use	Group's interest	Site area	Gross floor area	Stage of completion	Expected completion date
Starcrest Phases III, A3 Residential Area, Wang Jing New City, Chaoyang District, Beijing, PRC	Residential/ Retail	95%	35,026m^2	119,992m^2	Design	2007
Lot No.7, Cheng Du Road, Jing An District, Shanghai, PRC	–	95%	7,358m^2	44,148m^2	Land bank	–

17. Goodwill

Group

	HK$'000
31 December 2005	
At 1 January 2005	
Cost as previously reported	912,452
Effect of adopting HKFRS 3 (note 2.2(g))	(231,057)
Cost as restated	681,395
Accumulated amortisation as previously reported	(231,057)
Effect of adopting HKFRS 3 (note 2.2(g))	231,057
Accumulated amortisation as restated	–
Net carrying amount	681,395
Cost at 1 January 2005	681,395
Exchange adjustments	132
Purchase of additional interest in a subsidiary (note 40(b))	2,911
Release during the year upon sales of developed properties (note 5)*	(7,972)
Cost and carrying amount at 31 December 2005	676,466

17. Goodwill (continued)

Group

	HK$'000
31 December 2004	
At 1 January 2004	
Cost	899,752
Accumulated amortisation	(185,735)
Net carrying amount	714,017
Cost at 1 January 2004, net of accumulated amortisation	714,017
Purchase of additional interests in subsidiaries (note 40(b))	791
Acquisition of a subsidiary (note 40(c))	11,909
Amortisation provided during the year	(41,238)
Release during the year upon sales of developed properties (note 5)*	(4,084)
At 31 December 2004	681,395
At 31 December 2004:	
Cost	912,452
Accumulated amortisation	(231,057)
Net carrying amount	681,395

* Goodwill arising on acquisitions of subsidiaries whose principal activity is property development is released by reference to the sales of the related development properties.

In 2004, goodwill not previously eliminated against the consolidated reserves was amortised on the straight-line basis over its estimated remaining useful life.

As further detailed in note 2.2(g) to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against the consolidated reserves. As at 31 December 2005, the amount of goodwill remaining in the consolidated reserves, arising from the acquisitions of subsidiaries prior to the adoption of SSAP 30 in 2001, is stated at its cost of HK$3,082,000 (2004: HK$3,082,000).

Impairment testing of goodwill

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

- Trading of motor vehicles and spare parts and provision of after-sales services cash-generating unit;
- Trading of heavy equipment and provision of product support services cash-generating unit; and
- Property development and investment cash-generating unit.

17. Goodwill (continued)

Impairment testing of goodwill (continued)

Trading of motor vehicles and spare parts and provision of after-sales services cash-generating unit

The recoverable amount of the trading of motor vehicles and spare parts and provision of after-sales services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to cash flow projections is 5% (2004: 5%) and cash flows beyond the five-year period are extrapolated using a growth rate of 8% (2004: 8%) which is the same as the long term average growth rate of the motor vehicles industry.

Trading of heavy equipment and provision of product support services cash-generating unit

The recoverable amount of the trading of heavy equipment and provision of product support services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to cash flow projections is 5% (2004: 5%) and cash flows beyond the five-year period are extrapolated using a growth rate of 10% (2004: 10%) which is the same as the long term average growth rate of the heavy equipment industry.

Property development and investment cash-generating unit

The recoverable amount of the property development and investment cash-generating unit is also determined based on the fair value less costs to sell by reference to the prevailing market prices on the properties held under development.

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

	2005	2004
	HK$'000	HK$'000
Trading of motor vehicles and spare parts and provision of after-sales services	**537,396**	534,485
Trading of heavy equipment and provision of product support services	**11,412**	11,412
Property development and investment	**127,658**	135,498
Carrying amount of goodwill	**676,466**	681,395

Key assumptions were used in the value in use calculation of the trading of motor vehicles and spare parts and provision of after-sales services and trading of heavy equipment and provision of product support services cash-generating units for the years ended 31 December 2005 and 2004. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

17. Goodwill (continued)

Impairment testing of goodwill (continued)

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

18. Other Intangible Asset

Group

	Trading right	
	2005	2004
	HK$'000	HK$'000
At 1 January:		
Cost	**3,000**	3,000
Accumulated amortisation	**(1,350)**	(1,050)
Net carrying amount	**1,650**	1,950
Cost at 1 January, net of accumulated amortisation	**1,650**	1,950
Amortisation provided during the year	**–**	(300)
At 31 December	**1,650**	1,650
At 31 December:		
Cost	**3,000**	3,000
Accumulated amortisation	**(1,350)**	(1,350)
Net carrying amount	**1,650**	1,650

19. Interests in Subsidiaries

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**3,366,673**	3,366,673
Due from subsidiaries	**2,291,061**	2,411,258
Due to subsidiaries	**(480,819)**	(555,802)
	5,176,915	5,222,129
Impairment	**(519,100)**	(519,100)
	4,657,815	4,703,029

Certain unsecured amounts due from subsidiaries are interest-bearing at approximately 3.6% per annum (2004: approximately 2.4% per annum) and have no fixed terms of repayment. Certain unsecured amounts due to subsidiaries are interest-bearing at rates ranging from approximately 2.1% to 3.7% per annum (2004: approximately 0.9% to 1.4% per annum) and have no fixed terms of repayment. Other amounts due from/to subsidiaries are unsecured, non interest-bearing and have no fixed terms of repayment. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

19. Interests in Subsidiaries (continued)

Details of the principal subsidiaries are set out in note 47 to the financial statements.

