1. GENERAL

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company, its subsidiaries and its jointly controlled entities (collectively herein the "Group") is engaged in garment manufacturing and trading, branded products distribution, property investment and management, property development and other investing activities.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new/revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which become effective for accounting periods beginning on or after 1 January 2005. In 2005, the Group adopted the new HKFRSs except for HKAS 40 "Investment Property" and HKAS Interpretation 21 "Income Taxes-Recovery of Revalued Non-Depreciable Assets" which were early adopted in the 2004. The major changes to the Group's accounting policies which have material financial effect on the Group are detailed below. The 2004 comparatives have been reclassified/restated as required, in accordance with the relevant requirements.

(a) Financial instruments

Prior to 1 January 2005, derivatives of the Group were not recognised in the financial statements. Following the adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement", all derivatives are stated at fair value. The gain or loss on changes in fair value is recognised generally in the income statement unless the derivative qualifies for hedge accounting. Where a derivative qualifies for hedge accounting and is designated as a cash flow hedge, the effective part and the ineffective part of any unrealised gain or loss on the instrument is recognised directly in hedging reserve and in the income statement respectively. The cumulative gain or loss associated with the effective part of the cash flow hedge recorded in hedging reserve will be recognised in the income statement in the same period or periods during which the gain or loss arising from the hedged transaction is recognised in the income statement.

In prior years, strategic investments held for long-term were classified as investments in securities and were stated at cost less impairment losses. Since 1 January 2005, such investments meet the recognition and measurement requirements under HKAS 32 and 39 as "available-for-sale financial assets" and have been reclassified as strategic investments, and are carried at fair value or cost less impairment loss if their fair value cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in investment revaluation reserve. On the disposal of the investment or when an investment is determined to be impaired, the cumulative gain or loss previously recognised in investment revaluation reserve will be transferred to the income statement.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (cont'd)

(b) Jointly controlled entities

Pursuant to the revised accounting standard HKAS 31 "Investments in Joint Ventures", the Group's interests in jointly controlled entities are accounted for using proportionate consolidation. The Group consolidates its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that it is attributable to the other ventures. The Group does not recognise its share of profits or losses from the jointly controlled entities the result from the Group's purchase of assets from the jointly controlled entities until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In prior years, these jointly controlled entities were accounted for as associates using the equity method. The change in accounting policy affects the presentation of the Group's share of results, assets and liabilities in these entities, there is no financial impact to the net assets and results of the Group for the current and prior years.

(c) Leasehold land and land use rights

Following the adoption of HKAS 17 "Leases" and Hong Kong Interpretation 4 "Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases", leasehold interests in the land and land use rights for own use are reclassified as "leasehold land and land use rights" and amortised over the period of the lease on a straight-line basis. Prepaid land lease is included in properties under development and properties under development for sale, of which the amortisation of prepaid land lease is capitalised as part of the building costs during the development period but charged to the income statement for completed properties.

(d) Share-based payment

In accordance with HKFRS 2 "Share-based Payments", the fair value of share options and share-based arrangements at grant date are amortised over the relevant vesting period to the income statement. The Group had no unvested share option outstanding at 31 December 2004 and the policy has been applied from 1 January 2005 onwards.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (cont'd)

(e) Effects of changes in accounting policies

Pursuant to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (which outlines the disclosure requirements when a change in accounting policy has a material effect on the current and prior periods presented), the Group has applied the new accounting policies retrospectively except for HKAS 32 and HKAS 39 which are applied prospectively in accordance with the transitional provisions. These effects are summarised as follows:

	HKAS 17 HK$'M	HKAS 32 & 39 HK$'M	HKFRS 2 HK$'M	Total HK$'M
Effects on periods prior to 2004:				
Decrease in amortisation of leasehold land	0.2	–	–	0.2
Increase in retained profits as at 1 January 2004	0.2	–	–	0.2
Effects on 2004:				
Year ended 31 December 2004				
Decrease in amortisation of leasehold land	0.2	–	–	0.2
Increase in interest expenses on leasehold land	(1.4)	–	–	(1.4)
Decrease in net profit for the year ended 31 December 2004	(1.2)	–	–	(1.2)
Decrease in retained profits as at 31 December 2004	(1.0)	–	–	(1.0)
Effects on 1 January 2005:				
Increase in hedging reserve	–	0.3	–	0.3
Increase in investment revaluation reserve	–	48.1	–	48.1
Increase in reserves	–	48.4	–	48.4
Increase in equity attributable to the shareholders of the Company	–	48.4	–	48.4
(Decrease) increase in equity attributable to the shareholders of the Company as at 1 January 2005	(1.0)	48.4	–	47.4

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (cont'd)

(e) Effects of changes in accounting policies *(cont'd)*

	HKAS 17 HK$'M	HKAS 32 & 39 HK$'M	HKFRS 2 HK$'M	Total HK$'M
Effects on year ended 31 December 2005:				
Decrease in amortisation of leasehold land	0.2	–	–	0.2
Recognition of share options and incentives as expenses	–	–	(0.5)	(0.5)
Increase (decrease) in net profit for the year	0.2	–	(0.5)	(0.3)
Increase in hedging reserve	–	2.4	–	2.4
Increase in employee share-based compensation reserve	–	–	0.5	0.5
Net increase in investment revaluation reserve	–	96.0	–	96.0
Increase in reserves for the year	–	98.4	0.5	98.9
Increase in equity attributable to the shareholders of the Company	0.2	98.4	–	98.6

Pursuant to the adoption of HKAS 31, jointly controlled entities are accounted for using proportionate consolidation. Details of the Group's proportionate share of assets, liabilities and results of the jointly controlled entities are set out in note 43 to the financial statements.

Certain new standards, amendments and interpretations to existing accounting standards have been issued that are relevant to the Group's businesses and are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods. The Group has not adopted these new standards, amendments and interpretations for the year ended 31 December 2005. The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to quantify the impact of these new standards, amendments and interpretations on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared in accordance with HKFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale investments which are carried at fair value. The significant accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and the proportionate share of its jointly controlled entities made up to 31 December each year.

(i) Subsidiaries

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries and jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the balance sheet comprise the outside shareholders' proportion of the net assets of subsidiary companies. The group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Consolidation (cont'd)

(ii) Jointly controlled entities

Jointly controlled entities are joint venture in which the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. The Group accounts for its jointly controlled entities in accordance with the policy sets out in note 2(b).

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

(iii) Associates

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sales.

(d) Segment reporting

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

(e) Other properties, plant and equipment

Other properties, plant and equipment (other than construction in progress) are stated at cost less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is stated at cost. Cost includes all development expenditure and other direct costs attributable to such projects. It is not depreciated until completion of construction. Cost on completed construction works is transferred to the appropriate categories of other properties, plant and equipment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Other properties, plant and equipment (cont'd)

Freehold land with unlimited useful life is not depreciated. Depreciation of other property, plant and equipment, other than construction in progress is calculated using the straight-line method to allocate the cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	2% – 4% per annum
Furniture, fixtures and equipment	10% – 33 $^{1}/_{3}$% per annum
Motor vehicles	20% – 30% per annum
Plant and machinery	7 $^{1}/_{2}$% – 35% per annum

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

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

(f) Leasehold land and land use rights

The accounting policy of leasehold land and land use rights are set out in note 2(c).

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are carried at fair value and are valued at least annually by independent valuers. The valuations are performed in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value. Changes in fair values are recognised in the income statement continues to be measured at fair value.

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

If any investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purpose. Property that is being constructed or developed for future use as investment property is classified as construction in progress or properties under development and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Properties under development

Properties under development are stated at cost less any identified impairment loss. Cost includes the amortised cost of land, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to the property development.

(i) Impairment of assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(j) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Investments (cont'd)

(iv) Available-for-sale financial assets

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

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

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

(k) Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Trade and other receivables

Trade and other receivables in the balance sheet are stated net of such provision. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(n) Borrowings

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

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

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as expenses in the year in which they are incurred.

(p) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Retirement benefits cost

Payments to the Group's defined contribution retirement benefit schemes, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

For the Group's defined benefit retirement benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets.

