1. NATURE OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 45 to the financial statements.

The Directors consider the Company's ultimate holding company to be Ko Bee Limited, which is incorporated in the British Virgin Islands with limited liability.

2. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial statements on pages 26 to 100 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31 December 2005 were approved by the board of directors on 21 April 2006.

3. ADOPTION OF NEW/REVISED HKFRS

From 1 January 2005, the Group has adopted the new and revised standards and interpretations of HKFRS, which are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC) Int-15	Operating Leases — Incentives
HK(SIC) Int-21	Income Taxes — Recovery of Revalued Non-Depreciable Assets

3. ADOPTION OF NEW/REVISED HKFRS (Continued)

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2004 comparatives contained in the financial statements differ from the published financial statements for the year ended 31 December 2004.

Significant effect on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described as follows:

Adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to owners of the parent company is now presented as an allocation of the net result of the year.

Adoption of HKAS 17

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings (excepting leasehold interests in investment properties) is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified as operating lease prepayment, while any buildings held for own use is presented as part of property, plant and equipment and stated at fair value. The separation of the leasehold interest in land and building is determined by the directors of the Company according to their best estimation, with the assistance of an independent professional valuer. Operating lease prepayment are initially stated at cost and subsequently amortised on a straight line basis over lease term.

Adoption of HKAS 36, HKAS 38 and HKFRS 3

These standards stipulate a prospective change to the accounting policies.

Until 31 December 2004, goodwill was amortised on a straight line basis over its useful life of 20 years and was subject to impairment testing when there was an indication of impairment. In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1 January 2005; whilst the accumulated amortisation as at 31 December 2004 has been deducted from the cost of goodwill. From the year ending 31 December 2005 onwards, goodwill will be tested at least annually for impairment.

No adjustments to prior period financial statements were deemed to be necessary as a result of the reassessment of the useful lives of its intangible assets in accordance with the provisions of HKAS 38.

3. ADOPTION OF NEW/REVISED HKFRS (Continued)

Adoption of HKFRS 2

The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payments. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the adoption of HKFRS 2 on 1 January 2005, the Group did not recognise the financial effect of these share options until they were exercised. According to the transitional provisions of HKFRS 2, the share options granted after 7 November 2002 that had not vested at 1 January 2005 are required to be recognised retrospectively in the financial statements.

Adoption of HKAS 32 and HKAS 39

In previous years, convertible bonds were classified as liabilities in the balance sheets. Upon the adoption of HKAS 32, convertible bonds issued are split into their liability and equity components at initial recognition and these components are accounted for separately, details of which are set out in note 4(v) below. Retrospective application is required on adoption of HKAS 32.

In previous years, investments in equity instruments (other than subsidiaries, associates and jointly-controlled entities) that were intended to be held on a continuing basis for an identified long-term purpose were stated in the balance sheet at cost less any provisions for impairment losses. Provisions were made when the fair value of such securities had declined below the carrying amounts, unless there was evidence that the decline was temporary. The amount of the reduction was recognised as an expense in the income statement.

Upon the adoption of HKAS 39, the investments are classified as available-for-sale financial assets and are carried at fair value, with changes in fair values recognised in the equity. In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, the reclassification from other investments to available-for-sale financial assets was made on 1 January 2005 and the comparative figures have not been restated (see note 4(n) below).

Adoption of HKAS 40 and HK (SIC) Int-21

In the current year, the Group has, for the first time, applied HKAS 40. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under the Statement of Standard Accounting Practice ("SSAP") 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions of HKAS 40 as a result of which, the amount held in investment property revaluation reserve at 1 January 2005 have been transferred to the Group's accumulated losses and the comparative figures are not required to be restated.

3. ADOPTION OF NEW/REVISED HKFRS (Continued)

Adoption of HKAS 40 and HK (SIC) Int-21 (Continued)

The adoption of HKAS 40 has resulted in a change of classification of certain properties which were previously classified as investment properties according to SSAP 13. In previous years, property with 15% or less by area or value that was occupied by the Company or another company in the Group was regarded as an investment property in its entirety even though part of it was not held for investment purposes. According to HKAS 40, if a property comprises 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 and these portions could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. In the current year, the Group applied HKAS 40 and has reclassified certain such owner-occupied properties that could be sold separately (or leased out separately under a finance lease) from investment properties to property, plant and equipment retrospectively. Comparative figures for 2004 have been restated.

Accordingly, the amount previously held in investment property revaluation reserve relating to these owner-occupied properties has been reclassified to the Group's asset revaluation reserve.

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). The adoption of revised HK(SIC) Int-21 has resulted in a change in the accounting policy relating to the deferred taxation of the Group's investment property. In accordance with the provision of HK(SIC) Int-21, the deferred tax liability arising from the revaluation of investment properties is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In previous years, the carrying amount of that asset is expected to be recovered through sale. This change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated.

Other standards adopted

Saved as disclosed above, the adoption of other standards and interpretations did not result in significant alterations to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any material changes to the amounts or disclosures in these financial statements.

3. ADOPTION OF NEW/REVISED HKFRS (Continued)

The effect of changes in the accounting policies on consolidated income statement is summarised below:

	Effect of adopting				
	HKAS 17 HK$'000	HKFRS 2 HK$'000	HKAS 32 & HKAS 39 HK$'000	HKAS 40 & HK(SIC) INT 21 HK$'000	Total HK$'000
Year ended 31 December 2005					
Increase in staff costs	—	(1,291)	—	—	(1,291)
Increase in amortisation of operating lease prepayment	(14)	—	—	—	(14)
Increase in amortisation of properties held for development	(715)	—	—	—	(715)
Increase in depreciation	—	—	—	(440)	(440)
Decrease in finance costs	—	—	52	—	52
Increase in gain on fair value adjustment on investment properties	—	—	—	564,921	564,921
Increase in deferred tax liabilities arising from gain on fair value adjustment on investment properties	—	—	—	(98,640)	(98,640)
Net increase in profit	(729)	(1,291)	52	465,841	463,873
Year ended 31 December 2004					
Increase in staff costs	—	(519)	—	—	(519)
Increase in amortisation of operating lease prepayment	(14)	—	—	—	(14)
Increase in amortisation of properties held for development	(574)	—	—	—	(574)
Increase in depreciation	—	—	—	(372)	(372)
Increase in finance costs	—	—	(52)	—	(52)
Net decrease in profit	(588)	(519)	(52)	(372)	(1,531)

3. ADOPTION OF NEW/REVISED HKFRS (Continued)

The effect of changes in the accounting policies on consolidated balance sheet is summarised below:

	Effect of adopting				
	HKAS 17 HK$'000	HKFRS 2 HK$'000	HKAS 32 & HKAS 39 HK$'000	HKAS 40 & HK(SIC) INT 21 HK$'000	Total HK$'000
At 1 January 2004 (Equity only)					
Increase/(Decrease) in equity					
Asset revaluation reserve	—	—	—	11,616	11,616
— Reclassification of revaluation reserve from investment property revaluation reserve on building portion of owner-occupied properties	—	—	—	10,608	10,608
— Increase in revaluation as a result of depreciation arising from reclassification of building portion of owner-occupied properties	—	—	—	2,604	2,604
— Deferred tax liabilities arising from asset revaluation reserve of building portion of owner-occupied properties	—	—	—	(1,596)	(1,596)
Investment property revaluation reserve	(2,712)	—	—	(230,405)	(233,117)
— Elimination of revaluation reserve of leasehold land of owner-occupied properties	(2,712)	—	—	—	(2,712)
— Reclassification of investment property revaluation reserve to asset revaluation reserve on building portion of owner-occupied properties	—	—	—	(10,608)	(10,608)
— Deferred tax liabilities arising from revaluation reserve of investment properties	—	—	—	(219,797)	(219,797)
Retained profits	(2,991)	—	—	(2,604)	(5,595)
— Increase in amortisation of operating lease prepayment	(95)	—	—	—	(95)
— Increase in amortisation of properties held for development	(2,896)	—	—	—	(2,896)
— Increase in depreciation arising from reclassification of building portion of owner-occupied properties	—	—	—	(2,604)	(2,604)

3. ADOPTION OF NEW/REVISED HKFRS (Continued)

The effect of changes in the accounting policies on consolidated balance sheet is summarised below: (Continued)

	Effect of adopting				
	HKAS 17 HK$'000	HKFRS 2 HK$'000	HKAS 32 & HKAS 39 HK$'000	HKAS 40 & HK(SIC) INT 21 HK$'000	Total HK$'000
At 31 December 2004					
Increase/(Decrease) in assets					
Property, plant and equipment	(23,700)	—	—	45,700	22,000
Investment properties	—	—	—	(45,700)	(45,700)
Operating lease prepayment	11,579	—	—	—	11,579
Properties held for development	(3,470)	—	—	—	(3,470)
Increase/(Decrease) in liabilities					
Convertible bonds	—	—	(538)	—	(538)
Deferred tax liabilities	—	—	—	358,966	358,966
Increase/(Decrease) in equity					
Asset revaluation reserve	—	—	—	14,702	14,702
— Reclassification of revaluation reserve from investment property revaluation reserve on building portion of owner-occupied properties	—	—	—	14,008	14,008
— Increase in revaluation as a result of depreciation arising from reclassification of building portion of owner-occupied properties	—	—	—	2,976	2,976
— Deferred tax liabilities arising from asset revaluation reserve of building portion of owner-occupied properties	—	—	—	(2,282)	(2,282)
Investment property revaluation reserve	(12,012)	—	—	(370,692)	(382,704)
— Elimination of revaluation reserve on leasehold land of owner-occupied properties	(12,012)	—	—	—	(12,012)
— Reclassification of investment property revaluation reserve to asset revaluation reserve on building portion of owner-occupied properties	—	—	—	(14,008)	(14,008)
— Deferred tax liabilities arising from revaluation reserve of investment properties	—	—	—	(356,684)	(356,684)
Employee share-based equity reserve	—	519	—	—	519
Other equity reserve — convertible bonds	—	—	590	—	590
Retained profits	(3,579)	(519)	(52)	(2,976)	(7,126)
— Increase in staff costs	—	(519)	—	—	(519)
— Increase in amortisation of operating lease prepayment	(109)	—	—	—	(109)
— Increase in amortisation of properties held for development	(3,470)	—	—	—	(3,470)
— Increase in depreciation arising from reclassification of building portion of owner-occupied properties	—	—	—	(2,976)	(2,976)
— Increase in finance costs	—	—	(52)	—	(52)