20. Interests in Associates

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets other than goodwill	**1,641,157**	1,356,131
Goodwill on acquisition	**229,689**	229,689
	1,870,846	1,585,820
Due from associates	**25,731**	7,358
Due to associates	**(172,471)**	(51,992)
	(146,740)	(44,634)
	1,724,106	1,541,186

The amounts due from/to the associates are unsecured, interest-free, and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

Impairment testing of goodwill on acquisition of an associate

The acquired goodwill related to an associate which is engaged in the trading of motor vehicles and spare parts and provision of after-sales services in Taiwan. The recoverable amount of the associate's cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to cash flow projections is 5% (2004: 5%) and cash flows beyond the five-year period are extrapolated using a growth rate of 8% (2004: 8%) which is the same as the long term average growth rate of the motor vehicle industry.

Key assumptions were used in the value in use calculation of the trading of motor vehicles and spare parts and provision of after-sales services cash-generating unit for the years ended 31 December 2005 and 2004 and were explained under "Goodwill" (note 17) above.

Details of the principal associates are set out in note 48 to the financial statements.

20. Interests in Associates (continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2005	2004
	HK$'000	HK$'000
Assets	**8,845,832**	7,178,528
Liabilities	**4,003,999**	2,986,455
Revenues	**5,516,948**	4,261,344
Profit	**177,100**	114,652

21. Available-for-sale Investments/Long Term Investments

	Group		**Company**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale investments:				
Unlisted equity investments, at cost:				
Overseas companies	**1,886**	–	**–**	–
PRC companies	**251,455**	–	**–**	–
	253,341	–	**–**	–
Transferable club membership debentures, at fair value	**7,174**	–	**1,820**	–
	260,515	–	**1,820**	–
Long term investments:				
Unlisted equity investments, at fair value:				
Overseas companies	**–**	1,886	**–**	–
PRC companies	**–**	202,133	**–**	–
	–	204,019	**–**	–
Transferable club membership debentures, at cost	**–**	7,905	**–**	1,820
Credit linked notes, at fair value	**–**	155,973	**–**	–
Statutory deposits, at cost	**–**	217	**–**	–
	–	368,114	**–**	1,820

21. Available-for-sale Investments/Long Term Investments (continued)

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets on 1 January 2005 and have no fixed maturity date or coupon rate. As management has considered that the variability in the range of reasonable fair value estimates for these unquoted investments is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, these unlisted equity investments are stated at cost less any impairment losses.

The fair values of debentures are based on quoted market prices.

22. Net Investments in Finance Leases

The Group leases out machinery products under finance lease arrangements. The average term of the leases is two years.

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

	Minimum lease receivables 2005 HK$'000	Present value of minimum lease receivables 2005 HK$'000
Trade receivables:		
Within one year	82,864	82,864
In the second to fifth years, inclusive	42,143	37,888
Total minimum finance lease receivables	125,007	120,752
Unearned finance income	(4,255)	
Total net finance lease receivables	120,752	
Portion classified as current assets	(82,864)	
Non-current portion	37,888	

The net finance lease receivables are non interest-bearing and their carrying amounts approximate to their fair values.

23. Loans and Receivables/Loans and Long Term Receivables

	Group	
	2005	2004
	HK$'000	HK$'000
Loans receivable	**304,056**	179,510
Credit linked notes	**155,973**	–
Statutory deposits	**245**	–
Short term receivable	**60,000**	–
Long term receivable	**–**	60,000
	520,274	239,510
Portion classified as current assets	**(421,894)**	(162,510)
Portion classified as non-current assets	**98,380**	77,000

(a) The short term receivable/long term receivable represents the proceeds from the disposal of a subsidiary, in the form of cash or residential and rental floor space, receivable in 2006.

(b) Loans receivable bear interest at floating interest rates ranging from 5.75% to 9.75% per annum (2004: 4.50% to 7.25% per annum). Credit linked notes bear interest at fixed interest rates ranging from 3.8% to 4.7% per annum (2004: 3.8% to 4.7% per annum). The statutory deposits and short term receivable/long term receivable are non interest-bearing.

(c) The carrying amounts of the Group's loans and receivables approximately to their fair values.

24. Inventories

	Group	
	2005	2004
	HK$'000	HK$'000
Motor vehicles and spare parts	**503,211**	2,320,648
Heavy equipment and spare parts	**579,546**	844,308
Others	**680**	–
	1,083,437	3,164,956

25. Properties Held for Sale

	Group 2005 HK$'000	2004 HK$'000
Properties held for sale, at cost	**1,217,145**	171,589

Details of the properties held for sale are as follows:

Location	Use	Group's interest	Site area	Gross floor area	Stage of completion
Starcrest, Phases I and II, A3 Residential Area, Wang Jing New City, Chaoyang District, Beijing, PRC	Residential/ parking spaces	95%	99,470m^2	250,834m^2	Completed
Lots A and B, 1319, Yan An Xi Road, Changning District, Shanghai, PRC	Residential/ commercial/ parking spaces	100%*	15,363m^2	61,051m^2	Completed

* The Group has a 100% equity interest in the subsidiary which is engaged in the development of this property. A PRC party has provided a portion of the land whilst the Group finances all the development costs. The PRC party is entitled to a share of the gross floor area of 7,200m^2 upon completion in accordance with the terms and conditions of the land use agreement with the PRC party.

Certain properties held for sale with an aggregate carrying value of approximately HK$87,822,000 (2004: HK$70,400,000) are subject to deferred sales contracts pursuant to which the buyers are required to purchase the properties at agreed prices within three years from the respective contract dates. Down payments received from the buyers in the current year are included in the "Sundry payables and accruals" account. Sales will be recognised when ownership to the properties have been transferred to the buyers upon receipt of full payment.

26. Trade Receivables

The Group has granted credit to substantially all its debtors ranging from 30-60 days. Due to certain trade patterns, a minority of debtors have been given a credit period of 90-150 days. The Group seeks to maintain strict control over its outstanding receivables and has credit control to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current	**902,141**	616,023
0 – 3 months	**846,731**	248,080
4 – 6 months	**49,768**	23,672
7 – 12 months	**8,631**	5,760
Over 1 year	**80**	68,788
	1,807,351	962,323

27. Bills Receivable with Full Recourse/Bills Discounted with Full Recourse

Bills receivable with full recourse are not yet overdue and non interest-bearing. The bills discounted with full recourse are repayable within one year and bear interest at an average floating interest rate of 4.5% per annum. Their carrying amounts approximate to their fair values.