(r) Share-based payment

The Group operates two equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options or incentive shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or incentive shares granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable and share incentives become effective. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Resturcturing provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

(t) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods are recognised when the goods are delivered and title has been passed.

(ii) Income from properties developed for sale is recognised when the significant risks and rewards of the properties are transferred to the buyers and the collectibility of related receivables is reasonably assured. Payments received from purchasers prior to this stage are recorded as deposits received, which are included in current liabilities.

(iii) Service revenue is recognised when the services are rendered.

(iv) Rental income, including rental invoiced in advance under operating leases, is recognised on a straight-line basis over the period of the leases.

(v) Interest income is accrued on a time basis by reference to the principal outstanding and the applicable rate of interest.

(vi) Income from investments is recognised when the Group's right to receive payment has been established.

(u) Operating leases (as the lessee)

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

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks such as currency risk, price risk, credit risk, liquidity risk and interest-rate risk. The Group's overall risk management seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations in the United Kingdom is managed primarily through borrowings denominated in the relevant foreign currencies.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

(iii) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history and use of letter of credit as appropriate.

(iv) Liquidity risk

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

4. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Financial risk factors (cont'd)

(v) Interest rate risk

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

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

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest-rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

(b) Accounting for derivative financial instruments and hedging activities

Beginning 1 January 2005, derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (2) hedges of highly probable forecast transactions (cash flow hedge); or (3) hedges of net investments in foreign operations.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 25. Movements on the hedging reserve in shareholders' equity are shown in note 33.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are taken to the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

4. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Accounting for derivative financial instruments and hedging activities (cont'd)

(ii) Cash flow hedge (cont'd)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

Estimated fair value of investment properties

Savills Valuation and Professional Services Limited ("Savills") were engaged to carry out an independent valuation of the Group's investment property portfolio as at 31 December 2005. This valuation was carried out in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors which defines market value as "the estimated amount for which a property should exchange on the date of valuation between a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgably, prudently and without compulsion".

Savills has derived the valuation of the Group's investment property portfolio by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and determined using discounted cash flow valuation technique. The assumptions are based on market conditions existing at the balance sheet date.

Management has reviewed the Savills valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the Savills Valuation of the Group's investment property portfolio is reasonable.

(b) Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

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

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

6. TURNOVER

Turnover represents the net amounts received and receivable from third parties in connection with the following activities:

	2005 HK$'M	2004 HK$'M
Sales of goods	1,301.7	1,321.6
Property development	375.4	61.5
Rental and property management income	67.8	58.4
Income from investing activities (Note)	23.0	14.3
	1,767.9	1,455.8

Note:

Income from investing activities comprises:

	2005 HK$'M	2004 HK$'M
Dividend income from strategic investments	10.1	6.7
Interest income from associates	8.2	2.4
Interest income from minority shareholders	3.5	–
Other income	1.2	5.2
	23.0	14.3

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segment

The Group is currently organised into five operating divisions – garment manufacturing and trading, branded products distribution, property development, property investment and management and investing activities. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Garment manufacturing and trading	–	Manufacture of garments for export to overseas markets, and source apparel, as buying and marketing agents
Branded products distribution	–	Retailing, wholesaling and licensing of branded apparel
Property development	–	Residential development carried out by the Group
Property investment and management	–	Property investment and management and hospitality management services
Investing activities	–	Investments in securities and the underlying businesses of which are property investment and development, communications and others

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Business segment (cont'd)

	Garment manufacturing and trading HK$'M	Branded products distribution HK$'M	Property investment and management HK$'M	Property development HK$'M	Investing activities HK$'M	Elimination HK$'M	Consolidated HK$'M
For the year ended 31 December 2005							
TURNOVER							
External sales	1,066.1	235.6	67.8	375.4	23.0	–	1,767.9
Inter-segment sales	–	–	13.3	–	–	(13.3)	–
Total	1,066.1	235.6	81.1	375.4	23.0	(13.3)	1,767.9
RESULTS							
Segment results before change in fair value of investment properties and gain on disposals of strategic investment	(21.0)	4.1	20.8	209.0	19.1	–	232.0
Change in fair value of investment properties	–	–	276.1	–	–	–	276.1
Gain on disposal of strategic investments	–	–	–	–	67.1	–	67.1
Segment results	(21.0)	4.1	296.9	209.0	86.2	–	575.2
Unallocated corporate expenses							(45.9)
Profit from operations							529.3
Finance charges							(24.4)
Finance income							6.0
Share of results of associates	–	–	–	14.5	(1.4)	–	13.1
Profit before taxation							524.0
Taxation							(89.6)
Profit for the year							434.4

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Business segment (cont'd)

	Garment manufacturing and trading	Branded products distribution	Property investment and management	Property development	Investing activities	Elimination	Consolidated (As restated)
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
For the year ended 31 December 2004							
TURNOVER							
External sales	1,107.6	214.0	58.4	61.5	14.3	–	1,455.8
Inter-segment sales	–	–	6.5	–	–	(6.5)	–
Total	1,107.6	214.0	64.9	61.5	14.3	(6.5)	1,455.8
RESULTS							
Segment results before change in fair value of investment properties	15.6	(1.1)	9.2	38.2	4.9	–	66.8
Change in fair value of investment properties	–	–	39.9	–	–	–	39.9
Segment results	15.6	(1.1)	49.1	38.2	4.9	–	106.7
Unallocated corporate expenses							(49.3)
Profit from operations							57.4
Finance charges							(19.4)
Finance income							1.1
Share of results of associates	–	–	–	61.2	(0.1)	–	61.1
Gain on disposal of an associate							7.6
Profit before taxation							107.8
Taxation							(10.0)
Profit for the year							97.8

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Business segment (cont'd)

	Garment manufacturing and trading HK$'M	Branded products distribution HK$'M	Property investment and management HK$'M	Property development HK$'M	Investing activities HK$'M	Consolidated HK$'M
At 31 December 2005						
ASSETS						
Segment assets	337.2	128.8	1,987.0	1,494.6	430.8	4,378.4
Interest in associates	–	–	–	204.5	(5.0)	199.5
Unallocated corporate assets						190.4
Consolidated total assets						4,768.3
LIABILITIES						
Segment liabilities	130.5	61.6	68.3	1,012.0	10.8	1,283.2
Unallocated corporate liabilities						1,501.0
Consolidated total liabilities						2,784.2
OTHER INFORMATION						
Capital expenditure	29.5	7.1	734.5	266.5	1.6	1,039.2
Depreciation and amortisation						
– Business segment	10.6	6.7	10.6	2.6	1.2	31.7
– Unallocated corporate items						0.2
Impairment losses recognised in respect of strategic investments	–	–	–	–	2.0	2.0
Loss on disposal of other properties, plant and equipment	1.2	–	–	–	–	1.2

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Business segment (cont'd)

	Garment manufacturing and trading HK$'M	Branded products distribution HK$'M	Property investment and management HK$'M	Property development HK$'M	Investing activities HK$'M	Consolidated (As restated) HK$'M
At 31 December 2004						
ASSETS						
Segment assets	362.4	131.3	986.9	770.4	439.6	2,690.6
Interest in associates	–	–	–	169.4	(3.6)	165.8
Unallocated corporate assets						180.0
Consolidated total assets						3,036.4
LIABILITIES						
Segment liabilities	146.3	56.5	25.1	495.9	7.2	731.0
Unallocated corporate liabilities						879.7
Consolidated total liabilities						1,610.7
OTHER INFORMATION						
Capital expenditure	29.3	0.3	30.3	–	2.0	61.9
Depreciation and amortisation						
– Business segment	11.8	7.6	8.3	–	1.2	28.9
– Unallocated corporate items						0.2
Reversal of impairment losses recognised in respect of strategic investments	–	–	–	–	7.5	7.5
Loss on disposal of other properties, plant and equipment	0.1	–	–	–	–	0.1

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Geographical segment

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

For the year ended 31 December

	Turnover by geographical market	
	2005	2004
	HK$'M	HK$'M
North America	746.2	853.0
Hong Kong	423.8	138.5
United Kingdom	310.0	262.0
Other European countries	143.1	119.7
Other areas	144.8	82.6
	1,767.9	1,455.8

The Group's operations are principally located in Hong Kong, the People's Republic of China other than Hong Kong (the "PRC"), the United Kingdom and Netherlands.