3. ADOPTION OF NEW/REVISED HKFRS (Continued)

The effect of changes in the accounting policies on consolidated balance sheet is summarised below: (Continued)

	Effect of adopting				
	HKAS 17 HK$'000	HKFRS 2 HK$'000	HKAS 32 & HKAS 39 HK$'000	HKAS 40 & HK(SIC) INT 21 HK$'000	Total HK$'000
At 31 December 2005					
Increase/(Decrease) in assets					
Property, plant and equipment	(23,700)	—	—	45,700	22,000
Investment properties	—	—	—	(45,700)	(45,700)
Operating lease prepayment	11,565	—	—	—	11,565
Properties held for development	(4,185)	—	—	—	(4,185)
Increase/(Decrease) in liabilities					
Convertible bonds	—	—	(538)	—	(538)
Deferred tax liabilities	—	—	—	458,138	458,138
Increase/(Decrease) in equity					
Asset revaluation reserve	—	—	—	14,610	14,610
— Reclassification of revaluation reserve from investment property revaluation reserve on building portion of owner-occupied properties	—	—	—	14,008	14,008
— Increase in revaluation as a result of depreciation arising from reclassification of building portion of owner-occupied properties	—	—	—	3,416	3,416
— Deferred tax liabilities arising from asset revaluation reserve of building portion of investment properties	—	—	—	(2,814)	(2,814)
Investment property revaluation reserve	(12,012)			(935,613)	(947,625)
— Elimination of revaluation reserve on leasehold land of owner-occupied properties	(12,012)	—	—	—	(12,012)
— Reclassification of investment property revaluation reserve to asset revaluation reserve on building portion of owner-occupied properties	—	—	—	(14,008)	(14,008)
— Deferred tax liabilities arising from revaluation reserve of investment properties	—	—	—	(356,684)	(356,684)
— Decrease in gain on fair value adjustment on investment properties	—	—	—	(564,921)	(564,921)
Employee share-based equity reserve	—	1,810	—	—	1,810
Other equity reserve — convertible bonds	—	—	538	—	538
Retained profits	(4,308)	(1,810)	—	462,865	456,747
— Increase in staff costs	—	(1,810)	—	—	(1,810)
— Increase in amortisation of operating lease prepayment	(123)	—	—	—	(123)
— Increase in amortisation of properties held for development	(4,185)	—	—	—	(4,185)
— Increase in depreciation arising from reclassification of building portion of owner-occupied property	—	—	—	(3,416)	(3,416)
— Increase in gain on fair value adjustment on investment properties	—	—	—	564,921	564,921
— Increase in deferred tax liabilities arising from gain on fair value adjustment on investment properties	—	—	—	(98,640)	(98,640)

3. ADOPTION OF NEW/REVISED HKFRS (Continued)

New Standards or Interpretations that have been issued but are not yet effective

The Company has not early adopted the following standards or interpretations of HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions2
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instrument Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK (IFRIC)-Int 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment[3]
HK (IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 — Financial Reporting in Hyperinflationary Economies[4]

Notes:

1 Effective for annual periods beginning on or after 1 January 2007.

2 Effective for annual periods beginning on or after 1 January 2006.

3 Effective for annual periods beginning on or after 1 December 2005.

4 Effective for annual periods beginning on or after 1 March 2006.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for the revaluation of investment properties and certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The financial statements have been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of approximately HK$105 million as at 31 December 2005. The directors consider the Group will be able to meet its obligations when they fall due for the following reasons: (i) a revolving loan facility has been granted by a related company to the Group and the unutilized portion as at the balance sheet date was HK$32,000,000; (ii) a consistent cash inflow is generated by steady rental income; and (iii) with net asset of HK$2,178 million, the Group is able to secure additional loan facilities (if needed) to satisfy its short term liabilities.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

(c) Subsidiaries

Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

Acquired subsidiaries are subject to the application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

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

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(d) Associates/Joint ventures

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. Investment in associates is initially recognised at cost and subsequently accounted for using the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) or fair value adjustment attributable to the share in the associate identified on acquisition.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decision relating to the activity require the unanimous consent of the venturers.

The Group's share of the post-acquisition results and reserves of associates or a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate or a jointly-controlled entity equals or exceeds its interest in the associate or jointly-controlled entity (including any other unsecured receivables) the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates or a jointly-controlled entity are eliminated to the extent of the Group's interest in the associates or a jointly-controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Company's investment in associates or a jointly-controlled entity is stated at cost less any impairment losses (or at fair value). The results of associates or a jointly-controlled entity are accounted for by the Company on the basis of dividends received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign currencies

The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is the functional currency of the parent company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity 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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement under "other operating income" or "administrative expenses", respectively. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all separate financial statements of subsidiaries originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

(f) Income recognition

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

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease terms. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Income from management services, property repair and maintenance services are recognised in the period when the respective services are rendered.

Revenue from urban infrastructure projects, such as the construction works for telecommunication pipelines, are recognised on a completed contract basis. Completion is determined based on certification by independent third party quantity surveyors.

Interest income is recognised on a time proportion basis on the principal outstanding and at the interest rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of subsidiary, associate or jointly-controlled entity include the carrying amount of goodwill relating to the entity sold.

(h) Intangible

Intangible assets representing urban infrastructure development rights are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of 20 years for the intangible assets. Intangible assets are amortised from the date the asset is available for use.

(i) Property, plant and equipment

All buildings are recognised at fair value, based on their use at the date of revaluation less any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Any revaluation surplus arising upon appraisal of buildings is credited to the "Asset revaluation reserve" in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 4(l). To the extent that any decrease has previously been recognised in income statement, a revaluation increase is booked to income statement with the remaining part of the increase charged to equity. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in income statement.

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity on the disposal of buildings is transferred to retained earnings.

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 charged to the income statement during the period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold building	2%
Leasehold improvements	30%
Furniture, fixtures and equipment	10%–20%
Motor vehicles	6%–15%

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

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

(j) Investment property

Investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the income statement.

(k) Properties held for or under development

Properties held for or under development with the intention of holding for long-term purposes when completed or where no decision has yet been made on their purposes are included in the balance sheet as non-current assets and stated at cost, less impairment losses. Cost comprises the cost of acquisition of such properties, together with development expenditure, other relevant direct costs and borrowing costs capitalised in accordance with the Group's accounting policy.

(l) Impairment

Goodwill, intangible assets, property, plant and equipment, interests in subsidiaries, interests in associates, interests in a jointly controlled entity, investment properties, operating lease prepayment and properties held for development are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment (Continued)

Individual assets or cash-generating units that include goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

(m) Leases

As the lessee

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective or whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

As the lessor

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial assets

From 1 January 2005 onwards, the Group classifies its financial assets into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value, with changes in value recognised in equity. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised. Impairment losses previously recognised in the income statement on equity instruments will not reverse through income statement in subsequent periods. Impairment losses previously recognised in income statement on debt securities are subsequently reversed through income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Receivables

Receivables are non-derivative financial assets with determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial assets (Continued)

Receivables (Continued)

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using the weighted average method and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of completion and the estimated costs necessary to make the sale.

(p) Income taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. No deferred taxes are recognised in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of income tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are dealt with directly in equity.

(q) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as bank deposits.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(s) Employee benefits

The Group contributes to the defined contribution retirement benefits schemes which are available to employees in Hong Kong and the People's Republic of China, except Hong Kong (the "PRC"). Contributions to the schemes by the Group and employees are calculated as a percentage of employees' relevant income or basic salaries. The retirement benefits scheme cost charged to the income statement represents contributions payable by the Group to the schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay any further contributions to the fund.

The contributions recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature. The assets of the schemes are held separately from those of the Group in independently administered funds.

(t) Share-based employee compensation

Under the transitional provisions provided for under HKFRS 2, all share-based payment arrangements granted after 7 November 2002 and that have not yet vested at 1 January 2005 are recognised in the financial statements. The Company operates equity-settled share-based compensation plans to remunerate certain of its directors and employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties

Parties are considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

— controls, is controlled by, or is under common control with, the Group;

— has an interest in the Group that gives it significant influence over the Group;

— has joint control over the Group;

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

(iii) the party is an associate;

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

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

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

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

(v) Financial liabilities

The Group's financial liabilities include bank and other loans, trade and other payables, finance lease liabilities and convertible bond (liability component).

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" in the income statement.

Borrowings

Borrowings are raised to provide long term funding for the Group's operations. They are recognised at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Financial liabilities (Continued)

Convertible bond

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as other equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the other equity reserve and the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the other equity reserve is released directly to retained profits.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

(w) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, inventories, receivables and operating cash, and mainly exclude interests in associates and a jointly-controlled entity. Segment liabilities comprise operating liabilities and exclude borrowings and convertible bonds.

Capital expenditure comprises additions to intangible assets and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The 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.

(i) *Investment properties*

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 4(j). The fair value of the investment properties are determined by an independent professional valuer, B.I. Appraisal Limited, and the fair value of investment properties are set out in note 16 to the financial statements. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the balance sheet date. These estimates are regularly compared to actual market data and actual transactions in the market.