28. Prepayments, Deposits and Sundry Receivables

	Group		**Company**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments and deposits	**421,522**	147,820	**596**	611
Sundry debtors	**342,903**	301,909	**1,825**	1,366
	764,425	449,729	**2,421**	1,977

29. Equity Investments at Fair Value Through Profit or Loss/Short Term Investments

	Group	
	2005	2004
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**110,486**	148,703
Overseas	**15,884**	–
	126,370	148,703

The above equity investments at 31 December 2005 were held for trading.

30. Cash and Cash Equivalents and Pledged Time Deposits

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**707,669**	840,744	**93**	6,171
Time deposits	**266,312**	326,310	**39,708**	55,919
	973,981	1,167,054	**39,801**	62,090
Less:				
Pledged time deposits for trading of foreign exchange	**–**	(161,327)	**–**	–
Pledged deposits from property purchasers	**–**	(3,728)	**–**	–
Pledged deposits for securing payments to a main contractor	**(23,883)**	(26,692)	**–**	–
Pledged time deposits for securing a loan advanced to a PRC company included in long term investments	**–**	(5,660)	**–**	–
	(23,883)	(197,407)	**–**	–
Cash and cash equivalents	**950,098**	969,647	**39,801**	62,090

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

31. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current	**1,376,240**	2,124,367
0 – 3 months	**59,089**	56,207
4 – 6 months	**8,879**	11,812
7 – 12 months	**19,353**	1,445
1– 2 years	**–**	32
	1,463,561	2,193,863

The trade payables are non interest-bearing and are normally settled on 60-day terms.

32. Sundry Payables and Accruals

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**382,625**	216,954	**1,152**	2,744
Deposits received	**1,099,022**	204,515	**–**	-
Sundry payables	**130,409**	130,611	**6**	6
	1,612,056	552,080	**1,158**	2,750

Sundry payables are non interest-bearing and have an average term of three months.

33. Derivative Financial Instruments

	2005
	Liabilities
Group	**HK$'000**
Cross currency interest rate swaps	**31,224**
Portion classified as non-current	**(15,177)**
Current portion	**16,047**

The carrying amounts of interest rate swaps are the same as their fair values.

33. Derivative Financial Instruments (continued)

Fair value hedge

At 31 December 2005, the Group had cross currency interest rate swap agreements in place with aggregate notional amounts of HK$387,755,000. The swap agreements are used to hedge the exposure to changes in the fair value of certain of its bank loans with interest rates of 3.8%, 4.7% and LIBOR plus 0.8%, at the aggregate fair value of HK$387,755,000. Under the swap agreements, the Group receives interest at fixed rates of 3.8%, 4.7%, and LIBOR plus 0.8%, and pays variable rates at the Korean certificate of deposit ("CD") rate plus 0.85% and the CD rate plus 0.9% on the notional amounts. The secured debts and cross currency interest rate swap agreements have the same critical terms. These hedges of the cross currency interest rate swaps were assessed to be effective.

34. Interest-Bearing Bank Borrowings and Other Non Interest-Bearing Borrowing

	Average interest rate (%)	Group	
		2005	2004
		HK$'000	HK$'000
			(Restated)
Current			
Bank overdrafts – unsecured	4.79	**9,237**	26,802
Bank loans – unsecured*	4.60	**770,185**	1,875,079
Bank loans – secured	–	**–**	7,500
Trust receipt loans	4.32	**1,111,094**	1,241,504
Other loan – unsecured	–	**–**	95,000
		1,890,516	3,245,885
Non-current			
Bank loans – unsecured*	4.60	**963,268**	–
		2,853,784	3,245,885

* Includes the effects of the related cross currency interest rate swaps as further detailed in note 33 to the financial statements.

	Average interest rate (%)	Company	
		2005	2004
		HK$'000	HK$'000
			(Restated)
Current			
Bank loans – unsecured	4.78	**27,143**	252,763
Other loan – unsecured	–	**–**	95,000
		27,143	347,763
Non-current			
Bank loans – unsecured	4.78	**234,592**	–
		261,735	347,763

34. Interest-Bearing Bank Borrowings and Other Non Interest-Bearing Borrowing (continued)

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Analysed into:				
Bank overdrafts repayable within one year or on demand	**9,237**	26,802	**–**	–
Bank loans repayable:				
Within one year or on demand	**770,185**	1,882,579	**27,143**	252,763
In the second year	**131,685**	–	**36,837**	–
In the third to fifth years, inclusive	**761,787**	–	**162,857**	–
Beyond five years	**69,796**	–	**34,898**	–
	1,733,453	1,882,579	**261,735**	252,763
Other loan repayable on demand	**–**	95,000	**–**	95,000
Trust receipt loans repayable within one year	**1,111,094**	1,241,504	**–**	–
	2,853,784	3,245,885	**261,735**	347,763
Portion classified as current liabilities	**(1,890,516)**	(3,245,885)	**(27,143)**	(347,763)
Long term portion – unsecured	**963,268**	–	**234,592**	–

(a) At 31 December 2004, a bank loan of the Group amounting to HK$7,500,000 was secured by the Group's leasehold land and buildings, which had an aggregate net book value at the balance sheet date of approximately HK$11,250,000 (note 13).

(b) At 31 December 2004, the Group's and the Company's other loan was advanced by a major shareholder. This loan was unsecured, interest-free and repaid during the year.

(c) Except for bank loans with aggregate carrying value of approximately HK$311,975,000 which bear interest at fixed rates, all other borrowings of the Group and the Company bear interest at floating interest rates.