The following is an analysis of the carrying amount of consolidated total assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of consolidated total assets At 31 December		Additions to property, plant and equipment and intangible assets For the year ended 31 December	
	2005	2004	2005	2004
	HK$'M	HK$'M	HK$'M	HK$'M
Hong Kong	4,248.9	2,579.0	1,005.3	42.3
PRC	189.8	85.3	26.3	18.8
United Kingdom	240.9	275.6	7.1	0.3
The Netherlands	11.6	16.1	–	0.1
Others	74.4	76.8	0.5	0.4
	4,765.6	3,032.8	1,039.2	61.9
Unallocated assets	2.7	3.6	–	–
	4,768.3	3,036.4	1,039.2	61.9

8. PROFIT FROM OPERATIONS

	2005 HK$'M	2004 (As restated) HK$'M
Profit from operations has been arrived at after charging:		
Staff costs including directors' remuneration (notes (a) and 9)	222.7	225.2
Retirement benefits costs, net of negligible forfeited contributions	3.3	4.6
Total staff costs	226.0	229.8
Auditors' remuneration		
– current year	3.1	2.8
– underprovision in prior year	0.3	–
Amortisation of		
– permanent textile quota entitlements (included in cost of sales)	–	0.4
– trademark (included in administrative expenses)	0.1	0.1
Cost of temporary textile quota entitlements written off on purchase	1.1	10.6
Cost of inventories included in cost of sales	837.5	837.1
Depreciation and amortisation		
– leasehold land and land use rights	7.2	4.7
– other properties, plant and equipment	24.6	23.9
Loss on disposal of other properties, plant and equipment	1.2	0.1
Direct operating expenses arising from investment properties that generate rental income	1.8	1.6
And after crediting:		
Other operating income		
Quota income	–	24.5
Discounts, claims and commission received from suppliers	7.0	8.3
Revenue from forfeiture of deposits in respect of properties sales	2.0	–

Note:

(a) Compensation expenses recognised in the income statement in respect of share options and incentive shares granted to certain directors and employees are not included in the total staff costs above. Details of which are set out in note 32.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

	2005 HK$'M	2004 HK$'M
Directors' fees	0.7	0.6
Other directors' emoluments		
– Salaries and allowances	10.6	8.4
– Discretionary bonuses	2.9	2.1
– Retirement benefit costs	0.6	0.5
	14.8	11.6

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (cont'd)

Directors' remuneration (cont'd)

Details of remuneration of directors during the year are as follows:–

Name	Director's fees HK$'000	Salary and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	2005 Total HK$'000	2004 Total HK$'000
Executive Directors						
Cheng Wai Chee, Christopher	25	1,980	–	99	2,104	1,065
Cheng Wai Sun, Edward	25	4,429	1,700	204	6,358	4,484
Cheng Man Piu, Francis	25	–	–	–	25	25
Ng Tak Wai, Frederick	25	2,272	240	209	2,746	2,864
Au Hing Lun, Dennis	25	1,957	900	90	2,972	2,710
Non-Executive Directors						
Cheng Wai Keung	25	–	–	–	25	25
Kwok Ping Luen, Raymond	25	–	–	–	25	25
Wong Yick Kam, Michael	25	–	–	–	25	25
Hong Pak Cheung, William	25	–	–	–	25	25
Independent Non-executive Directors						
Simon Murray	160	–	–	–	160	160
Fang Hung, Kenneth	160	–	–	–	160	160
Yeung Kit Shing, Jackson	160	–	–	–	160	47
Total	705	10,638	2,840	602	14,785	11,615

Share options and incentive shares have also been granted and awarded to certain directors. The fair values of these share options and incentive shares recognised in the income statement for the year are set out in note 32.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (cont'd)

Five highest paid individuals

The aggregate emoluments of the five highest paid individuals of the Group in 2005 included four (2004: three) executive directors of the Company whose emoluments are included above. The aggregate emoluments of the remaining one (2004: two) highest paid individuals are as follows:

	2005 HK$'M	2004 HK$'M
Salaries and allowances	1.1	2.0
Discretionary bonuses	0.4	1.0
Retirement benefit costs	0.1	0.1
	1.6	3.1

Their emoluments were within the following bands:

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

10. NET FINANCE CHARGES

	2005 HK$'M	2004 (As restated) HK$'M
Finance charges		
Interest on:		
– bank and other borrowings wholly repayable within five years	37.0	17.6
– bank and other borrowings not wholly repayable within five years	9.1	3.2
Total borrowing costs	46.1	20.8
Less: Interest capitalised in properties under development	(21.7)	(1.4)
	24.4	19.4
Finance income – bank interest income	(6.0)	(1.1)
Net borrowing costs	18.4	18.3

11. TAXATION

	2005 HK$'M	2004 HK$'M
The charge comprises:		
Taxation of the Company, its subsidiaries and jointly controlled entities		
– Hong Kong profits tax	39.7	3.1
– Taxation in other jurisdictions	0.2	0.6
	39.9	3.7
Overprovision in prior years		
– Hong Kong profits tax	–	(0.9)
Deferred taxation relating to origination and reversal of temporary differences (note 30)	49.7	7.2
	89.6	10.0

Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2005 HK$'M	2004 (As restated) HK$'M
Profit before taxation	524.0	107.8
Tax at Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	91.7	18.9
Expenses not deductible in determining taxable profit	3.8	6.5
Income not taxable in determining taxable profit	(16.3)	(11.9)
Tax effect of tax losses not recognised	10.2	14.0
Utilisation of tax losses not previously recognised	(3.7)	(6.6)
Tax effect of unrecognised deductible temporary differences	7.5	(4.1)
Effect of different tax rates of subsidiaries operating on other jurisdictions	(1.6)	(0.8)
Overprovision in prior years	–	(0.9)
Tax effect of share of results of associates	(2.3)	(10.7)
Others	0.3	5.6
Taxation for the year	89.6	10.0

12. DIVIDENDS

	2005 HK$'M	2004 HK$'M
Interim dividend paid on 14 October 2005 of HK1.5 cent (2004: nil) per share	7.9	–
Final proposed of HK5.5 cents (2004: HK1.75 cent) per share	28.9	9.2
	36.8	9.2

The final proposed dividend is not accounted for until it has been approved at the forthcoming annual general meeting of the Company. The amount will be accounted for as an appropriation of the reserve in the year ending 31 December 2006.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for profit attributable to the shareholders of the Company is based on the following data:

	2005 HK$'M	2004 (As restated) HK$'M
Profit attributable to the shareholders of the Company for the purposes of calculating basic and diluted earnings per share	368.5	92.1
Number of shares in issue		
Weighted average number of shares for the purposes of calculating basic earnings per share	526,255,339	518,820,462
Effect of dilutive potential shares issuable under the Company's share option and share incentive schemes	631,451	1,737,245
Weighted average number of shares for the purposes of calculating diluted earnings per share	526,886,790	520,557,707

The Group's earnings for the year attributable to the shareholders of the Company is HK$368.5 million, which includes change in fair value of investment properties (net of minority interests and deferred taxation) of HK$153.1 million. The Group's earnings for the year attributable to the shareholders of the Company after exclusion of the net valuation gain mentioned above is HK$215.4 million which is equivalent to HK40.9 cents per share on both a basic and a fully diluted basis.

14. LEASEHOLD LAND AND LAND USE RIGHTS

	THE GROUP	
	2005	2004
	HK$'M	HK$'M
At 1 January	235.9	228.5
Adjustment of other property revaluation reserve in respect of leasehold land	(6.0)	–
Additions during the years	735.0	2.2
Transfer (to) from investment properties (note 15)	(177.3)	9.9
Amortisation	(7.2)	(4.7)
At 31 December	780.4	235.9

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

	THE GROUP	
	2005	2004
	HK$'M	HK$'M
In Hong Kong, held on:		
Leases of over 50 years	760.8	28.7
Leases of between 10 to 50 years	10.3	197.7
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	9.3	9.5
	780.4	235.9

15. INVESTMENT PROPERTIES

	THE GROUP	
	2005	2004
	HK$'M	HK$'M
At 1 January	541.6	559.2
Increase in fair value	276.1	39.9
Transfer from (to) leasehold land (note 14)	177.3	(9.9)
Transfer from properties under development (note 16)	316.6	–
Transfer to leasehold buildings (note 17)	–	(47.6)
At 31 December	1,311.6	541.6

Investment properties represents properties in Hong Kong held on lease of between 10 to 50 years.