(ii) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassess these estimations at the balance sheet date to ensure inventories are shown at the lower of cost and net realisable value.

(iii) *Impairment of trade receivables*

The Group's management determines the provision for impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and prevailing market conditions. Management reassess the provision for impairment of trade receivables at the balance sheet date.

(iv) *Valuation of convertible bonds*

The Group's management determined the fair values of the liability components of the convertible notes by using the income approach which is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the non-convertible notes than an amount equal to the present worth of anticipated future benefits (income) from the same or substantially similar non-convertible notes with a similar risk profile.

6. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

	2005 HK$'000	2004 HK$'000
Revenue:		
Property rental income	**89,914**	85,692
Revenue from urban infrastructure construction works	**42,064**	22,945
Building management service income	**4,767**	5,082
Property repair and maintenance service income	**7,995**	5,321
Mortgage interest income	**419**	450
Signage rental	**13,343**	11,160
Office facilities and service income	**4,129**	3,728
	162,631	134,378
Other income:		
Bank interest income	**588**	73
Miscellaneous income	**2,600**	3,308
Write back of overprovision for impairment of trade receivables	**—**	222
Write back of provision for unlisted warrants (note (a))	**—**	5,318
Deposit for purchase of properties recovered after settled litigation (note (b))	**44,847**	—
Recovery of long outstanding debts written off (note (c))	**11,715**	—
	59,750	8,921
	222,381	143,299

Notes:

(a) The unlisted warrants granted by the Company to the Group's bankers, in connection with the debt restructuring arrangement with the banks in 2000 which guaranteed a minimum return, lapsed on 31 January 2003. The liability in relation to the minimum return on the unlisted warrants no longer exists, and therefore provision of such unlisted warrants was written back in 2004.

(b) The property related proceedings relating to the purchase of certain properties in Yuen Long by Pacific Well Realty Limited, a subsidiary of the Company, has been settled. Part of the deposit paid under the transaction together with interest thereon were received out of the settlement.

(c) Pursuant to the court order dated 30 September 2004, Soundwill Finance Company Limited ("Soundwill Finance"), a subsidiary of the Company, is entitled to receive a sum of approximately HK$43,000,000, comprising mainly of a mortgage loan of approximately HK$14,000,000 and related accrued interest and assessed cost from the borrower. However, due to the failure to receive the said sum of money, Soundwill Finance foreclosed the mortgaged properties which were then disposed to Urban Renewal Authority at a consideration of HK$15,000,000. Such gain on disposal, after setting off the default outstanding balance (net of provision), was recognised as other income.

7. SEGMENT INFORMATION

Primary reporting format — business segments

The Group is organised into four main business segments:

Property development	:	Property development and sale of properties
Property leasing	:	Property rental including signage rental
Building management and other services	:	Provision of property management, repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

Secondary reporting format — geographical segments

The Group's four business segments operate in the following geographical areas:

Hong Kong	—	Property development and sales of properties, property rental and provision of property management, repairs and maintenance services
Mainland China	—	Urban infrastructure development

There are no sales between the geographical segments.

The Group's inter-segment transactions were related to rental and management fee charges. Terms of rental charge were similar to those contracted with third parties. Management fee charges were determined by directors.

7. SEGMENT INFORMATION (Continued)

(i) Primary reporting format — business segments

The following table presents revenue and results information for the year ended 31 December 2005 and certain assets and liabilities information as at 31 December 2005 for the Group's business segments:

	Property development		Property leasing		Building management services		Urban infrastructure		Others		Elimination		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Segment revenue														
External customers	**—**	—	**107,386**	100,580	**12,762**	10,403	**42,064**	22,945	**419**	450	**—**	—	**162,631**	134,378
Inter-segments	**—**	—	**4,360**	3,207	**—**	—	**—**	—	**—**	357	**(4,360)**	(3,564)	**—**	—
	—	—	**111,746**	103,787	**12,762**	10,403	**42,064**	22,945	**419**	807	**(4,360)**	(3,564)	**162,631**	134,378
Segment results	**(932)**	(742)	**98,694**	94,299	**7,267**	7,040	**(3,870)**	(6,702)	**3,336**	(2,082)	**—**	—	**104,495**	91,813
Inter-segment transactions	**—**	—	**(1,930)**	3,607	**34**	74	**—**	—	**1,896**	(3,681)	**—**	—	**—**	—
Contribution from operations	**(932)**	(742)	**96,764**	97,906	**7,301**	7,114	**(3,870)**	(6,702)	**5,232**	(5,763)	**—**	—	**104,495**	91,813
Gain on fair value adjustment on investment properties	**—**	—	**564,921**	—	**—**	—	**—**	—	**—**	—	**—**	—	**564,921**	—
	(932)	(742)	**661,685**	97,906	**7,301**	7,114	**(3,870)**	(6,702)	**5,232**	(5,763)	**—**	—	**669,416**	91,813
Unallocated income and expenses													**29,597**	(17,152)
Gain on disposal of subsidiaries													**8,407**	1,053
Loss on disposal of an associate													**(63)**	—
Profit from operations													**707,357**	75,714
Finance costs													**(50,894)**	(36,686)
Share of profits less losses of associates													**6**	17
Share of profits less losses of a jointly-controlled entity													**(6)**	—
Profit before income tax													**656,463**	39,045
Income tax expense													**(107,831)**	(13,109)
Profit for the year													**548,632**	25,936
Profit attributable to equity holders of the Company													**547,423**	26,803
Minority interests													**1,209**	(867)
Profit for the year													**548,632**	25,936
Segment assets	**25,257**	21,721	**3,594,329**	3,072,531	**3,270**	3,062	**83,863**	73,921	**171,302**	23,226	**—**	—	**3,878,021**	3,194,461
Interest in associates													**2,830**	2,910
Interest in a jointly-controlled entity													**4,802**	—
Total assets													**3,885,653**	3,197,371
Segment liabilities	**9**	411	**534,138**	408,874	**7,444**	6,587	**22,970**	22,662	**22,593**	16,708	**—**	—	**587,154**	455,242
Unallocated liabilities													**1,120,609**	1,299,875
Total liabilities													**1,707,763**	1,755,117

7. SEGMENT INFORMATION (Continued)

(i) Primary reporting format — business segments (Continued)

Other segment information extracted from the income statement and balance sheet.

	Property development		Property leasing		Building management services		Urban infrastructure		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Capital expenditure	**5,183**	367	**79,476**	33,158	**—**	—	**6,833**	929	**440**	326	**91,932**	34,780
Depreciation	**—**	—	**994**	933	**—**	22	**489**	414	**312**	293	**1,795**	1,662
Amortisation of goodwill	**—**	—	**—**	—	**—**	—	**—**	73	**—**	—	**—**	73
Amortisation of intangible assets	**—**	—	**—**	—	**—**	—	**489**	199	**—**	—	**489**	199
Provision for impairment of trade receivables	**—**	—	**—**	83	**—**	145	**—**	—	**1,045**	45	**1,045**	273
Impairment loss on goodwill	**—**	—	**—**	3,714	**—**	—	**1,314**	—	**—**	—	**1,314**	3,714

(ii) Secondary reporting format — geographical segments

	Segment revenue	
	2005	2004
	HK$'000	HK$'000
Hong Kong	**120,567**	111,433
PRC	**42,064**	22,945
	162,631	134,378

The following tables show the carrying amount of segment assets and additions to property, plant and equipment, property held for development and intangible assets by geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant, equipment, property held for development and intangible assets	
	2005	2004	**2005**	2004
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Hong Kong	**3,794,158**	3,120,540	**85,099**	33,851
PRC	**83,863**	73,921	**6,833**	929
	3,878,021	3,194,461	**91,932**	34,780

8. FINANCE COSTS

	2005 HK$'000	2004 HK$'000 (Restated)
Interest charges on:		
Bank loans	**42,708**	20,942
Other borrowings		
— wholly repayable within five years	**2,618**	13,612
— not wholly repayable with five years	**2,514**	786
Convertible bonds (note 32)	**3,051**	1,324
Finance charges on finance leases	**3**	22
	50,894	36,686

9. PROFIT BEFORE INCOME TAX

	2005 HK$'000	2004 HK$'000 (Restated)
Profit before income tax is arrived at after charging:		
Amortisation of goodwill*	**—**	73
Amortisation of intangible assets*	**489**	199
Impairment loss on goodwill*	**1,314**	3,714
Auditors' remuneration	**1,176**	926
Amortisation:		
— operating lease prepayment	**14**	14
— properties held under development	**715**	574
Depreciation:		
— owned assets	**1,795**	1,637
— leased assets	**—**	25
Cost of inventories recognised as expense	**23,092**	17,217
Loss on disposal of investment properties	**190**	—
Loss on disposal of property, plant and equipment	**67**	170
Operating lease charges in respect of premises	**2,315**	2,045
Provision for obsolete inventories	**2,096**	—
Provision for impairment of receivables	**1,045**	273
Bad debts written off	**3,039**	2,055
Staff costs (note 11)	**21,043**	16,599
and crediting:		
Gross rental income from investment properties	**89,914**	85,692
Less: outgoings	**(3,947)**	(3,389)
	85,967	82,303
Other rental income from other properties less outgoings	**4,129**	3,728
	90,096	86,031