(d) The carrying amounts of the Group's and the Company's borrowings approximate to their fair values.

35. Provisions

Group

	Product warranties HK$'000	Long service payments HK$'000	Total HK$'000
At 1 January 2005	25,943	11,912	37,855
Exchange adjustment	692	147	839
Provided during the year (note 5)	11,311	10,415	21,726
Amounts utilised during the year	(7,818)	(7,191)	(15,009)
At 31 December 2005	30,128	15,283	45,411

The Group provides warranties to its customers on certain of its motor vehicles within the free warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 2.5 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date, less any amount that would be expected to be met by the Group's retirement benefit schemes.

36. Deferred Tax

The movements in deferred tax liabilities and assets during the year were as follows:

Deferred tax liabilities

Group

HK$'000	Fair value adjustments arising from acquisitions of subsidiaries		Unremitted earnings		Revaluation of properties		Others		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
At 1 January	149,418	153,939	46,326	41,137	834	834	2,627	(265)	199,205	195,645
Deferred tax charged/ (credited) to the income statement during the year (note 9)	(7,775)	(4,521)	4,286	5,189	(21)	–	962	2,892	(2,548)	3,560
Gross deferred tax liabilities at 31 December	141,643	149,418	50,612	46,326	813	834	3,589	2,627	196,657	199,205

36. Deferred Tax (continued)

Deferred tax assets

Group

HK$'000	Losses available for offset against future taxable profits		Provision		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
At 1 January	**12,727**	6,998	**11,999**	16,376	**8,336**	3,717	**33,062**	27,091
Deferred tax credited/(charged) to the income statement during the year (note 9)	**(1,595)**	5,729	**(2,333)**	(6,937)	**(8,558)**	4,199	**(12,486)**	2,991
Disposal of a subsidiary (note 40(a))	**–**	–	**–**	–	**–**	(96)	**–**	(96)
Exchange differences	**–**	–	**321**	2,560	**222**	516	**543**	3,076
Gross deferred tax assets at 31 December	**11,132**	12,727	**9,987**	11,999	**–**	8,336	**21,119**	33,062

The Group has tax losses arising in Hong Kong of HK$49,434,000 (2004: HK$57,491,000) that are available indefinitely, and in Mainland China of HK$52,089,000 (2004: HK$37,143,000) that are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets arising in Hong Kong and Mainland China have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

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

37. Share Capital

Shares	**2005 HK$'000**	2004 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$1 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,060,519,774 (2004: 1,049,519,774) ordinary shares of HK$1 each	**1,060,520**	1,049,520

During the year, 11,000,000 ordinary shares of HK$1 each were issued for cash at an exercise price of HK$3 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$33,000,000. The warrant subscription reserve of HK$5,500,000 attaching to the exercised warrants was accordingly reclassified into the share premium account.

During the year ended 31 December 2004, 98,350,948 ordinary shares of HK$1 each were issued for cash at an exercise price of HK$3 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$295,052,844. The warrant subscription reserve of HK$49,175,000 attaching to the exercised warrants was accordingly reclassified into the share premium account.

A summary of the transactions during the year by reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	**Issued share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2004	951,168,826	951,169	2,459,521	3,410,690
Warrants exercised	98,350,948	98,351	245,877	344,228
At 31 December 2004 and 1 January 2005	1,049,519,774	1,049,520	2,705,398	3,754,918
Warrants exercised	11,000,000	11,000	27,500	38,500
At 31 December 2005	1,060,519,774	1,060,520	2,732,898	3,793,418

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

37. Share Capital (continued)

Warrants

A rights issue of warrants at an initial subscription price of HK$0.5 per warrant was made in the proportion of one warrant for every five shares held by members on the register of members on 28 May 2001, resulting in 190,233,000 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$1 at an initial exercise price of HK$3 per share, payable in cash and subject to adjustment, at any time from 19 June 2001 to 19 June 2006. In accordance with the terms and conditions of the instrument constituting the warrants dated 25 May 2001, the subscription rights attaching to the warrants will expire at 4:00 p.m. on the last business day of Monday, 19 June 2006.

During the year, 11,000,000 warrants were exercised for 11,000,000 ordinary shares of HK$1 each at a price of HK$3 per share. At the balance sheet date, the Company had 80,878,226 (2004: 91,878,226) warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 80,878,226 additional ordinary shares of HK$1 each.

38. Share Option Scheme

The Company operated a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the Scheme include the employees and directors (excluding non-executive directors) of the Company and any of its subsidiaries. The Scheme became effective on 25 June 1997 and lapsed on 24 June 2002. All share options granted prior to the expiration of the Scheme remain in full force and effect.

The maximum number of shares in respect of which options may be granted under the Scheme was not permitted to exceed 5% of the issued share capital of the Company from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme was not permitted to exceed 25% of the maximum aggregate number of shares in respect of the options granted under the Scheme.

The offer of a grant of share options could be accepted from the date of the offer upon payment of HK$1, being the nominal consideration for the grant of an option. The granted share options may be exercised at any time during the period of eight years from the second anniversary of the date on which the share option is deemed to be granted and accepted by the holders in accordance with the provisions of the Scheme.

The exercise price of the share options is the higher of 80% of the average of the closing prices on the Stock Exchange for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares.

Share options do not confer rights on the holders to receive dividends or to vote at shareholders’ meetings.