The Group's investment properties were valued on an open market value basis as at 31 December 2005 by Savills Valuation and Professional Services Limited, a firm of independent professional property valuers. Valuations were based on current prices in an active market for all properties.

16. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2005	2004 (As restated)
	HK$'M	HK$'M
At 1 January	144.6	118.4
Additions during the year	261.5	26.2
Transfer to investment properties (note 15)	(316.6)	–
At 31 December	89.5	144.6

Properties under development comprise:

Properties in Hong Kong, held on:		
Leases of over 50 years	89.5	–
Leases of between 10 to 50 years	–	144.6
At 31 December	89.5	144.6

Included in properties under development is interest capitalised of HK$21.7 million (2004: HK$1.4 million).

17. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Freehold properties HK$'M (Note a)	Leasehold buildings HK$'M (Note b)	Construction in progress HK$'M	Furniture, fixtures and equipment HK$'M	Motor vehicles HK$'M	Plant and machinery HK$'M	Total HK$'M
THE GROUP							
At 1 January 2005	65.8	172.8	20.4	169.6	8.0	77.5	514.1
Currency realignment	(6.3)	(1.9)	–	(8.8)	–	(0.1)	(17.1)
Transfer	–	19.0	(23.5)	1.7	0.1	2.7	–
Additions	–	10.2	3.1	17.4	3.3	8.5	42.5
Disposals	–	–	–	(9.8)	(2.1)	(1.1)	(13.0)
At 31 December 2005	**59.5**	**200.1**	**–**	**170.1**	**9.3**	**87.5**	**526.5**
Comprising:							
At cost	59.5	143.2	–	170.1	9.3	87.5	469.6
At 1994 valuation (note c)	–	56.9	–	–	–	–	56.9
	59.5	200.1	–	170.1	9.3	87.5	526.5
DEPRECIATION							
At 1 January 2005	–	33.3	–	130.7	6.1	65.8	235.9
Currency realignment	–	(1.7)	–	(7.6)	–	(0.1)	(9.4)
Provided for the year	–	5.2	–	13.6	1.6	4.2	24.6
Disposals	–	–	–	(9.1)	(2.1)	(0.6)	(11.8)
At 31 December 2005	**–**	**36.8**	**–**	**127.6**	**5.6**	**69.3**	**239.3**
NET BOOK VALUES							
At 31 December 2005	**59.5**	**163.3**	**–**	**42.5**	**3.7**	**18.2**	**287.2**
At 31 December 2004	65.8	139.5	20.4	38.9	1.9	11.7	278.2

17. OTHER PROPERTIES, PLANT AND EQUIPMENT (cont'd)

	Freehold properties HK$'M (Note a)	Leasehold buildings HK$'M (Note b)	Construction in progress HK$'M	Furniture, fixtures and equipment HK$'M	Motor vehicles HK$'M	Plant and machinery HK$'M	Total HK$'M
THE GROUP							
At 1 January 2004	61.3	123.9	7.7	151.6	8.2	73.6	426.3
Currency realignment	4.5	1.3	–	6.0	–	–	11.8
Transfer from investment properties (note 15)	–	47.6	–	–	–	–	47.6
Additions	–	–	12.7	14.1	1.2	5.5	33.5
Disposals	–	–	–	(2.1)	(1.4)	(1.6)	(5.1)
At 31 December 2004	65.8	172.8	20.4	169.6	8.0	77.5	514.1
Comprising:							
At cost	65.8	115.9	20.4	169.6	8.0	77.5	457.2
At 1994 valuation (note c)	–	56.9	–	–	–	–	56.9
	65.8	172.8	20.4	169.6	8.0	77.5	514.1
DEPRECIATION							
At 1 January 2004	–	27.1	–	115.9	6.1	61.6	210.7
Currency realignment	–	1.0	–	4.6	–	–	5.6
Provided for the year	–	5.2	–	12.0	1.4	5.3	23.9
Disposals	–	–	–	(1.8)	(1.4)	(1.1)	(4.3)
At 31 December 2004	–	33.3	–	130.7	6.1	65.8	235.9
NET BOOK VALUES							
At 31 December 2004	65.8	139.5	20.4	38.9	1.9	11.7	278.2
At 31 December 2003	61.3	96.8	7.7	35.7	2.1	12.0	215.6

17. OTHER PROPERTIES, PLANT AND EQUIPMENT (cont'd)

Notes

(a) The Group's freehold properties represent properties outside Hong Kong.

(b)

	THE GROUP 2005 HK$'M	THE GROUP 2004 (As restated) HK$'M
The net book value of the Group's leasehold buildings comprises:		
Properties held on leases of over 50 years in Hong Kong	9.0	9.2
Properties held on leases of between 10 to 50 years		
– in Hong Kong	87.2	90.0
– outside Hong Kong	65.6	37.6
Properties held on leases of less than 10 years outside Hong Kong	1.5	2.7
	163.3	139.5

(c) The Group applies the transitional provision under Paragraph 80A of HKAS 16 "Property, Plant and Equipment", of which leasehold buildings stated at 1994 valuation are not required to make regular revaluations.

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY 2005 HK$'M	THE COMPANY 2004 HK$'M
Unlisted shares, at cost	590.8	590.8
Less: provision for impairment	(66.1)	(66.1)
	524.7	524.7
Amounts due from subsidiaries	658.1	669.3
	1,182.8	1,194.0

Details of the Company's principal subsidiaries at 31 December 2005 are set out in note 41.

19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005	2004
	HK$'M	HK$'M
Share of net assets (note b)	62.7	6.9
Advances to associates (note c)	136.8	158.9
	199.5	165.8

Details of the Group's principal associates at 31 December 2005 are set out in note 42.

Notes:

(a) The share of post acquisition reserves of associates in 2004 included an amount of HK$1.8 million (2005: nil) which was provided for in 2000 as impairment losses recognised in respect of associates engaged in property development.

(b) The summary of financial information of the Group's share of the principal associates is as follows:

	2005	2004
	HK$'M	HK$'M
Results for the year ended 31 December:		
Turnover	154.5	47.0
Net profit	13.1	61.1
Financial position at 31 December:		
Non-current assets	312.5	295.4
Current assets	86.0	102.7
Current liabilities	(32.8)	(43.8)
Non-current liabilities	(303.0)	(347.4)
Net assets	62.7	6.9

(c) The advances are unsecured. Other than an aggregate amount of HK$136.8 million (2004: HK$56.2 million) which carries interest at market rates, the remaining balance is interest free. There are no fixed repayment terms.

(d) The amounts due from associated companies repayable on demand are analysed as follows:

	2005	2004
	HK$'M	HK$'M
Interest-bearing amounts	5.6	4.7
Interest-free amounts	3.7	3.7
Total	9.3	8.4

(e) The amount due to an associate company is interest-free and repayable on demand.

20. STRATEGIC INVESTMENTS

	THE GROUP 2005 HK$'M	2004 (As restated) HK$'M
Listed securities (note a)		
– Equity securities – Hong Kong	323.4	370.4
– Equity securities – United Kingdom	7.9	10.7
– Equity securities – Singapore	0.3	–
	331.6	381.1
Other investments (note b)	86.8	49.2
	418.4	430.3

Notes:

(a) At 31 December 2005, the listed shares mainly comprise the Group's minority stakes in Winsor Properties Holdings Limited ("Winsor") and UBC Media Group Plc ("UBC").

Winsor is engaged in property investment and its shares are listed on the Stock Exchange. UBC is engaged in programme production and radio broadcasting and its shares are listed on the Alternative Investment Market of London Stock Exchange Plc.

At 31 December 2004, the Group has strategic investments HK$199.5 million in SUNDAY Communications Limited which was disposed of at a cash consideration of approximately HK$266.6 million, resulting in a gain of approximately HK$67.1 million.