* Included in other operating expenses

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fee HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2005					
Executive directors					
Ms. Foo Kam Chu, Grace	—	1,480	12	206	1,698
Ms. Chan Wai Ling	—	740	12	92	844
Mr. Tse Chun Kong, Thomas	—	1,570	12	92	1,674
Mr. Kwan Chai Ming	—	585	12	82	679
Non-executive directors					
Mr. Liu Hanbo	—	—	—	92	92
Mr. Meng Qinghui	—	—	—	92	92
Independent non-executive directors					
Mr. Heng Kwoo Seng	80	—	—	—	80
Mr. Kwan Kai Cheong	70	—	—	—	70
Ms. Ho Suk Yin	60	—	—	—	60
	210	4,375	48	656	5,289
Year ended 31 December 2004 (Restated)					
Executive directors					
Ms. Foo Kam Chu, Grace	—	1,350	12	94	1,456
Ms. Chan Wai Ling	—	653	12	42	707
Mr. Tse Chun Kong, Thomas	—	1,570	12	42	1,624
Mr. Kwan Chai Ming	—	507	12	35	554
Non-executive directors					
Mr. Liu Hanbo	—	—	—	42	42
Mr. Meng Qinghui	—	—	—	42	42
Independent non-executive directors					
Mr. Heng Kwoo Seng*	—	—	—	—	—
Mr. Kwan Kai Cheong*	—	—	—	—	—
Ms. Ho Suk Yin*	—	—	—	—	—
Mr. Wong Tak Leung, Charles**	23	—	—	—	23
Mr. Yuen Hing Man**	23	—	—	—	23
	46	4,080	48	297	4,471

* appointed on 30 September 2004

** resigned on 30 September 2004

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2004: three) directors of the Company, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining two (2004: two) individuals during the year are as follows:

	2005 **HK$'000**	2004 HK$'000 (Restated)
Basic salaries and other benefits	**1,634**	1,238
Retirement benefits scheme contributions	**24**	24
Equity-settled share based payment	**142**	42
	1,800	1,304

The emoluments fell within the following bands:

	Number of individuals	
	2005	2004
Nil – HK$1,000,000	**2**	2

During the year ended 31 December 2005, no emoluments were paid by the Group to the directors or any of five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived or agreed to waive any emoluments during each of the two years ended 31 December 2005 and 2004.

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2005 **HK$'000**	2004 HK$'000
Salaries and wages (including directors' remuneration)	**18,607**	15,415
Equity-settled share based payment	**1,291**	519
Pension costs — defined contribution plans	**873**	438
Staff welfares	**272**	227
	21,043	16,599

12. INCOME TAX EXPENSE

	2005 HK$'000	2004 HK$'000 (Restated)
Current tax — Hong Kong		
Tax for the year	**2,595**	109
Underprovision in prior years	**3,952**	—
	6,547	109
Deferred tax liabilities (note 33)	**101,284**	13,000
	107,831	13,109

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

The Group's subsidiaries established and operating in the Mainland China are exempt from enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from enterprise income tax for the following three years under the Income Tax Law of the Mainland China.

For the year ended 31 December 2005, no provision for enterprise income tax has been made for the operations in the Mainland China as the management consider that the Group's subsidiaries in the Mainland China were still within the tax exemption period as described above.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Profit before income tax	**656,463**	39,045
Tax at the applicable tax rates	**115,045**	8,183
Tax effect of non-deductible expenses	**2,490**	3,219
Tax effect of non-taxable revenue	**(11,165)**	(261)
Tax effect of temporary differences not recognised	**674**	(531)
Tax effect of tax losses not recognised	**517**	2,711
Utilisation of previously unrecognised tax losses	**(3,150)**	(212)
Underprovision in prior years	**3,952**	—
Others	**(532)**	—
Income tax expense	**107,831**	13,109

13. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$547,423,000 (2004: HK$26,803,000, restated), a loss of HK$8,369,000 (2004: HK$17,516,000, restated) has been dealt with in the financial statements of the Company.

14. DIVIDENDS

(a) Dividends attributable to the year

	2005	2004
	HK$'000	HK$'000
Proposed final dividend of HK$0.035 (2004: HK$0.025) per share	**7,788**	4,122

Final dividend of HK$0.035 (2004: HK$0.025) per share for the year to shareholders whose names appear on the register of members on 29 May 2006 was proposed by the Directors on 21 April 2006.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2005	2004
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, of HK$0.025 per share (2004: HK$0.02 per share)	**4,122**	2,025

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Profit attributable to the equity holders of the Company	**547,423**	26,803
Effect of reduction of interest payable, net of tax	**2,558**	525
Profit used to determine diluted earnings per share	**549,981**	27,328

15. EARNINGS PER SHARE (Continued)

Number of shares

	Group	
	2005	2004
Weighted average number of ordinary shares for the purposes of basic earnings per share	**160,429,944**	111,487,217
Effect of dilutive potential ordinary shares in respect of:		
Share options	**326,136**	344,614
Share warrants	**652,083**	—
Convertible bonds	**62,266,569**	18,162,854
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**223,674,732**	129,994,685

16. INVESTMENT PROPERTIES

Changes to the carrying amounts presented in the consolidated balance sheet can be summarised as follows:

Group

	2005	2004
	HK$'000	HK$'000
		(Restated)
Carrying amount at 1 January	**3,011,636**	2,210,390
Additions	**78,911**	18,050
Additions through acquisition of a subsidiary	**—**	11,436
Disposals	**(1,198)**	—
Gain on fair value adjustment	**564,921**	771,760
Carrying amount at 31 December	**3,654,270**	3,011,636

Investment properties of the Group were revalued at 31 December 2005 by an independent firm of professionally qualified valuers, B.I. Appraisals Limited, on an open market basis.

16. INVESTMENT PROPERTIES (Continued)

The Group's interests in investment properties are situated in Hong Kong and their carrying amount are analysed as follows:

	2005	2004
	HK$'000	HK$'000
		(Restated)
Held on lease over 50 years	**3,641,930**	3,011,636
Held on lease from 10 to 50 years	**12,340**	—
	3,654,270	3,011,636

As at 31 December 2005, certain investment properties of the Group with a fair value of HK$3,566,730,000 (2004: HK$3,008,976,000) were pledged to secure bank loans of HK$1,052,348,000 (2004: HK$1,054,775,000) (note 31).

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

17. OPERATING LEASE PREPAYMENT

The Group's interest in leasehold land represents operating lease prepayment and its carrying amount is analysed as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Carrying amount at 1 January	**11,579**	11,593
Amortisation of operating lease prepayment	**(14)**	(14)
Carrying amount at 31 December	**11,565**	11,579

The Group's interest in leasehold land is located in Hong Kong with remaining lease period of over 50 years.

18. PROPERTY, PLANT AND EQUIPMENT

Group (Restated)

	Leasehold building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2004					
Cost/Valuation	18,600	8,433	8,420	1,798	37,251
Accumulated depreciation	—	(7,172)	(6,406)	(1,217)	(14,795)
Net book amount	18,600	1,261	2,014	581	22,456
Year ended 31 December 2004					
Opening net book amount	18,600	1,261	2,014	581	22,456
Additions	—	367	654	559	1,580
Surplus on revaluation	3,772	—	—	—	3,772
Disposals	—	(79)	(91)	—	(170)
Disposal of subsidiaries	—	(91)	—	—	(91)
Depreciation	(372)	(577)	(438)	(275)	(1,662)
Translation difference	—	(1)	(15)	(3)	(19)
Closing net book amount	22,000	880	2,124	862	25,866
At 31 December 2004					
Cost/Valuation	22,000	8,629	8,962	2,354	41,945
Accumulated depreciation	—	(7,749)	(6,838)	(1,492)	(16,079)
Net book amount	22,000	880	2,124	862	25,866
Analysis of cost/valuation					
At cost	—	8,629	8,962	2,354	19,945
At professional valuation	22,000	—	—	—	22,000
	22,000	8,629	8,962	2,354	41,945

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Leasehold building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2005					
Opening net book amount	22,000	880	2,124	862	25,866
Additions	—	567	514	—	1,081
Surplus on revaluation	3,040	—	—	—	3,040
Disposals	—	—	(67)	—	(67)
Depreciation	(440)	(545)	(650)	(160)	(1,795)
Translation difference	—	—	23	10	33
Closing net book amount	24,600	902	1,944	712	28,158
At 31 December 2005					
Cost/Valuation	24,600	9,196	9,361	2,364	45,521
Accumulated depreciation	—	(8,294)	(7,417)	(1,652)	(17,363)
Net book amount	24,600	902	1,944	712	28,158
Analysis of cost/valuation					
At cost	—	9,196	9,361	2,364	20,921
At professional valuation	24,600	—	—	—	24,600
	24,600	9,196	9,361	2,364	45,521

At the balance sheet date, the Group's leasehold building held under long-term leases in Hong Kong is stated at valuation of HK$24,600,000 (2004: HK$22,000,000).

At 31 December 2005, the Group's leasehold building was valued by B.I. Appraisals Limited on an open market value basis. A revaluation surplus of approximately HK$3,040,000 (2004: HK$3,772,000) had been credited to asset revaluation reserve.

Had the leasehold building been carried at historical cost less accumulated depreciation, its carrying value at 31 December 2005 would have been approximately HK$6,553,440 (2004: HK$6,713,280).

19. PROPERTIES HELD FOR DEVELOPMENT

Group

	2005	2004
	HK$'000	HK$'000
		(Restated)
Year ended 31 December		
Opening net book amount	**26,535**	22,109
Additions	**5,183**	—
Transfer from deposits on acquisition of properties*	**—**	5,000
Amortisation	**(715)**	(574)
Closing net book amount	**31,003**	26,535
As at 31 December		
Cost	**35,188**	30,005
Accumulated amortisation	**(4,185)**	(3,470)
Net book amount	**31,003**	26,535

* In prior years, there were deposits on acquisition of properties (the "Deposits") of HK$5,000,000 arising from legal proceedings involving a wholly owned subsidiary of the Company (the "subsidiary") which was in the capacity of a plaintiff. Pursuant to the court order dated 17 April 2004, it was ordered by the High Court of the Hong Kong Special Administrative Region that, due to the failure of paying the said sum and accrued interests by the defendant, the subsidiary was granted the possession of the properties. The Deposits were therefore reclassified as properties held for development in the previous year.