38. Share Option Scheme (continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options: At 1 January 2005	Lapsed during the year	At 31 December 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$	Price of the Company's shares at grant date of options HK$
Directors							
GAN Khian Seng	500,000	–	500,000	2-8-1997	1-9-1999 to 31-8-2007	5.89	7.75
	200,000	–	200,000	24-1-1998	31-1-2000 to 30-1-2008	6.00	7.45
YONG Foo San, JP	500,000	–	500,000	2-8-1997	21-8-1999 to 20-8-2007	5.89	7.75
	200,000	–	200,000	24-1-1998	27-1-2000 to 26-1-2008	6.00	7.45
HARMS Volker Josef Eckehard	500,000	–	500,000	2-8-1997	2-8-1999 to 1-8-2007	5.89	7.75
	200,000	–	200,000	24-1-1998	24-1-2000 to 23-1-2008	6.00	7.45
LIM Mooi Ying, Marianne	500,000	–	500,000	2-8-1997	2-8-1999 to 1-8-2007	5.89	7.75
	200,000	–	200,000	24-1-1998	27-1-2000 to 26-1-2008	6.00	7.45
POH Yeow Kim Lawrence	100,000	–	100,000	24-1-1998	9-2-2000 to 8-2-2008	6.00	7.45
	2,900,000	–	2,900,000				
Other employees in aggregate	3,105,000	(20,000)	3,085,000	2-8-1997	(Note)	5.89	7.75
	2,046,000	(10,000)	2,036,000	24-1-1998	(Note)	6.00	7.45
	5,151,000	(30,000)	5,121,000				
	8,051,000	(30,000)	8,021,000				

Note: The granted share options may be exercised at any time during the period of eight years from the second anniversary of the date on which the share option is deemed to be granted and accepted by the holders in accordance with the provisions of the Scheme.

At the balance sheet date, the Company had 8,021,000 share options outstanding under the Scheme, which represented approximately 0.76% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 8,021,000 additional ordinary shares of the Company and an additional share capital of HK$8,021,000 and share premium of HK$39,545,650 before the related share issue expenses.

39. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 60 to 63 of the financial statements.

Pursuant to the respective laws and regulations for Sino-foreign joint venture enterprises and Korea and Taiwan incorporated companies, a portion of the profits of subsidiaries and associates of the Group in the PRC, Korea and Taiwan has been transferred to reserve funds.

Certain amounts of goodwill arising on the acquisitions of subsidiaries in prior years remain eliminated against the consolidated reserves, as explained in note 17 to the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Warrant subscription reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2004		2,459,521	91,646	622,474	3,173,641
Exercise of warrants	37	245,877	(49,175)	–	196,702
Net profit for the year		–	–	13,634	13,634
Proposed 2004 final dividend	11	–	–	(31,816)	(31,816)
At 31 December 2004 and 1 January 2005		2,705,398	42,471	604,292	3,352,161
Exercise of warrants	37	27,500	(5,500)	–	22,000
Net profit for the year		–	–	17,508	17,508
Proposed 2005 final dividend	11	–	–	(31,816)	(31,816)
At 31 December 2005		2,732,898	36,971	589,984	3,359,853

40. Notes to the Consolidated Cash Flow Statement

(a) Disposal of a subsidiary in the prior year

	2004 HK$'000
Net assets disposed of:	
Trade receivables, prepayments and deposits	12
Cash and bank balances	629
Deferred tax assets (note 36)	96
Interests in associates	44,425
Interest in a jointly-controlled entity	236,326
Trade payables, accruals and deposits received	(12)
Minority interest	(116,155)
	165,321
Gain on disposal of subsidiaries (note 5)	90,795
Reserve funds released	(4,082)
Exchange reserve released	1,429
	253,463
Satisfied by:	
Cash received	253,463

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

Cash received	253,463
Cash and bank balances disposed of	(629)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	252,834

The subsidiaries disposed of in the prior year, whose major asset is an interest in a jointly-controlled entity, contributed approximately HK$17 million to the consolidated profit after tax in the prior year and had no significant impact on the Group's consolidated turnover.

40. Notes to the Consolidated Cash Flow Statement (continued)

(b) Purchases of additional interests in subsidiaries during the year

	2005 HK$'000	2004 HK$'000
Purchases of additional interests in subsidiaries, previously accounted for as minority interests	**14,638**	17,110
Goodwill on acquisition (note 17)	**2,911**	791
	17,549	17,901
Satisfied by:		
Cash	**17,549**	17,901

An analysis of the net outflow of cash and cash equivalents in respect of the purchase of additional interests in subsidiaries during the year is as follows:

	2005 HK$'000	2004 HK$'000
Net outflow of cash and cash equivalents in respect of the purchases of additional interests in subsidiaries	**17,549**	17,901

(c) Acquisition of a subsidiary in the prior year

	2004 HK$'000 (Restated)
Net liabilities acquired:	
Property, plant and equipment (note 13)	16,809
Prepaid land premiums (note 15)	40,779
Cash and cash equivalents	61,987
Inventories	36,301
Sundry receivables	11,030
Sundry payables and accruals	(6,729)
Interest-bearing bank borrowings	(171,237)
	(11,060)
Goodwill on acquisition (note 17)	11,909
	849
Satisfied by:	
Cash	849

40. Notes to the Consolidated Cash Flow Statement (continued)

(c) Acquisition of a subsidiary in the prior year (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary in the prior year is as follows:

	2004
	HK$'000
Cash consideration	(849)
Cash and cash equivalents acquired	61,987
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	61,138

The subsidiary acquired in the prior year contributed approximately HK$232 million and HK$7 million to the consolidated turnover and the consolidated profit after tax in the prior year, respectively.

41. Contingent Liabilities

At the balance sheet date, the Group had contingent liabilities in respect of bank guarantees on behalf of customers amounting to HK$30,614,000 (2004: HK$15,501,000).

At 31 December 2004, the Group had contingent liabilities in respect of bills discounted with recourse amounting to HK$282,778,000.

At the balance sheet date, the Company had contingent liabilities relating to guarantees given to banks to secure general banking facilities granted to subsidiaries amounting to HK$8,029,567,000 (2004: HK$5,992,100,000).

42. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**25,307**	12,774
In the second to fifth years, inclusive	**43,527**	26,802
	68,834	39,576

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**39,520**	52,722
In the second to fifth years, inclusive	**71,372**	62,597
Beyond five years	**87,943**	62,306
	198,835	177,625

43. Commitments

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2005	2004
	HK$'000	HK$'000
Contracted, but not provided for:		
Properties under development	**138,892**	598,569
Construction in progress	**63,533**	47,934
Leasehold improvements	**3,803**	1,201
Furniture, fixtures and equipment	**2,854**	238
Capital contributions payable to subsidiaries	**167,184**	108,688
	376,266	756,630
Authorised, but not contracted for:		
Construction in progress	**45,908**	14,009
Leasehold improvements	**3,584**	–
Furniture, fixtures and equipment	**13,824**	–
Total capital commitments	**439,852**	770,639

44. Related Party Transactions

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

(i) During the year, the Group was appointed as an agent of Mercedes-Benz (China) Limited ("MBCL"), an associate of the Group, to provide it with trade finance services for service income based on 1.5% of the transaction value. As the related services were not yet completed, no service revenue was recorded by the Group during the year. The balance owing from MBCL as at 31 December 2005 was HK$127,703,000 which was unsecured, interest-free and are repayable on similar credit terms to those offered to the major customers of the Group.

(ii) In the prior year, the Group disposed of a 51% owned subsidiary, Zhong Li Investment Limited, to Capital Motors Inc., an associate of the Company for a total cash consideration of HK$253,463,000. Further details of the transaction are included in note 40(a) to the financial statements. The transaction also constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

(b) Except for the balance owing from MBCL detailed in note 44(a)(i) above which is included in "Prepayments, deposits and sundry receivables", details of the Group's amounts due from/to its associates as at the balance sheet date are included in note 20 to the financial statements.

44. Related Party Transactions (continued)

(c) Compensation of key management personnel of the Group (excluding directors' emoluments):

	2005	2004
	HK$'000	HK$'000
Short term employee benefits	**17,440**	6,964
Post-employment benefits	**816**	314
Total compensation paid to key management personnel	**18,256**	7,278

Further details of directors' emoluments are included in note 7 to the financial statements.

45. Financial Risk Management Objectives and Policies

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

The Group also enters into derivative transactions, including principally cross currency interest rate swaps contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

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

Liquidity Risk

Liquidity risk is the risk of not having access to sufficient funds to meet the Group's obligation as they become due. The Group's funding for treasury activities are monitored by a Central Treasury at the corporate level. Its objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank loans. Banking facilities have therefore been put in place for contingency purposes.

Credit Risk

Credit risk is the risk of economic loss resulting from the failure of one of the Group's customers to make payment when due or in the case of equity investments, the loss in value resulting from a corporate failure. The Group mitigates credit risk by utilising detailed credit policies, undertaking credit analysis on potential customers and where applicable, establishing risk sharing arrangements with other partners.

45. Financial Risk Management Objectives and Policies (continued)

Foreign Currency Risk

Foreign currency risk is the risk of incurring a loss in the value of a financial instrument or a loss in the Group's investments as a result of changes in foreign currency exchange rates. The Group manages its foreign currency trading risk with trading policies and close monitoring of adherence to such policies. The Group has significant investments in the PRC and its balance sheet, including a portion of its bank loans denominated in US$, can be affected by movements in the RMB/HK$ and RMB/US$ exchange rates. As both the HK$ and RMB are pegged to the US$, the Group does not expect significant movements in the exchange rates.

46. Segment Information

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

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

(a) the "Trading of motor vehicles and spare parts and provision of after-sales services" segment engages in the distribution of Mercedes-Benz passenger cars and the after-sales services in the Northern and Eastern regions of the PRC, Korea and Vietnam;

(b) the "Trading of heavy equipment and provision of product support services" segment handles the distribution of Caterpillar heavy equipment and the product support services in the Eastern region of the PRC and Taiwan;

(c) the "Property development and investment" segment engages in property development and real estate management of the Group's property portfolio in the PRC;

(d) the "General trading" segment engages in the trading of wood-based products, fertilisers and watch components;

(e) the "Securities broking and trading" segment engages in the provision of securities broking services and the trading in listed equity investments in Hong Kong and overseas;

(f) the "Trading of foreign exchange" segment engages in foreign exchange investments;

(g) the "Money lending" segment engages in the provision of loan finance; and

(h) the "Others" segment comprises the Group's other businesses, together with corporate income and expense items.

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

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

46. Segment Information (continued)

(a) Business segments

The following table presents revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

Group	Trading of motor vehicles and spare parts and provision of after-sales services		Trading of heavy equipment and provision of product support services		Property development and investment		General trading	
	2005 HK$'000	2004 HK$'000 (Restated)	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Segment revenue:								
Sales to external customers	7,608,265	5,067,213	2,217,284	1,961,501	473,070	128,532	1,781,782	1,291,105
Intersegment sales	–	–	–	–	–	–	2,562,444	2,408,498
Intersegment revenue	9,128	5,850	5	–	2,719	205	28,779	17,168
Other revenue	107,342	129,142	5,394	3,252	9,819	5,509	11,892	8,964
Total	7,724,735	5,202,205	2,222,683	1,964,753	485,608	134,246	4,384,897	3,725,735
Segment results	199,003	111,786	71,382	85,380	184,849	(24,492)	77,298	54,283
Finance costs								
Share of profits and losses of:								
A jointly-controlled entity	–	17,090	–	–	–	–	–	–
Associates	58,978	36,075	–	–	–	–	–	160
Profit before tax								
Tax								
Profit for the year								
Assets and liabilities								
Segment assets	5,244,142	5,477,450	1,338,849	1,500,786	2,709,004	1,944,356	1,718,725	983,483
Interests in associates	1,711,780	1,539,871	–	–	–	–	(18,422)	(14,233)
Unallocated assets								
Total assets								
Segment liabilities	1,775,226	2,878,984	609,644	327,678	1,113,171	81,197	768,876	120,170
Unallocated liabilities								
Total liabilities								
Other segment information:								
Depreciation and amortisation	75,254	111,140	14,533	11,703	12,310	8,474	3,722	3
Other non-cash expenses, net	26,278	17,301	28,777	(3,434)	19	(5,469)	3,635	–
Capital expenditure	713,768	349,182	88,231	21,227	586,737	249,241	2,907	–