(b) Other investments comprise principally the Group's minority stakes in various property development projects. During the year, the directors conducted a review of the carrying amounts of investments the underlying business of which is property development and determined that a reversal of impairment losses of HK$0.8 million (2004: HK$7.5 million) was made in the financial statements by reference to the recoverable amounts from these property development projects.

21. OTHER NON-CURRENT ASSETS

	Balance at 1 January 2005 HK$'M	Addition for the year HK$'M	Decrease/ amortisation for the year HK$'M	Balance at 31 December 2005 HK$'M
THE GROUP				
Mortgage loans receivable (note a)	1.2	–	(1.2)	–
Trademark (note b)	0.4	0.2	(0.1)	0.5
	1.6	0.2	(1.3)	0.5

21. OTHER NON-CURRENT ASSETS (cont'd)

Notes:

(a) The mortgage loans receivable are second mortgage financing provided to the purchasers of developed properties of the Group. The loans bear interest at market rates and are secured by second mortgage over the relevant properties. The amounts are receivable twenty-five months after the date of advance of the respective loans by monthly instalments within twenty years.

(b) The trademark is related to the Group's hospitality operations and is amortised over an estimated useful life of ten years.

22. INVENTORIES

	THE GROUP	
	2005	2004
	HK$'M	HK$'M
Raw materials	28.4	31.8
Work in progress	57.9	65.4
Finished goods	37.6	36.7
	123.9	133.9

23. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2005	2004 (As restated)
	HK$'M	HK$'M
Properties under development for sale comprise:		
Held on leases of between 10 to 50 years in Hong Kong:		
Net book value of leasehold land	293.4	318.2
Development costs	435.0	229.8
Freehold outside Hong Kong:		
Development costs	74.8	118.3
	803.2	666.3

All the properties under development for sale are stated at cost (2004: cost) at the balance sheet date.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	THE GROUP 2005 HK$'M	THE GROUP 2004 (As restated) HK$'M
Trade receivables	399.9	87.8
Less: provision for impairment	(16.3)	(11.5)
Trade receivables – net of provision	383.6	76.3
Other receivables and prepayments	77.3	39.7
	460.9	116.0

The carrying values of net trade and other receivables and prepayments approximate their fair values.

The Group allows different credit periods to its trade customers. Credit periods vary from 30 to 90 days in accordance with the industry practice. The following is an aged analysis of the Group's trade receivables at 31 December:

	THE GROUP 2005 HK$'M	THE GROUP 2004 (As restated) HK$'M
0 – 30 days	76.6	28.6
31 – 90 days	286.2	21.4
Over 90 days	20.8	26.3
	383.6	76.3

25. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP 2005 HK$'M	THE GROUP 2004 HK$'M
Interest-rate swaps	2.6	–
Forward foreign exchange contracts	0.1	–
	2.7	–

26. TRADE AND OTHER PAYABLES

	THE GROUP	
	2005 HK$'M	2004 HK$'M
Trade payables	100.6	92.8
Other payables	264.9	165.9
	365.5	258.7

The following is an aged analysis of the Group's trade payables at 31 December:

	THE GROUP	
	2005 HK$'M	2004 HK$'M
0 – 30 days	67.2	65.9
31 – 90 days	21.3	14.4
Over 90 days	12.1	12.5
	100.6	92.8

The carrying values of trade and other payables approximate their fair values.

27. SHORT-TERM BANK BORROWINGS AND OVERDRAFTS

	THE GROUP	
	2005 HK$'M	2004 HK$'M
Trust receipts and import loans	4.1	2.8
Bank overdrafts	0.2	0.5
	4.3	3.3

Trust receipts and import loans are secured by related inventories.

28. BANK LOANS

The bank loans carry interest at prevailing market rates and are repayable as follows:

	THE GROUP	
	2005	2004 (As restated)
	HK$'M	HK$'M
Within one year	310.5	448.4
Between one to two years	333.9	90.9
Between two to five years	410.5	368.2
After five years	33.4	241.3
	1,088.3	1,148.8
Less: Amount due within one year shown under current liabilities	(310.5)	(448.4)
Amount due after one year	777.8	700.4
Analysed as		
– secured	787.4	847.3
– unsecured	300.9	301.5
	1,088.3	1,148.8

The carrying values of bank loans approximate their fair values.

29. OTHER LONG-TERM LOANS

	THE GROUP	
	2005	2004 (As restated)
	HK$'M	HK$'M
Interest bearing loans	267.9	35.2
Interest free loans	11.6	17.3
	279.5	52.5

The loans are from minority shareholders of certain subsidiaries. The interest bearing loans carry interest at market rates. All the loans are unsecured and have no fixed repayment terms. The loans above include amounts of HK$275.8 million (2004: HK$35.2 million) which are extended to the Group to finance property development projects. In the opinion of the directors, demand for repayment of these loans will not be made within one year of the balance sheet date. The loans are therefore shown in the balance sheet as non-current liabilities.

The carrying values of other long-term loans approximate their fair values.

30. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the year:

	Accelerated tax depreciation HK$'M	Revaluation of properties HK$'M	Tax losses HK$'M	Total HK$'M
At 1 January 2004	18.0	3.8	(3.1)	18.7
Charged (credited) to income for the year (note 11)	7.4	–	(0.2)	7.2
At 31 December 2004 and 1 January 2005	25.4	3.8	(3.3)	25.9
Charged (credited) to income for the year (note 11)	52.8	(1.7)	(1.4)	49.7
At 31 December 2005	**78.2**	**2.1**	**(4.7)**	**75.6**

	2005 HK$'M	2004 HK$'M
Deferred tax liabilities	80.3	29.2
Deferred tax assets	(4.7)	(3.3)
	75.6	25.9

At 31 December 2005, the Group has unused tax losses of approximately HK$393.8 million (2004: HK$347.5 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$26.9 million (2004: HK$18.9 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$366.9 million (2004: HK$328.6 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$38.6 million that will expire until 2010. Other losses may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

31. SHARE CAPITAL

	Number of shares	Amount HK$'M
Ordinary shares of HK$0.50 each		
Authorised:		
At 1 January 2004, 31 December 2004 and 31 December 2005	1,320,000,000	660.0
Issued and fully paid:		
At 1 January 2004	517,625,339	258.8
Issue of shares	8,630,000	4.3
At 31 December 2004 and 31 December 2005	526,255,339	263.1

32. SHARE OPTION SCHEME/SHARE INCENTIVE SCHEME

(a) Share Option Scheme

Under the Share Option Scheme of the Company adopted on 10 June 2003 ("Share Option Scheme"), the Board of the Company may, at its absolute discretion, grant options to directors and employees of the Group to subscribe for shares of the Company, subject to a maximum of 51,762,534 representing 10% of the issued share capital of the Company as at 10 June 2003. The maximum number of options granted to any one individual in any 12-month period shall not exceed 1% of the issued share capital of the Company. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives for their contributions to the Group. A consideration of HK$1 is payable on acceptance of the grant of options. Options granted must be taken up within 28 days from the date of grant. The exercise price for an option to subscribe for a share is determined by the directors of the Company, and shall be at least the highest of: i) the closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant; ii) the average closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and iii) the nominal value of a share of the Company. The Share Option Scheme will be terminated on 9 June 2013.

32. SHARE OPTION SCHEME/SHARE INCENTIVE SCHEME (cont'd)

(a) Share Option Scheme (cont'd)

Details of the share options granted under the Share Option Scheme during the year are as follows:

Director	Date of grant	Exercise price per share	Number of share options: As at 1.1.2005	Granted during the year	Exercised during the year	As at 31.12.2005	Fair value of share options amortised in 2005 HK$
Simon Murray	19.4.2005	HK$2.125	–	1,000,000	–	1,000,000	140,000

The share options granted are exercisable during the period from 19 April 2006 to 18 April 2010 and subject to a vesting scale in tranches of 25 per cent per annum starting from the first anniversary of the date of grant. No options were exercised during the year.

The closing price of the shares of the Company quoted on the Stock Exchange on 18 April 2005, being the date immediately before the date on which share options were granted, was HK$2.125 per share.