The properties held for development representing operating lease prepayments on leasehold land are situated in Hong Kong and are held under medium-term leases.

20. INTERESTS IN SUBSIDIARIES

Company

	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**2,318,856**	2,318,856
Less: impairment loss recognised	**(1,773,856)**	(1,773,856)
	545,000	545,000
Amounts due from subsidiaries	**1,524,136**	1,477,687
Less: provision for impairment	**(1,477,687)**	(1,477,687)
	46,449	—
Amounts due to subsidiaries	**(1,864)**	—
Net amounts due from subsidiaries	**44,585**	—
	589,585	545,000

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of principal subsidiaries are set out in note 45 to the financial statements.

21. INTERESTS IN ASSOCIATES

Group

	2005 HK$'000	2004 HK$'000
Unlisted share, at cost	**3,000**	3,004
Share of post-acquisition results	**(2,912)**	(15,584)
	88	(12,580)
Amounts due from associates	**2,734**	15,482
Premium on acquisition	**8**	8
	2,830	2,910

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of directors, no repayment will be demanded within 12 months from the balance sheet date and the amounts are classified as non-current assets accordingly.

Particulars of the associates as at 31 December 2005 are as follows:

Name	Particulars of issued shares held	Place of incorporation and operations	Percentage of interest held by the Group	Principal activities
Happy Wealth Industries Limited	2 ordinary shares of HK$1 each	Hong Kong	30%	Property investment
Wellway Estates Limited	10,000 ordinary shares of HK$1 each	Hong Kong	30%	Investment holding and property investment

The following table illustrates the summarised financial information of the Group's associates, extracted from their unaudited management accounts:

	2005 HK$'000	2004 HK$'000
Assets	**10,029**	10,357
Liabilities	**9,701**	9,826
Revenue	**38**	60
Profit for the year	**21**	54

22. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

Group

	2005 HK$'000	2004 HK$'000
Unlisted share, at cost	**1**	—
Share of post-acquisition results	**(6)**	—
	(5)	—
Amount due from a jointly-controlled entity	**4,807**	—
	4,802	—

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. In the opinion of directors, no repayment will be demanded within 12 months from the balance sheet date and the amounts are classified as non-current assets accordingly.

Particulars of the jointly-controlled entity at 31 December 2005 are as follows:

				Percentage of			
Company name	**Business structure**	**Place of incorporation and operations**	**Issued and paid-up capital**	**Ownership interest attributable to the Group**	**Voting power**	**Profit sharing**	**Principal activities**
Golden Choice Enterprises Limited	Limited liability company	Hong Kong	2 ordinary shares of HK$1 each	50%	50%	50%	Property development

The following is a condensed summary of financial information of the Group's jointly-controlled entity:

	2005 HK$'000	2004 HK$'000
Share of assets and liabilities attributable to the Group		
Current assets	**2,398**	—
Current liabilities	**(2,404)**	—
Net liabilities	**(6)**	—
Share of results attributable to the Group		
Revenue	**—**	—
Administrative expenses	**(6)**	—
Loss for the year	**(6)**	—

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS/OTHER INVESTMENTS

Group

	2005	2004
	HK$'000	HK$'000
Unlisted equity investment, at cost	**6,660**	6,660
Provision for impairment losses	**(6,650)**	(6,650)
	10	10
Listed equity securities, at fair value (2004: cost) — listed in Hong Kong	**1**	1
	11	11
Market value of listed equity securities	**1**	1

Unlisted equity investment represents 35% of the issued ordinary share capital of an unlisted company incorporated in Hong Kong.

The unlisted equity investment is classified as an available-for-sale financial asset because in the opinion of the directors, the Group has no significant influence over the financial and operating policy decisions of the investee company.

24. INTANGIBLE ASSETS

Group

	Urban infrastructure development rights HK$'000
At 1 January 2004	
Cost	4,082
Accumulated amortisation	(187)
Net book amount	3,895
Year ended 31 December 2004	
Opening net book amount	3,895
Amortisation	(199)
Translation difference	(53)
Closing net book amount	3,643
At 31 December 2004	
Cost	4,029
Accumulated amortisation	(386)
Net book amount	3,643
Year ended 31 December 2005	
Opening net book amount	3,643
Additions	6,757
Amortisation	(489)
Translation difference	172
Closing net book amount	10,083
At 31 December 2005	
Cost	10,918
Accumulated amortisation	(835)
Net book amount	10,083

The amortisation charge for the year is included in other operating expenses.

25. GOODWILL

Group

The amount of goodwill capitalised as an asset, arising from the acquisition of subsidiaries, is as follows:

	2005 **HK$'000**	2004 HK$'000
Carrying amount at 31 December	—	1,314
At 31 December 2005		
Gross amount		
At 1 January 2005		305,648
Eliminated with accumulated amortisation at 1 January 2005		(5,061)
As adjusted		300,587
Disposal of subsidiaries		(289,993)
		10,594
Accumulated amortisation and impairment losses		
At 1 January 2005		304,334
Accumulated amortisation eliminated with gross amount at 1 January 2005		(5,061)
As adjusted		299,273
Disposal of subsidiaries		(289,993)
Impairment loss		1,314
		10,594
Carrying amount		—
At 31 December 2004		
Gross amount		301,934
Accumulated amortisation and impairment losses		(300,620)
Carrying amount		1,314

The change in the gross carrying amount of goodwill between 31 December 2004 and 31 December 2005 was caused by the transitional provisions of HKFRS 3. In accordance with the HKFRS 3, all accumulated amortisation as at 31 December 2004 was eliminated against the gross amount of goodwill and amortisation of goodwill was discontinued from 1 January 2005.

26. INVENTORIES

Group

	2005 HK$'000	2004 HK$'000
Raw materials	**260**	465
Work in progress	**12,873**	17,405
Finished goods	**19,847**	10,206
	32,980	28,076
Less: provision for obsolete inventories	**(2,096)**	—
	30,884	28,076

Work in progress and finished goods represented urban infrastructure construction works either in progress or completed and available for sale as at the balance sheet date.

27. TRADE AND OTHER RECEIVABLES

Group

	2005 HK$'000	2004 HK$'000
Trade receivables, net	**33,585**	29,173
Deposit and prepayment	**6,266**	6,562
Loan to an outsider, net	**—**	3,276
	39,851	39,011

The credit terms of the Group range from 30 to 90 days. At 31 December 2005, the ageing analysis of the trade receivables, net of provision, was as follows:

Group

	2005 HK$'000	2004 HK$'000
0 — 30 days	**16,448**	20,944
31 — 90 days	**4,329**	1,751
91 — 180 days	**2,374**	—
Over 180 days	**10,434**	6,478
Total trade receivables	**33,585**	29,173

28. INSTALMENTS RECEIVABLE

The amount represents the principal amounts of secondary mortgage loan to be received by instalments, less any provision for impairment, within 12 months from the balance sheet date. The gross amounts repayable by mortgagor where appropriate include principal and interest accrued on the balance outstanding at contracted rates.

29. CASH AND CASH EQUIVALENTS

Group

	2005 HK$'000	2004 HK$'000
Bank and cash balances	**12,687**	46,724
Short-term bank deposits	**59,509**	—
	72,196	46,724

The effective interest rate of short-term bank deposits for the year ranged from 3.5% to 4.1% (2004: Nil). These deposits have maturity periods ranging from 7 to 30 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in bank and cash balances of the Group is HK$7,498,987 (2004: HK$11,167,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency.

30. TRADE AND OTHER PAYABLES

Group

	2005 HK$'000	2004 HK$'000
Trade payables	**29,755**	27,588
Receipt in advance	**8,596**	7,313
Rental and other deposits received	**39,073**	31,703
Accrued expenses and other payables	**5,514**	14,068
	82,938	80,672

At 31 December 2005, the ageing analysis of the trade payables was as follows:

Group

	2005 HK$'000	2004 HK$'000
0 — 30 days	**14,048**	18,712
31 — 90 days	**1,926**	189
Over 90 days	**13,781**	8,687
Total trade payables	**29,755**	27,588

31. BORROWINGS

Group

	2005 HK$'000	2004 HK$'000
Non-current		
Bank loans — secured	**962,983**	991,089
Other loans	**—**	60,150
Finance lease liabilities	**—**	13
	962,983	1,051,252
Current		
Bank loans — secured	**89,365**	63,686
Other loans	**68,261**	36,426
Finance lease liabilities	**—**	12
	157,626	100,124
Total borrowings	**1,120,609**	1,151,376

At 31 December 2005, the Group's borrowings (other than finance lease liabilities) were repayable as follows:

	2005		2004	
	Bank loans-secured HK$'000	**Other loans HK$'000**	Bank loans-secured HK$'000	Other loans HK$'000
On demand or within one year	**89,365**	**68,261**	63,686	36,426
Within a period of more than one year but not exceeding two years	**566,459**	**—**	53,719	26,150
Within a period of more than two years but not exceeding five years	**167,602**	**—**	872,383	—
Due after five years	**228,922**	**—**	64,987	34,000
Total	**1,052,348**	**68,261**	1,054,775	96,576

Bank loans of the Group are secured by certain properties of the Group as set out in note 16 to the financial statements. In addition, most of the bank loans of the Group have floating interest rates which carry effective interest rates ranging from 2% to 7% (2004: 2%–4%) per annum. The Group has also secured some bank loans on a fixed rate basis at a rate of 4.42% per annum for one year starting from April 2005.

Other loans are unsecured and interest bearing at 6% to 9% (2004: 5%–14%) per annum.