Securities broking and trading		Trading of foreign exchange		Money lending		Others		Eliminations		Consolidated	
2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000 (Restated)
13,123	74,480	**(34,128)**	8,859	**10,670**	11,853	**4,439**	3,204	**–**	–	**12,074,505**	8,546,747
–	–	**–**	–	**–**	–	**–**	–	**(2,562,444)**	(2,408,498)	**–**	–
–	–	**–**	–	**–**	–	**37,649**	28,523	**(78,280)**	(51,746)	**–**	–
2,484	27,811	**–**	–	**2**	–	**4,291**	218	**–**	–	**141,224**	174,896
15,607	102,291	**(34,128)**	8,859	**10,672**	11,853	**46,379**	31,945	**(2,640,724)**	(2,460,244)	**12,215,729**	8,721,643
(22,051)	73,364	**(75,552)**	8,025	**4,186**	1,955	**28,337**	23,667	**(28,784)**	(17,168)	**438,668**	316,800
										(148,167)	(87,516)
–	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	17,090
–	–	**–**	–	**–**	–	**(3,134)**	(1,403)	**–**	–	**55,844**	34,832
										346,345	281,206
										(82,072)	(48,586)
										264,273	232,620
318,090	347,205	**–**	161,327	**218,683**	179,591	**75,462**	93,538	**(1,216,099)**	(708,755)	**10,406,856**	9,978,981
–	–	**–**	–	**–**	–	**30,748**	15,548	**–**	–	**1,724,106**	1,541,186
										21,119	33,062
										12,152,081	11,553,229
23,419	31,282	**–**	–	**59,291**	59,704	**18,724**	20,340	**(1,216,099)**	(708,755)	**3,152,252**	2,810,600
										3,437,850	3,473,276
										6,590,102	6,283,876
54	365	**–**	–	**–**	–	**2,260**	2,189	**–**	–	**108,133**	133,874
(1,514)	(27,508)	**–**	–	**–**	–	**959**	187	**–**	–	**58,154**	(18,923)
50	–	**–**	–	**–**	–	**3,710**	220	**–**	–	**1,395,403**	619,870

46. Segment Information (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group	People's Republic of China									
	Hong Kong		Mainland China		Other Asian regions		Eliminations		Consolidated	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Segment revenue:										
Sales to external customers	1,182,846	868,706	7,494,381	4,848,747	3,397,278	2,829,294	–	–	12,074,505	8,546,747
Other segment information:										
Segment assets	2,429,965	2,910,344	6,861,337	5,995,609	2,331,653	1,781,783	(1,216,099)	(708,755)	10,406,856	9,978,981
Capital expenditure	3,688	289	771,390	464,977	620,325	154,604	–	–	1,395,403	619,870

47. Subsidiaries

Particulars of the principal subsidiaries are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Company 2005	Percentage of equity attributable to the Company 2004	Principal activities
Lei Shing Hong Automobile Limited #	Corporate	Hong Kong	HK$2,200,000,000	100	100	Investment holding
Sino Motors Company Limited	Corporate	Hong Kong	HK$3,000,000	100	100	Investment holding
Mandarin Star Holding Limited	Corporate	Hong Kong	HK$20,000,000	100	100	Investment holding
Eastern Star Automobile Limited	Corporate	Hong Kong	HK$10,000	100	100	Trading of motor vehicles

47. Subsidiaries (continued)

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Shanghai Eastern Star Automobile Trading Company Limited	WFOE +	PRC/ Mainland China	US$4,460,000	**100**	100	Trading of motor vehicles
Shanghai Star Automobile Service Company Limited	WFOE +	PRC/ Mainland China	US$3,600,000	**100**	100	Motor vehicle repairs and maintenance
Xiamen Airport Star Automobile Repair Centre Limited *	Sino-foreign joint venture enterprise	PRC/ Mainland China	RMB12,500,000	**60**	60	Motor vehicle repairs and maintenance
Pasture Developments Limited	Corporate	British Virgin Islands@	US$100	**100**	100	Investment holding
Glory Sheen Investment Limited	Corporate	Hong Kong	HK$10,000	**100**	100	Investment holding
Big Dragon Limited	Corporate	British Virgin Islands@	HK$10,000	**100**	100	Investment holding
Han Sung Motor Company Limited	Corporate	Korea	WON7,550,000,000	**100**	97	Investment holding and trading of motor vehicles
Asia Pacific Star Limited	Corporate	British Virgin Islands@	US$1	**100**	100	Investment holding
Vietnam Star Automobile Limited*	Corporate	Vietnam	US$3,000,000	**100**	100	Trading of motor vehicles

47. Subsidiaries (continued)

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Beijing Star Automobile Service Company Limited *	Sino-foreign joint venture enterprise	PRC/ Mainland China	US$10,000,000	**80**	80	Motor vehicle repairs and maintenance
Jinan Star Automobile Repair and Service Company Limited *	Sino-foreign joint venture enterprise	PRC/ Mainland China	US$5,000,000	**60**	60	Motor vehicle repairs and maintenance
Dalian Star Automobile Service Company Limited *	Sino-foreign joint venture enterprise	PRC/ Mainland China	US$5,000,000	**63**	63	Motor vehicle repairs and maintenance
Qingdao Star Automobile Service Company Limited *	Sino-foreign joint venture enterprise	PRC/ Mainland China	US$1,650,000	**60**	60	Motor vehicle repairs and maintenance
Northern Star Automobile (Hong Kong) Limited	Corporate	Hong Kong	HK$1,000	**59**	59	Trading of motor vehicles
Northern Star (Tianjin) Automobile Limited *	Sino-foreign joint venture enterprise	PRC/ Mainland China	US$30,000,000	**59**	59	Trading of motor vehicles
Lei Shing Hong (Singapore) Pte Limited */#	Corporate	Singapore	S$7,000,000	**100**	100	General trading
Lei Shing Hong Machinery Limited #	Corporate	Hong Kong	HK$100,000,000	**100**	100	Investment holding and trading of heavy equipment