(b) Share Incentive Scheme

Under a Share Incentive Scheme approved by the shareholders of the Company on 17 June 2005 ("Share Incentive Scheme"), the Board of Directors of the Company or a duly authorised committee thereof may in its absolute discretion make offer of awards to selected employees (including executive directors) of the Group ("Eligible Employees") to subscribe in cash at par for shares of the Company. The maximum number of shares of the Company which may be issued in response to the awards and any other incentive and option schemes of the Company (excluding lapsed awards and options) shall not in aggregate exceed 52,625,533 representing 10% of the issued share capital of the Company as at 17 June 2005.

The Share Incentive Scheme is a long-term incentive arrangement for the Eligible Employees, the purpose of which is to recognise, motivate and provide incentives to those who make contribution to the Group, to help the Group retain its existing employees and recruit additional employees who will be valuable to the Group to provide existing and future employees with director economic interests in the long-term development and growth of the Group.

Offer of awards must be accepted within 28 days from the date of offer. The subscription price for each share which is the subject of an award shall be an amount equal to its nominal value. Each subscription under the Share Incentive Scheme shall be in cash at the subscription price. The Company will provide to the Eligible Employees the funds required to subscribe for the shares issued under the Share Incentive Scheme. The Share Incentive Scheme will be terminated on 16 June 2015.

32. SHARE OPTION SCHEME/SHARE INCENTIVE SCHEME (cont'd)

(b) Share Incentive Scheme (cont'd)

Details of the incentive shares awarded pursuant to the Share Incentive Scheme during the year are as follows:

		Number of incentive shares				
	Date of award	As at 1.1.2005	Awarded during the year	Vested during the year	As at 31.12.2005	Fair value of incentive shares amortised in 2005 HK$
Directors						
Cheng Wai Chee, Christopher	13.9.2005	–	600,000	–	600,000	130,000
Cheng Wai Sun, Edward	13.9.2005	–	600,000	–	600,000	130,000
Ng Tak Wai, Frederick	13.9.2005	–	90,000	–	90,000	19,500
Au Hing Lun, Dennis	13.9.2005	–	150,000	–	150,000	32,500
		–	1,440,000	–	1,440,000	312,000
Employees	13.9.2005	–	225,000	–	225,000	48,000
		–	1,665,000	–	1,665,000	360,000

The vesting period of the incentive shares awarded is from 13 September 2006 to 12 September 2009. The incentive shares awarded are subject to a vesting scale in tranches of 25 per cent per annum starting from the first anniversary and fully vested from the third anniversary of the date of award. All the incentive shares awarded shall be valid for ten years until the day before the tenth anniversary of the date of award.

The subscription price per incentive share shall be the nominal value of the shares of the Company. Fund for subscription of incentive shares will be provided by the Company at a time of the exercise of right to subscribe for shares of the Company.

At the date of award, 13 September 2005, the closing price of the shares of the Company as quoted on the Stock Exchange was HK$2.725 per share.

32. SHARE OPTION SCHEME/SHARE INCENTIVE SCHEME (cont'd)

(c) Fair values of share options granted and incentive shares awarded

The fair values of share options and incentive shares granted during the year ended 31 December 2005 are determined using the Binomial Option Pricing Model (the "Model"). Key assumptions of the Model are:

	Share Option Scheme	Share Incentive Scheme
Risk-free rate:	3%	4%
Expected dividend yield:	2%	2%
Expected volatility of the market price of the Company's shares:	48%	52%
Expected life (in years):	5 years from the date of grant	10 years from the date of grant

The Model requires the input of subjective assumptions including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options and incentive shares.

The fair values of share options and incentive shares granted during the year ended 31 December 2005 determined using the Model were HK$582,000 and HK$3,393,000 respectively. Of which, the attributable amounts recognised in the 2005 income statement (as disclosed in note 32(a) and (b)) are HK$140,000 and HK$360,000 respectively.

33. RESERVES

	Share premium HK$'M	Hedging reserve HK$'M	Investment revaluation reserve HK$'M	Employee share-based compensation reserve HK$'M	Other property revaluation reserve HK$'M	Translation reserve HK$'M	Contributed surplus HK$'M	Other distributable reserve (deficit) HK$'M	Total HK$'M
THE GROUP									
At 1 January 2004									
– as previously reported	438.4	–	–	–	18.1	(21.7)	631.8	(66.9)	999.7
– adjustment on adoption of new/revised HKFRSs	–	–	–	–	–	–	–	0.2	0.2
– as restated	438.4	–	–	–	18.1	(21.7)	631.8	(66.7)	999.9
Issue of shares on exercise of share options	2.6	–	-	–	–	–	–	–	2.6
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	–	–	8.6	–	–	8.6
Realised on disposal of an associate	–	–	–	–	–	3.0	–	–	3.0
Share of reserves of associates	–	–	–	–	–	(0.1)	–	–	(0.1)
Share of reserves by minority shareholders	–	–	–	–	–	(0.1)	–	–	(0.1)
2003 final dividend paid	–	–	–	–	–	–	(5.2)	–	(5.2)
Net profit for the year	–	–	–	–	–	–	–	92.1	92.1
At 31 December 2004	441.0	–	–	–	18.1	(10.3)	626.6	25.4	1,100.8
At 1 January 2005									
– as previously reported	441.0	–	–	–	18.1	(10.3)	626.6	25.4	1,100.8
– adjustment on adoption of new/revised HKFRSs	–	0.3	–	–	–	–	–	48.1	48.4
– as restated	441.0	0.3	–	–	18.1	(10.3)	626.6	73.5	1,149.2
Transfer	–	–	48.1	–	–	–	–	(48.1)	–
Realised on disposal	–	–	(67.1)	–	–	–	–	–	(67.1)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	–	–	(0.2)	–	–	(0.2)
Surplus arising on revaluation	–	–	163.1	–	–	–	–	–	163.1
Increase in hedging reserve	–	2.4	–	–	–	–	–	–	2.4
Adjustment of other property revaluation reserve in respect of leasehold land	–	–	–	–	(6.0)	–	–	–	(6.0)
Share of reserves by minority shareholders	–	–	–	–	–	0.2	–	–	0.2
Share options granted	–	–	–	0.5	–	–	–	–	0.5
2004 final dividend paid	–	–	–	–	–	–	(9.2)	–	(9.2)
2005 interim dividend paid	–	–	–	–	–	–	(7.9)	–	(7.9)
Net profit for the year	–	–	–	–	–	–	–	368.5	368.5
At 31 December 2005	**441.0**	**2.7**	**144.1**	**0.5**	**12.1**	**(10.3)**	**609.5**	**393.9**	**1,593.5**
Attributable to associates:									
At 31 December 2005	–	–	–	–	–	–	–	**19.4**	**19.4**
At 31 December 2004	–	–	–	–	–	–	–	6.3	6.3

33. RESERVES (cont'd)

	Share premium HK$'M	Contributed surplus HK$'M	Other distributable deficit HK$'M	Total HK$'M
THE COMPANY				
At 1 January 2004	438.4	616.9	(112.0)	943.3
Issue of shares	2.6	–	–	2.6
2003 final dividend paid	–	(5.2)	–	(5.2)
Net loss for the year	–	–	(0.1)	(0.1)
At 31 December 2004 and 1 January 2005	441.0	611.7	(112.1)	940.6
2004 final dividend paid	–	(9.2)	–	(9.2)
2005 interim dividend paid	–	(7.9)	–	(7.9)
Net loss for the year	–	–	(4.3)	(4.3)
At 31 December 2005	**441.0**	**594.6**	**(116.4)**	**919.2**

The contributed surplus account of the Group and the Company arose as a result of the group reorganisation in 1991 and the Company's capital reduction in 1996 less distribution made.

Under The Companies Act 1981 of Bermuda (as amended), contributed surplus of a company is available for distribution to shareholders in addition to accumulated profits. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The contributed surplus of the Group and the Company includes the proposed final dividend for the year of HK$28.9 million (2004: HK$9.2 million) (note 12).

34. OPERATING LEASE

THE GROUP AS LESSEE

	2005 HK$'M	2004 HK$'M
Minimum lease payments charged to the consolidated income statement during the year:		
– land and buildings	20.4	18.1
– equipment and motor vehicles	0.7	0.7
	21.1	18.8

Under the leases entered into by the Group, the lease payments are fixed and predetermined. At 31 December 2005, future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2005 HK$'M	2004 HK$'M
For land and buildings		
– Within one year	20.0	22.1
– After one year and not later than five years	53.3	69.5
– Over five years	24.0	9.7
	97.3	101.3
For equipment and motor vehicles		
– Within one year	0.4	0.7
– After one year and not later than five years	0.2	0.5
	0.6	1.2
Total	97.9	102.5

The Company had no significant operating lease commitments at the balance sheet date.