31. BORROWINGS (Continued)

Group (Continued)

The analysis of the obligations under finance leases is as follows:

	2005 HK$'000	2004 HK$'000
Due within one year	**—**	14
Due in the second to fifth years	**—**	15
	—	29
Future finance charges on finance leases	**—**	(4)
Present value of finance lease liabilities	**—**	25
The present value of finance lease liabilities is as follows:		
Due within one year	**—**	12
Due in the second to fifth years	**—**	13
	—	25
Less: Portion due within one year included under current liabilities	**—**	(12)
Non-current portion included under non-current liabilities	**—**	13

The analysis of the Group's borrowings is as follows:

	2005 HK$'000	2004 HK$'000
Wholly repayable within five years		
Loans		
— Bank loans — secured	**823,426**	989,788
— Other loans	**68,261**	62,576
Obligation under finance leases	**—**	25
	891,687	1,052,389
Not wholly repayable within five years		
Loans		
— Bank loans — secured	**228,922**	64,987
— Other loans	**—**	34,000
	228,922	98,987
	1,120,609	1,151,376

32. CONVERTIBLE BONDS

Company and Group

On 17 June 2004, the Company entered into an agreement with Ko Bee Limited ("Ko Bee"), the ultimate holding company of the Company, in relation to the subscription and issue of convertible bonds (the "Bonds") of the Company.

In August 2004, the Company issued the Bonds to Ko Bee at a nominal value of HK$148,499,000. The Bonds bear interest at the rate of 3% per annum below prime lending rate quoted by Hong Kong and Shanghai Banking Corporation Limited. The Bonds mature on 17 June 2008 and can be converted into shares at the holder's option at the conversion price of HK$1.66 per share (the "Conversion price"). On 10 March 2005 and 30 December 2005, Ko Bee exercised its rights and converted Bonds in a total principal amount of HK$55,000,000 and HK$70,000,000 at the Conversion price into 33,132,530 shares and 42,168,674 shares respectively.

Upon the adoption of HKAS 32, the Bonds were split into liability and equity components on a retrospective basis. The fair value of the liability component of the Bonds was calculated using a market interest rate ("MIR") for an equivalent non-convertible bond. The residual amount, representing the value of equity conversion component, is included in shareholders' equity in other equity reserve.

The Bonds recognised in the balance sheet are calculated as follows:

	HK$'000
Nominal value of convertible bonds	148,499
Equity component	(590)
Liability component at initial recognition date	147,909
Interest charged to finance costs (note 8)	1,324
Interest paid	(1,272)
Liability component at 31 December 2004 and 1 January 2005	147,961
Less: Conversion of convertible bonds	(124,556)
Interest charged to finance costs (note 8)	3,051
Interest paid	(3,101)
Liability component at 31 December 2005	23,355

The fair value of the liability component of the Bonds at 31 December 2005 amounted to approximately HK$23,355,000 (2004: HK$147,731,000), which is calculated using cash flows discounted at MIR, which the directors of the Company have estimated to be 4.75% (2004: 2.12%) per annum or HIBOR plus 1.75% per annum.

Interest expenses on the Bonds are calculated using the effective interest rate method by applying the effective interest rate of 4.56% (2004: 2.15%) per annum to the liability component.

33. DEFERRED TAX LIABILITIES

Group

The movement on the deferred tax liabilities is as follows:

	2005 **HK$'000**	2004 HK$'000 (Restated)
At 1 January	**371,966**	221,393
Deferred tax liabilities charged to:		
— Income statement (note 12)	**101,284**	13,000
— Investment property revaluation reserve	**—**	136,887
— Asset revaluation reserve	**532**	686
At 31 December	**473,782**	371,966

The following are the major deferred tax liabilities recognised in the balance sheet and the movements during current and prior years:

	Accelerated tax depreciation		**Fair value gains**		**Total**	
	2005 **HK$'000**	2004 HK$'000 (Restated)	**2005** **HK$'000**	2004 HK$'000 (Restated)	**2005** **HK$'000**	2004 HK$'000 (Restated)
At 1 January	**20,291**	6,605	**351,675**	214,788	**371,966**	221,393
Charged to income statement	**2,644**	13,000	**98,640**	—	**101,284**	13,000
Charged to equity:						
— Investment property revaluation reserve	**—**	—	**—**	136,887	**—**	136,887
— Asset revaluation reserve	**532**	686	**—**	—	**532**	686
At 31 December	**23,467**	20,291	**450,315**	351,675	**473,782**	371,966

33. DEFERRED TAX LIABILITIES (Continued)

Group (Continued)

As at 31 December 2005, the amount of unrecognised deferred tax assets is mainly represented by tax effect of temporary differences attributable to unrecognised tax losses of HK$47,464,000 (2004: HK$50,173,000).

The deductible temporary differences have not been recognised in the financial statements as it is not probable that taxable profit will be available against which the tax loss or other deductible temporary differences can be utilised due to the unpredictability of future profit streams. All tax losses and deductible temporary differences of the Group have no expiry dates under the current tax legislation.

Company

No deferred tax has been provided in the financial statements of the Company as there are no temporary differences.

34. SHARE CAPITAL

	2005 Number of shares	**2005 HK$'000**	2004 Number of shares	2004 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000

	Number of shares	**Total** HK$'000
Issued and fully paid:		
At 1 January 2004	69,698,443	6,970
Exercise of warrants	271,789	27
Exercise of share options	400,000	40
New issue of shares	13,939,688	1,394
Loan capitalisation	17,000,000	1,700
Bonus issue	20,253,971	2,025
Shares repurchased	(398,000)	(40)
At 31 December 2004 and 1 January 2005	121,165,891	12,116
Exercise of warrants	255,018	26
Exercise of share options	500,000	50
New issue of shares (note (a))	10,000,000	1,000
New placement of shares (note (b))	15,000,000	1,500
Conversion of convertible bonds (note (c))	75,301,204	7,530
At 31 December 2005	222,222,113	22,222

(a) On 10 January 2005, for the purposes of fund raising for (i) future business development; (ii) repayment of part of short-term borrowings and (iii) general working capital and broadening shareholder base, Ko Bee entered into an agreement with Sun Hung Kai International Limited and the Company for the placement of 10,000,000 existing ordinary shares of the Company at a placing price of HK$2.70 each to institutional, professional and/or other investors who are independent third parties of the Company and the subscription of 10,000,000 new ordinary shares of the Company at the same price by Ko Bee. The net consideration of approximately HK$26,000,000 were satisfied by cash payment.

(b) On 2 November 2005, for the purpose of fund raising for (i) future business development and (ii) general working capital and broadening shareholder base, Ko Bee entered into an agreement with Great Honest Investment Company Limited and the Company for the placement of 15,000,000 existing ordinary shares of the Company at a placing price of HK$1.95 each to institutional and corporate investors who are independent third parties of the Company and the subscription of 15,000,000 new ordinary shares of the Company at the same price by Ko Bee. The net proceeds of approximately HK$28,000,000 were satisfied by cash payment.

34. SHARE CAPITAL (Continued)

(c) On 10 March 2005 and 30 December 2005, Ko Bee exercised its rights and converted convertible bonds of the Company in total principal amount of HK$55,000,000 and HK$70,000,000 respectively at the Conversion Price of HK$1.66 per share whereby a respective total number of 33,132,530 and 42,168,674 shares of the Company were allotted to Ko Bee.

35. RESERVES

Group

	2005	2004
	HK$'000	HK$'000
		(Restated)
Share premium (note (a))	**255,763**	84,680
Investment property revaluation reserve	**—**	1,621,253
Asset revaluation reserve	**17,210**	14,702
Other equity reserve — convertible bonds (note 32)	**94**	590
Employee share-based equity reserve	**1,589**	519
Retained profits/(Accumulated losses)	**1,853,094**	(307,794)
Exchange reserve	**673**	(462)
Special reserve (note (b))	**1,848**	1,848
Proposed final dividend	**7,788**	4,122
	2,138,059	1,419,458

Details of the movements in the above reserves are set out in the consolidated statement of changes in equity on page 31 and 32 to the financial statements.

35. RESERVES (Continued)

Company

	Share premium HK$'000 (Note (a))	Contributed surplus HK$'000 (Note (c))	Other equity reserve HK$'000	Employee share-based equity reserve HK$'000	Accumulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2004	14,004	2,226,831	—	—	(1,909,072)	2,025	333,788
Exercise of warrants (note 37)	516	—	—	—	—	—	516
Exercise of share options (note 36)	560	—	—	—	—	—	560
New issue of shares	28,706	—	—	—	—	—	28,706
Loan capitalisation	41,492	—	—	—	—	—	41,492
Bonus issue of shares	—	(2,035)	—	—	—	—	(2,035)
Shares repurchased	(598)	—	—	—	—	—	(598)
Issue of convertible bonds — equity component (note 32)	—	—	590	—	—	—	590
Equity-settled share based payment	—	—	—	519	—	—	519
Loss for the year (restated)	—	—	—	—	(17,516)	—	(17,516)
Final dividend paid for 2003	—	—	—	—	—	(2,025)	(2,025)
Proposed final dividend for 2004 (note 14(a))	—	(4,122)	—	—	—	4,122	—
At 31 December 2004, as restated	84,680	2,220,674	590	519	(1,926,588)	4,122	383,997

35. RESERVES (Continued)

Company (Continued)

	Share premium HK$'000 (Note (a))	Contributed surplus HK$'000 (Note (c))	Other equity reserve HK$'000	Employee share-based equity reserve HK$'000	Accumulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 31 December 2004, as previously stated	84,680	2,220,674	—	—	(1,926,017)	4,122	383,459
Effect of changes in accounting policies (note 3):							
— Initial adoption of HKAS 32 & 39	—	—	590	—	(52)	—	538
— Initial adoption of HKFRS 2	—	—	—	519	(519)	—	—
At 31 December 2004 and 1 January 2005, as restated	84,680	2,220,674	590	519	(1,926,588)	4,122	383,997
Exercise of warrants (note 37)	485	—	—	—	—	—	485
Exercise of share options (note 36)	907	—	—	(221)	—	—	686
New issue and placing of shares, net (note 34(a) and (b))	52,238	—	—	—	—	—	52,238
Conversion of convertible bonds, net (note 34(c))	117,453	—	(496)	—	—	—	116,957
Equity-settled share based payment (note 36)	—	—	—	1,291	—	—	1,291
Loss for the year	—	—	—	—	(8,369)	—	(8,369)
Final dividend paid for 2004 (note 14(b))	—	—	—	—	—	(4,122)	(4,122)
Proposed final dividend for 2005 (note 14(a))	—	(7,788)	—	—	—	7,788	—
At 31 December 2005	255,763	2,212,886	94	1,589	(1,934,957)	7,788	543,163

(a) Share premium represents the excess of consideration received over the par value of shares issued.