47. Subsidiaries (continued)

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Capital Machinery Limited	Corporate	Taiwan	NT$200,000,000	100	100	Trading of heavy equipment
Lei Shing Hong Machinery (Kunshan) Company Limited	WFOE +	PRC/ Mainland China	US$6,000,000	100	100	Provision of product support services of heavy equipment
Lei Shing Hong Machinery (Shanghai) Company Limited	WFOE +	PRC/ Mainland China	US$500,000	100	100	Trading of heavy equipment
Lei Shing Hong Properties Limited #	Corporate	Hong Kong	HK$1,000,000,000	100	100	Investment holding
Lei Shing Hong Properties (China) Limited	Corporate	Hong Kong	HK$10,000	100	100	Investment holding
Shanghai Lee Kwok Properties Limited *	WFOE +	PRC/ Mainland China	US$12,000,000	100	100	Property development
Beijing Bao Xing Property Company Limited *	Sino-foreign joint venture enterprise	PRC/ Mainland China	US$12,000,000	95	95	Property development
Lei Sing Property Development (Shanghai) Limited *	Sino-foreign joint venture enterprise	PRC/ Mainland China	US$20,000,000	95	95	Property development

47. Subsidiaries (continued)

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Lei Shing Hong Trading Limited #	Corporate	Hong Kong	HK$10,000,000	100	100	Investment holding and general trading
Lei Shing Hong Wood Products Limited	Corporate	British Virgin Islands@	US$2,000,000	100	100	Investment holding
Lei Shing Hong Wood Products (Shanghai) Company Limited	WFOE +	PRC/ Mainland China	US$1,000,000	100	100	General trading
Lei Shing Hong Capital Limited #	Corporate	Hong Kong	HK$10,000	100	100	Investment holding
Lei Shing Hong Investment Limited	Corporate	Hong Kong	HK$10,000	100	100	Share trading and investment and foreign exchange trading
Lei Shing Hong Securities Limited	Corporate	Hong Kong	HK$100,000,000	100	100	Securities dealing
Lei Shing Hong Insurance Services Limited	Corporate	Hong Kong	HK$100,000	100	100	Insurance brokerage
Lei Shing Hong Finance Limited	Corporate	Hong Kong	HK$45,000,000	100	100	Provision of financial services
Lei Shing Hong Credit Limited	Corporate	Hong Kong	HK$10,000	100	100	Provision of financial services
Carlsberg Distributors Taiwan Limited	Corporate	Taiwan	NT$10,000,000	100	–	Distribution of beer products

47. Subsidiaries (continued)

* Audited by public accountants other than Ernst & Young

\# Directly held by the Company

@ The principal place of operations is Hong Kong

\+ Wholly-foreign-owned enterprise ("WFOE")

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

48. Associates

Particulars of the Group's principal associates are as follows:

Name	Nominal value of issued ordinary share capital/registered share capital	Place of incorporation/ registration	Percentage of ownership interest to the Group		Principal activities
			2005	2004	
CMI Holdings Limited (formerly Capital Motors Inc.)	NT$3,500,000,000	Taiwan	**34.9**	34.9	Trading of motor vehicles
DaimlerChrysler Taiwan Limited */&	NT$1,715,000,000	Taiwan	**17.8**	17.8	Trading of motor vehicles
Shanghai Ben Chi Automobile Limited */#	US$3,500,000	PRC/Mainland	**55**	55	Trading of motor vehicles
Shanghai Dong Chi Automobile Service Company Limited */#	US$2,300,000	PRC/Mainland	**55**	55	Trading of motor vehicles
Mercedes-Benz Korea Limited *	WON3,000,000,000	Korea	**49**	47.5	Trading of motor vehicles

48. Associates (continued)

Name	Nominal value of issued ordinary share capital/registered share capital	Place of incorporation/ registration	Percentage of ownership interest to the Group 2005	2004	Principal activities
DaimlerChrysler Financial Services Korea Limited (formerly DaimlerChrysler Services Korea Limited) */@	WON20,000,000,000	Korea	**20**	19.4	Provision of financial services
DaimlerChrysler Financial Services China Limited (formerly DaimlerChrysler Services China Limited) */@	HK$90,000,000	Hong Kong	**20**	20	Provision of financial services
Caterpillar Logistics Services China Limited *	HK$10,000	Hong Kong	**30**	30	Provision of logistic service
Mercedes-Benz (China) Limited *	US$60,000,000	PRC/Mainland	**49**	-	Trading of motor vehicles

* Audited by public accountants other than Ernst & Young.

\# The interests in these companies have not been accounted for as interests in subsidiaries because the directors consider that the Group does not exercise unilateral control over the joint ventures' boards of directors.

& The interest in this company has been accounted for as an interest in an associate because the Group has significant influence on the company, the shareholding in which is held through a 34.9% associate.

@ The interest in this company has been accounted for as an interest in an associate because the Group has significant influence on the company, the shareholding in which is held through a wholly-owned subsidiary.

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

49. Post Balance Sheet Event

On 6 March 2006, the Group acquired additional 25% interests in Northern Star Automobile (Hong Kong) Limited and Northern Star (Tianjin) Automobile Limited, both being 59% subsidiaries engaged in the trading of motor vehicles. The purchase consideration of HK$87,233,000 for the acquisition was in the form of cash. The acquisition generated goodwill estimated at HK$27,644,000, which will be capitalised and tested for impairment at least annually.

50. Comparative Amounts

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

51. Approval of the Financial Statements

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