THE GROUP AS LESSOR

	2005 HK$'M	2004 HK$'M
Gross rental income credited to the income statement during the year	43.8	41.4
Less: Outgoings	(1.8)	(1.6)
	42.0	39.8

34. OPERATING LEASE (cont'd)

The Group's investment properties are held for rental purposes. Rental income is fixed and predetermined. The properties held have committed tenants for the next two to three years. At the balance sheet date, the amount of future rental receivable by the Group is as follows:

	2005 HK$'M	2004 HK$'M
Within one year	29.5	24.3
After one year and not later than five years	11.7	11.3
	41.2	35.6

35. CAPITAL COMMITMENTS

	THE GROUP 2005 HK$'M	 2004 HK$'M
Capital expenditure in respect of properties under development		
– contracted for but not provided in the financial statements	48.1	106.7
– authorised but not contracted for	0.6	–
Capital expenditure in respect of acquisition of other properties, plant and equipment		
– contracted for but not provided in the financial statements	9.3	11.5
– authorised but not contracted for	1.1	6.4
	59.1	124.6

The Company had no capital commitment at the balance sheet date.

36. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK$'M	HK$'M	HK$'M	HK$'M
Guarantees given to banks in respect of utilised credit facilities extended to				
– subsidiaries	–	–	582.1	489.3
– jointly controlled entities	–	–	176.7	301.2
	–	–	758.8	790.5
Other guarantees given to banks	1.6	1.9	–	–
	1.6	1.9	758.8	790.5

At 31 December 2005, the Company's share of several and proportionate guarantees in respect of unutilised credit facilities granted to jointly controlled entities engaged in property development amounted to HK$407.8 million (2004: HK$260.8 million).

37. PLEDGE OF ASSETS

The Group's advances to associates/jointly controlled entities at 31 December 2005 include amounts of HK$162.3 million (2004: HK$348.8 million) which are subordinated to the loans facilities of associates/jointly controlled entities. The associates/jointly controlled entities are engaged in property development. The Group's advances to the associates/jointly controlled entities include amounts of HK$128.7 million (2004: HK$323.4 million) which are assigned, and the shares in these associates/ jointly controlled entities beneficially owned by the Group are pledged to the financial institutions.

At 31 December 2005, certain of the Group's investment properties, freehold properties, leasehold land, leasehold building and properties under development with carrying value of HK$1,308.0 million (2004: HK$539.0 million), HK$59.5 million (2004: HK$65.8 million), HK$298.4 million (2004: HK$226.5 million), HK$96.2 million (2004: HK$99.1 million) and HK$4.5 million (2004: HK$144.6 million) respectively were pledged to secure credit facilities for the Group.

In addition to the above, HK$802.9 million (2004: HK$655.0 million) of properties under development for sale included in the consolidated balance sheet of the Group represents the Group's proportionate share in jointly controlled entities which are pledged as security for bank facilities extended to the jointly controlled entities.

38. RETIREMENT BENEFITS AND PENSION SCHEMES

Certain Hong Kong subsidiaries of the Company have complied with the Mandatory Provident Fund ("MPF") legislation. All existing and new employees are required to participate in the MPF Scheme. Mandatory benefits are being provided under the MPF scheme. In addition to the MPF scheme, certain Hong Kong subsidiaries of the Company have restructured the former defined contribution retirement benefits schemes to defined contribution top up retirement benefits schemes, under which qualifying employees are provided with additional voluntary benefits to the extent that they would otherwise have under the defined contribution retirement benefits schemes and after taking into consideration the mandatory benefits provided under the MPF scheme.

The employees of the Group's subsidiary in the PRC have participated in a retirement benefit scheme established by the local PRC Social Insurance Industry Management Centre. The subsidiaries are required to contribute 10% – 11% (2004: 10% – 11%) of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group also operates a defined benefit pension scheme for certain qualifying employees of its overseas subsidiaries. Under the scheme, the employees are entitled to a pension of 1.25% of final salary for each year of pensionable service at a normal retirement age of 65. No other post-retirement benefits are provided. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at 1 May 2005 by Mr. Nigel P. Hacking, Fellow of the Institute of Actuaries, of Barnett Waddingham and was updated to 31 December 2005 for the accounting reporting purpose. The present value of the defined obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The main actuarial assumptions used were as follows:

	2005	2004
Discount rate	5.00%	5.50%
Expected return on plan assets	6.40%	6.50%
Expected rate of salary increases	3.75%	3.75%
Future pension increases in respect of service:		
From April 1997 to April 2005	2.50%	2.50%
From May 2005	2.25%	n/a

The actuarial valuation updated to 31 December 2005 showed that the market value of scheme assets was approximately HK$69.2 million (2004: HK$64.3 million) and that the actuarial value of these assets represented 91% (2004: 87%) of the benefits that had been accrued to members. The shortfall of approximately HK$7.2 million (2004: HK$9.7 million) is to be cleared over the estimated remaining service period of the current membership of 15 years.

38. RETIREMENT BENEFITS AND PENSION SCHEMES (cont'd)

Amounts recognised in the consolidated income statement in respect of the defined benefit pension scheme are as follows:

	2005 HK$'M	2004 HK$'M
Current service cost	2.1	2.0
Interest cost	3.8	3.6
Expected return on plan assets	(3.9)	(3.7)
Net actuarial loss recognised in the year	0.2	0.3
	2.2	2.2

The charge for the year has been included in administrative expenses.

The actual gain on plan assets was approximately HK$12.0 million (2004: HK$6.3 million).

The unrecognised defined benefit asset arising from the Group's obligations in respect of its defined benefit pension scheme is as follows:

	2005 HK$'M	2004 HK$'M
Fair value of scheme assets	69.2	64.3
Present value of funded obligations	(76.4)	(74.0)
	(7.2)	(9.7)
Unrecognised actuarial losses	8.2	11.1
Unrecognised defined benefit asset	1.0	1.4

Movements in the net asset in the current year were as follows:

	2005 HK$'M	2004 HK$'M
At 1 January	1.4	1.3
Exchange differences	(0.2)	0.1
Amounts charged to the consolidated income statement	(2.2)	(2.2)
Contributions	2.0	2.2
At 31 December	1.0	1.4
Restriction on asset recognised	(1.0)	(1.4)
Net asset recognised at 31 December	–	–

39. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group has made advances and other credit arrangements provided by the Group to its associates. Details of these arrangements at the balance sheet date are set out in notes 19, 36 and 37. In addition, the Group has the following significant transactions with related parties during the year.

	THE GROUP	
	2005 HK$'M	2004 HK$'M
Interest income from associates	8.2	2.4
Project management fee income from associates	11.6	4.9
Project management fee income from a subsidiary of the Group's investee company	1.8	0.5
Property rental income from a shareholder of the Company	0.9	0.2

These transactions were carried out on terms similar to those applicable transactions with third parties.

40. POST BALANCE SHEET EVENT

Subsequent to year end, the Group entered into a preliminary sale and purchase agreement with a third party to sell an investment property situated in Hong Kong with a carrying value of HK$86 million at 31 December 2005 for HK$105 million.

41. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Accuway Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Aldburg Assets Limited	British Virgin Islands	US$1	100%	Investment holding
Aptex Europe B.V.	Netherlands	DFL40,000	100%	Garment trading
Bostar Limited	Hong Kong	HK$100	87.5%	Property development
Caringbah Limited	British Virgin Islands	US$1	100%	Investment holding
Certitech Holdings Limited	British Virgin Islands	US$1	100%	Investment holding
Charmax Trading Limited	Hong Kong	HK$100	91%	Garment trading

41. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Charter Star Trading Limited	Hong Kong	HK$100,000	70%	Garment trading
Cheong Ka Limited	British Virgin Islands/People's Republic of China	US$1	78%	Property holding
Chung Fook Limited	British Virgin Islands/People's Republic of China	US$1	100%	Property holding
Churrasco Holdings Limited	British Virgin Islands	US$1	100%	Investment holding
Datas Industries Limited	Hong Kong	HK$2	86.4%	Garment manufacturing and trading
Delimont Holdings Limited	British Virgin Islands	US$1	100%	Investment holding
Dongguan Fude Garment Manufacturing Company Limited *	People's Republic of China	HK$6,000,000	86.4%	Garment manufacturing
Dongguan Fumei Garment Manufacturing Company Limited *	People's Republic of China	HK$7,000,000	86.4%	Garment manufacturing
Dongguan Grandnice Fashion Limited *	People's Republic of China	HK$4,000,000	86.4%	Property holding and garment manufacturing
Dongguan Xianjie Knitwear Co., Ltd. *	People's Republic of China	HK$9,000,000	78%	Garment manufacturing
Eternal Way (Cambodia) Limited	Kingdom of Cambodia	US$250,000	77.8%	Garment manufacturing
Eternal Way Holdings Limited	Hong Kong	HK$2	86.4%	Investment holding
Flourish City Limited	British Virgin Islands	US$1	100%	Investment holding

41. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Fore Prosper Limited	Hong Kong	HK$100	60%	Property investment
Gentful Limited	Hong Kong	HK$2	100%	Investment holding
Gieves & Hawkes International Limited	United Kingdom	£250,000	100%	Licensors
Gieves & Hawkes plc	United Kingdom	£3,111,097	100%	Investment holding
Gieves Limited	United Kingdom	£10,100	100%	Retailers
Glory Charm Development Limited	Hong Kong	HK$2	100%	Property holding
Grandeur Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	Property investment
Grandnice Fashion Limited	Hong Kong	HK$2	86.4%	Garment manufacturing
Grandslam Limited	British Virgin Islands	US$1	100%	Investment holding
Impact (Cook Islands) Limited	Cook Islands	US$1,000	100%	Sourcing agent
Impact Textiles B.V.	Netherlands	DFL30,000	100%	Garment trading
Impact Textiles Company Limited	Hong Kong	Ordinary shares HK$4,450,000	100%	Investment holding and garment trading
		Non-voting deferred shares HK$12,310,000	100%	
Impact Textiles International Limited	British Virgin Islands	US$1	100%	Investment holding
Joy Alliance Limited	Hong Kong	HK$100	87.5%	Property development
Kih-Oskh Holding N.V.	Netherlands Antilles	US$6,000	100%	Investment holding

41. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Kosheen Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Kowloon Station Development Company Limited	Cayman Islands	US$1	100%	Investment holding
Lanson Place Hospitality Management Limited	British Virgin Islands	US$1	100%	Investment holding, hospitality and property management
Lanson Place Hospitality Management (Jakarta) Limited	British Virgin Islands/ Indonesia	US$1	100%	Hospitality and property management
Lanson Place Hospitality Management (Singapore) Pte Limited	Singapore	S$100	100%	Hospitality and property management
Lanson Place Hotels & Residences (Bermuda) Limited	Bermuda	US$12,000	100%	Investment holding and licensing
Lanson Place Hotels & Residences (Holdings) Limited	British Virgin Islands	US$1	100%	Investment holding
Lanson Place Hotels & Residences (Netherlands) B.V.	Netherlands	DFL40,000	100%	Licensing, hospitality and property management
Lanson Place Management Limited	Hong Kong	HK$2	100%	Hospitality and property management
L'impact Lingerie B.V.	Netherlands	DFL40,000	100%	Garment trading
L'impact Lingerie Limited	Hong Kong	HK$400,000	100%	Garment trading
Marvinbond Limited	British Virgin Islands	US$1	100%	Investment holding

41. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Mezereum Limited	British Virgin Islands/ Hong Kong	US$1	100%	Property investment
Pangold Development Limited	Hong Kong	HK$100	80%	Property Development
Potter Enterprises Limited	British Virgin Islands	US$1	100%	Investment holding
Ruyuan Grandnice Garment Manufacturing Company Limited *	People's Republic of China	HK$15,000,000	86.4%	Garment manufacturing
Ruyuan Polly Garment Manufacturing Company Limited *	People's Republic of China	HK$15,000,000	70%	Garment manufacturing
Shao Guan Ruyuan Global Best Knitwear Co. Ltd. *	People's Republic of China	HK$7,800,000	78%	Garment manufacturing
Shui Hing Textiles International Limited	Hong Kong	HK$75,000,000	100%	Investment holding and garment trading
Shui Hung Knitting and Garment Factory Limited	Hong Kong	HK$20,000,000	100%	Investment holding and garment manufacturing
Shui Pang Enterprise (Macau) Limited	Macau	MOP800,000	49%	Garment subcontracting
Shui Pang Garment & Knitting Factory Limited	Hong Kong	HK$2,000,000	70%	Investment holding and garment manufacturing
Success First Development Limited	Hong Kong	HK$2	100%	Property investment
Teamdoor Investments Limited	Hong Kong	HK$2	86.4%	Garment trading
Technic Enterprises Limited	Hong Kong	HK$2	86.4%	Garment trading
Telwin Industrial Limited	Hong Kong	HK$2	86.4%	Garment manufacturing and trading

41. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Triberg Company Limited	Hong Kong	HK$2	86.4%	Garment trading
Twin Dragon Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Unimix Exporters Limited	Hong Kong	HK$300,000	86.4%	Garment trading
Unimix Holdings Limited	Hong Kong	HK$1,100,000	86.4%	Investment holding
Unimix Limited	Hong Kong	HK$10,000,000	86.4%	Garment manufacturing and trading
Unimix Properties Limited	Hong Kong	HK$200	86.4%	Property investment
United Success International Investment B.V.	Netherlands	DFL40,000	100%	Investment holding
United Success International Limited	Hong Kong	HK$227,750,062	100%	Investment holding
Universal Team Industrial Limited	Hong Kong	HK$2	100%	Investment holding
Universal Plus Limited	British Virgin Islands/ Hong Kong	US$100	80%	Investment holding
USI Holdings (B.V.I.) Limited	British Virgin Islands	US$50,000	100%	Investment holding
USI Properties International Limited	British Virgin Islands	US$1	100%	Investment holding
USI Property Management Limited	Hong Kong	HK$2	100%	Property development and project management
Winnion Limited	Hong Kong	HK$100	70%	Property investment

* These subsidiaries are wholly foreign owned enterprises established in the People's Republic of China.

41. PRINCIPAL SUBSIDIARIES (cont'd)

Only USI Holdings (B.V.I.) Limited is directly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting as at 31 December 2005 or at any time during the year.

42. PRINCIPAL ASSOCIATES

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

Name of company	Place of incorporation	Attributable proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Mission System Consultant Limited	Hong Kong	42.5%	Computer software consultancy
Shanghai Jinlin Tiandi Serviced Apartment Management Co., Ltd.	People's Republic of China	23.4%	Serviced apartment
Smart Gainful Limited	Hong Kong	33.3%	Provision of second mortgage financing
Union Charm Development Limited *	Hong Kong	7.5%	Property development
Winhome Investment Pte Ltd. *	Singapore	12%	Property development
Winner Max Enterprises Limited	Hong Kong	33.3%	Property development

* The Group has the ability to exercise significant influence over these associates. Accordingly, they are regarded as associates of the Group.

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

43. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the Group's principal jointly controlled entities at 31 December 2005 are as follows:

Name of company	Place of incorporation	Attributable proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Lancaster Partnership Limited	United Kingdom	47.5%	Property development
Landyork Investment Limited	Hong Kong	40%	Property development
Mancas Investment Limited	Hong Kong	50%	Property development

The following amounts represent the Group's respective share of the assets and liabilities, sales and results of the jointly controlled entities in aggregate and are included in the consolidated balance sheet and income statement:

	2005 HK$'M	2004 HK$'M
Assets:		
Current assets	1,228.8	757.5
Liabilities:		
Current liabilities	(1,269.2)	(533.1)
Net (liabilities) assets	(40.4)	224.4
Revenue	365.7	0.4
Expenses	(158.1)	(2.1)
Taxation	(35.8)	–
Profit (loss) after tax	171.8	(1.7)