(b) The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries pursuant to the Group's re-organisation in 1997.

(c) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued and the issued ordinary shares of Lucky Spark Limited (a subsidiary) and the value of the net underlying assets of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the shareholders under certain circumstances. However, the Company cannot declare or pay a dividend or make a distribution out of contribution surplus if:

(1) it is, or would after the payment be, unable to pay its liabilities as they become due, or

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

36. SHARE BASED EMPLOYEE COMPENSATION

Share options

The Company operate 2 share option schemes adopted on 25 February 1997 (the "1997 Share Option Scheme") and 22 July 2002 (the "2002 Share Option Scheme") (collectively the "Schemes") respectively.

The Stock Exchange introduced changes to the provisions of the Chapter 17 of the Listing Rules in relation to share option schemes which took effect on 1 September 2001. In order to comply with the new provisions, the 1997 Share Option Scheme was terminated on 22 July 2002 when the 2002 Share Option Scheme was adopted. Since then, no further share option may be granted under the 1997 Share Option Scheme. However, in respect of the outstanding share options granted under the 1997 Share Option Scheme, the 1997 Share Option Scheme shall remain in force and such outstanding share options shall continue to be subject to the provisions of the 1997 Share Option Scheme and the new provisions of Chapter 17 of the Listing Rules.

The principal terms of the Schemes are set out as follows:

Purpose of the Schemes

The purpose of the Schemes is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Eligible participants of the Schemes

1997 Share Option Scheme

Any employee of the Company or its subsidiaries and any executive director of the Company or its subsidiaries.

2002 Share Option Scheme

(i) any executive or non-executive directors of the Group or any employees of the Group; (ii) any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group; (iii) any consultant(s) and professional adviser(s) to the Group; (iv) Chief Executive (as defined under the Listing Rules) or Substantial Shareholder (as defined under the Listing Rules) of the Company; (v) Associates (as defined under the Listing Rules) of Director, Chief Executive or Substantial Shareholder of the Company; and (vi) employees of the Substantial Shareholder.

Total number of securities issuable

1997 Share Option Scheme

The 1997 Share Option Scheme has been terminated and no further share options may be granted thereunder.

2002 Share Option Scheme

The total number of shares which may be issued upon exercise of all share options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2002 Share Option Scheme provided that share options lapsed will not be counted for the purpose of calculating such 10% limit.

36. SHARE BASED EMPLOYEE COMPENSATION (Continued)

Total number of securities issuable (Continued)

2002 Share Option Scheme (Continued)

Under the 2002 Share Option Scheme, the Company may obtain a fresh approval from its shareholders in general meeting to refresh the above mentioned 10% limit. In such event, the total number of shares in respect of which share options may be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of such approval provided that share options previously granted under the 2002 Share Option Scheme (including those outstanding, cancelled, lapsed or exercised share options) will not be counted for the purpose of calculating such 10% limit.

At the annual general meeting of the Company convened on 30 May 2005, the said 10% limit was refreshed to the effect that the limit of number of shares available for issue was increased to 16,486,782 shares.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant hereinafter mentioned, the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such other higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

As at the date of this annual report, the total number of shares available for issue under the 2002 Share Option Scheme was 13,992,782 representing approximately 6.29% of the Company's shares in issue as at that date.

Maximum entitlement of each employee/participant

1997 Share Option Scheme

No option may be granted to any one Employee (as defined in the 1997 Share Option Scheme) which, if exercised in full, would result in such Employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted to him would exceed 25% of the aggregate number of shares for the time being issued and issuable under the 1997 Share Option Scheme.

2002 Share Option Scheme

Unless separately approved by the shareholders of the Company in general meeting with the particular Participant (as defined in the 2002 Share Option Scheme) and his or her associate (as defined under the Listing Rules) abstaining from voting, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12 months period shall not exceed 1% of the total number of shares in issue.

Period to take up share options and minimum period to hold before exercise/Vesting period

Under the Schemes, the period within which the shares must be taken up under a share option and the minimum period, if any, for which a share option must be held before it can be exercised are to be decided by the Directors of the Company upon granting the relevant share options. Details of such information (if any) relating to the outstanding share options are set out below. Vesting period (if any) of the options granted is the period between the date of grant and the date immediately before the commencement of the exercise period.

36. SHARE BASED EMPLOYEE COMPENSATION (Continued)

Amount payable to take up share options and time to accept offer

Under the Schemes, an offer for the granting of share options under the Schemes shall be accepted within 28 days from the offer date and by way of payment of a consideration of HK$1.00.

Exercise price

1997 Share Option Scheme

The exercise price shall be a price determined by the board of directors of the Company and shall be the higher of:

(i) a price not less than 80% of the average of the closing prices of the shares quoted in The Stock Exchange for the five trading days immediately preceding the offer date;

(ii) the nominal value of the shares.

2002 Share Option Scheme

The exercise price shall be a price determined by the board of directors of the Company and shall be at least the higher of:

(i) the closing price of the shares quoted on the Stock Exchange on the offer date;

(ii) a price being the average of the closing prices of the shares as quoted in the Stock Exchange for the 5 trading days immediately preceding the offer date;

(iii) the nominal value of the shares.

Life of the Schemes

The Schemes have a life of 10 years from their respective adoption dates. Remaining lives of the Schemes are 10 months and 6.25 years respectively from the date of this annual report.

36. SHARE BASED EMPLOYEE COMPENSATION (Continued)

Details of options granted

As at the balance sheet date, details of outstanding options granted to several Directors and various employees of the Group are as follows:

1997 Share Option Scheme

Name of grantee	Date of grant	Exercise price (HK$)	Exercisable period	Number of options As at 1 January 2005	Granted during the year	Lapsed during the year	As at 31 December 2005
Directors							
Foo Kam Chu, Grace	2 January 2001	2.97	2 July 2001 to 24 February 2007	76,000	—	—	76,000
Chan Wai Ling	2 January 2001	2.97	2 July 2001 to 24 February 2007	60,000	—	—	60,000
Tse Chun Kong, Thomas	2 January 2001	2.97	2 July 2001 to 24 February 2007	50,000	—	—	50,000
Kwan Chai Ming	1 June 2000	12.40	1 June 2001 to 24 February 2007	20,000	—	—	20,000
	2 January 2001	2.97	2 January 2002 to 24 February 2007	10,000	—	—	10,000
Other Employees	1 June 2000	12.40	1 December 2000 to 1 December 2005	10,000	—	10,000	—
	2 January 2001	2.97	2 July 2001 to 24 February 2007	188,000	—	60,000	128,000
				414,000	—	70,000	344,000

36. SHARE BASED EMPLOYEE COMPENSATION (Continued)

Details of options granted (Continued)

2002 Share Option Scheme

Name of grantee	Date of grant	Closing price immediately preceding the date of grant (HK$)	Exercise price (HK$)	Weighted average closing price of shares immediately before exercise date (HK$)	Exercisable period	Number of options: As at 1 January 2005	Number of options: Granted during the year	Number of options: Lapsed*/ exercised during the year	As at 31 December 2005	Value of option granted (HK$)
Directors										
Foo Kam Chu, Grace	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	200,000	—	—	200,000	96,200
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	—	200,000	—	200,000	206,000
Chan Wai Ling	10 July 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	—	—	60,000	N/A
	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	43,290
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	—	90,000	—	90,000	92,700
Tse Chun Kong, Thomas	14 July 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	—	—	60,000	N/A
	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	43,290
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	—	90,000	—	90,000	92,700
Kwan Chai Ming	6 July 2004	1.45	1.47	3.10	6 January 2005 to 5 January 2010	75,000	—	75,000	—	36,075
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	—	80,000	—	80,000	82,400
Liu Hanbo	16 July 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	—	—	60,000	N/A
	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	43,290
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	—	90,000	—	90,000	92,700
Meng Qinghui	16 July 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	—	—	60,000	N/A
	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	43,290
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	—	90,000	—	90,000	92,700
Other Employees	10 July 2003	1.50	1.50	2.35	8 January 2004 to 7 January 2009	40,000	—	40,000	—	N/A
	11 July 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	30,000	—	30,000*	—	N/A
	6 July 2004	1.45	1.47	3.02	6 January 2005 to 5 January 2010	475,000	—	385,000	90,000	228,475
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	—	620,000	—	620,000	638,600
						1,420,000	1,260,000	530,000	2,150,000	1,831,710

According to the transitional provisions of the new Hong Kong Financial Reporting Standard No. 2, this new recognition and measurement has been applied to share options granted after 7 November 2002 that had not yet vested at 1 January 2005. The fair value of the options determined at the dates of grant using the Black-Scholes option pricing model (the "Model") were HK$1,298,000 (2004: HK$534,000), of which HK$1,291,000 (2004: HK$519,000) was expensed through the income statement.

36. SHARE BASED EMPLOYEE COMPENSATION (Continued)

2002 Share Option Scheme (Continued)

The Company has used the Model to value the share option granted during the review period. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions as shown below. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Date of grant	**6 July 2004**	**4 July 2005**
Closing share price immediately preceding the date of grant	HK$1.45 per share	HK$2.35 per share
Expected volatility (based on the annualised historical volatility of the closing price of the shares of the Company from 2 January 2004/3 January 2005 to the date of grant)	33.28%	48.87%
Expected life (in years)	5 years	5 years
Risk-free interest rate	5.48%	3.38%
Expected dividend yield	1.08%	1.08%

37. SHARE WARRANTS

On 3 September 2003, a bonus issue of total 12,465,608 units of warrants (the "Warrants") were granted by the Company to its shareholders on the basis of one Warrant for every 5 then existing issued share held by the shareholders. Each of the Warrants entitled the warrant-holder to subscribe for one share of the Company of HK$0.10 each at the initial subscription price of HK$2.00 (subject to adjustment (if any)) during the period from 3 September 2003 until 2 March 2006 (both dates inclusive). During the year, 255,018 Warrants (2004: 271,789 Warrants) were exercised for 255,018 shares (2004: 271,789 shares) of HK$0.10 each at a price of HK$2.00 per share. At the balance sheet date, the Company had 4,568,401 Warrants (2004: 4,823,419 Warrants) outstanding. Since the balance sheet date, 285,703 Warrants were exercised leaving the balance of 4,282,698 Warrants which were expired and ceased to have any effect upon maturity on 2 March 2006.

38. COMMITMENTS

(a) Operating lease commitments

At 31 December 2005, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

Group

	2005 HK$'000	2004 HK$'000
Within one year	**1,420**	1,632
In the second to fifth years inclusive	**320**	1,280
	1,740	2,912

The Group leases a number of properties under operating leases. The leases run for period of two to three years. None of the leases includes contingent rentals.

(b) Capital commitments

Group

	2005 HK$'000	2004 HK$'000
Contracted but not provided for		
— Property development	**6,800**	—
— Investment properties	**3,998**	600
— Capital contribution to subsidiaries in the PRC	**175,900**	298,400
	186,698	299,000

Of the total capital commitments, HK$66,000,000 had been due for contribution in the coming twelve months.

Company

The Company does not have any significant commitments as at 31 December 2005.

39. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	2005 HK$'000	2004 HK$'000
Within one year	**112,702**	78,376
In the second to fifth years inclusive	**118,477**	57,183
	231,179	135,559

The Group leases its investment properties (note 16) under operating lease arrangements which run for an initial period of one to three years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases also require the tenants to pay rental deposits.

40. CONTINGENT LIABILITIES

(a) As at balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee for banking facilities utilised by subsidiaries amounting to HK$1,051,785,000 (2004: HK$1,052,086,000).

(b) During the course of business certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the balance sheet date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial of the Company amounted to HK$4,106,000 (2004: HK$3,926,000).

41. RELATED PARTY TRANSACTIONS

The following transactions with related parties were, in the opinion of the Directors, carried out in the ordinary course of business during the year:

(a) A subsidiary of the Company entered into a tenancy agreement with a related company which is in association with the Chairman and an executive director of the Company for leasing a residential property situated in Hong Kong for a period of three years commencing from 1 May 2004 and expiring on 30 April 2007 at the monthly rental of HK$80,000. Total rental paid for the year ended 31 December 2005 amounted to HK$960,000 (2004: HK$640,000).

41. RELATED PARTY TRANSACTIONS (Continued)

(b) On 10 December 2004, a wholly owned subsidiary of the Company entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have interests, for leasing a property situated at Guangzhou, PRC for office purpose at monthly rental and management charge at HK$61,097 for a period of 12 months from 1 December 2004 to 30 November 2005. On 10 May 2005, the monthly rental and management charge has been amended to HK$41,837 due to a reduction in floor area rented. The tenancy agreement was renewed for a term of one year from 1 December 2005 to 30 November 2006 at the same monthly rental and management charge of HK$41,837. Total rental and management charges paid for the year amounted to HK$584,000 (2004: HK$733,164).

(c) On 10 January 2005, for the purposes of fund raising for (i) future business development; (ii) repayment of part of short-term borrowings and (iii) general working capital and broadening shareholder base, Ko Bee entered into an agreement with Sun Hung Kai International Limited and the Company for the placement of 10,000,000 existing ordinary shares of the Company at a placing price of HK$2.70 each to institutional, professional and/or other investors who are independent third parties of the Company and the subscription of 10,000,000 new ordinary shares of the Company at the same price by Ko Bee. The net consideration of approximately HK$26,000,000 were satisfied by cash payment.

(d) On 30 April 2005, a related company in which the Chairman and an executive director of the Company have interests, provided to a wholly owned subsidiary of the Company an unsecured revolving credit facility up to a maximum total principal amount of HK$100,000,000 with interest rate at prime lending rate for Hong Kong dollars plus 1% per annum. The purpose of granting this unsecured revolving credit facility is to replace a previous unsecured revolving credit facility with a maximum total principal amount of HK$50,000,000. The final maturity date is on 30 April 2008. As at the balance sheet date, approximately HK$68,261,000 was utilised.

(e) On 2 November 2005, for the purpose of fund raising for (i) future business development and (ii) general working capital and broadening shareholder base, Ko Bee entered into an agreement with Great Honest Investment Company Limited and the Company for the placement of 15,000,000 existing ordinary shares of the Company at a placing price of HK$1.95 each to institutional and corporate investors who are independent third parties of the Company and the subscription of 15,000,000 new ordinary shares of the Company at the same price by Ko Bee. The net proceeds of approximately HK$28,000,000 were satisfied by cash payment.

(f) On 10 March 2005 and 30 December 2005, Ko Bee exercised its rights and converted convertible bonds of the Company in total principal amount of HK$55,000,000 and HK$70,000,000 respectively at the Conversion Price of HK$1.66 per share whereby a respective total number of 33,132,530 and 42,168,674 shares of the Company were allotted to Ko Bee.

(g) Interest on convertible bonds paid/payable to Ko Bee for the year ended 31 December 2005 amounted to HK$3,101,000 (2004:HK$1,272,000).

42. RETIREMENT BENEFITS SCHEMES

The Group has joined a mandatory provident fund scheme ("MPF Scheme") for its Hong Kong employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority for its Hong Kong employees under the Mandatory Provident Fund Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payables in future years.

The defined contribution retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable by the Group at the rates specified in the rules of the scheme.

Employees in the Company's PRC subsidiaries are required to participate in a defined contribution retirement benefits scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 18% to 22% of the employee payroll to the scheme to fund the retirement benefits to the employees. The Group has no further liability in respect of the retirement benefit of the employees of the PRC subsidiaries.

The details of the retirement benefits scheme contributions for the Directors and employees which have been dealt with in the income statement of the Group for the year, are as follows:

	2005 **HK$'000**	2004 HK$'000
Gross scheme contributions	**873**	438

43. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2005 **HK$'000**	2004 HK$'000
Net assets acquired:		
Investment properties	**—**	11,436
	—	11,436
Goodwill	**—**	3,714
	—	15,150
Satisfied by:		
Cash	**—**	15,150

43. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2005 HK$'000	2004 HK$'000
Cash consideration	—	(15,150)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	—	(15,150)

(c) Disposal of subsidiaries

	2005 HK$'000	2004 HK$'000
Net assets disposed of:		
Property, plant and equipment	—	91
Trade and other receivables	1,613	92
Bank balances and cash	—	12
Amount due (to)/from minority interests	(1,029)	970
Trade and other payables	(8,977)	(2,217)
	(8,393)	(1,052)
Gain on disposal of subsidiaries	8,407	1,053
Consideration	14	1
Satisfied by:		
Cash	14	1

(d) Analysis of net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries are as follows:

	2005 HK$'000	2004 HK$'000
Cash and cash equivalents disposed of:		
Bank balances and cash	—	(12)
Cash consideration received	14	1
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	14	(11)

44. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group introduces conservative strategies on risk management. As the directors of the Company consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group's financial assets comprise primarily trade and other receivables and cash and cash equivalents. The Group's financial liabilities comprise primarily trade and other payables and borrowings, including which are secured bank loans, other loans and finance lease liabilities.

(i) Interest rate risk

The Group closely monitors its loan portfolio and compares the interest margin under loan agreements with existing banks against new offers on borrowing rates from different banks in the loan re-financing and negotiation process.

During the year, the Group has sought to minimize its short term interest rate risk by fixing approximately 27% of its total bank borrowings at a fixed interest rate of 4.42% per annum for a period of one year from April 2005.

(ii) Foreign currency risk

The Group's exposure to foreign currency risk is not material given that its main asset base and operational cashflow are primarily denominated in Hong Kong dollars.

(iii) Credit risk

All the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and the PRC.

The carrying amounts of the trade receivables included in the balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentrations of credit risk due to its large customer base.

The Group performs ongoing credit evaluation of its customers' financial position and requires no collateral from its customers. The provision for impairment is based upon the review of the expected collectibility of all trade receivables.

44. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iv) Fair value

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of non-current liabilities was not disclosed because the carrying value is not materially different from the fair value.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
Champion Fund Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Property development
Digital World Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Property development
Gold Mark Industrial Limited#	Hong Kong	1 ordinary share of HK$1 each	—	100%	Property investment
Golden Relay Company Limited	Hong Kong	99,998 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	—	100%	Property development and property investment
Goldprofit (Consultant) Services Company Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Provision of building repairs and maintenance services
Goldwell Property Management Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Provision of building management service
Keyland Limited	Hong Kong	1,000 ordinary shares of HK$1 each	—	100%	Property investment
Rise Champion Holdings Limited#	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Property investment
Solar Route Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Property investment
Soundwill (BVI) Limited	British Virgin Islands	100,001,000 ordinary shares of HK$1 each	100%	—	Investment holdings
Soundwill Finance Company Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Loan financing
Soundwill Real Estate Agency Limited#	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Provision of real estate agency services

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
Super Keep Investment Limited#	Hong Kong	9,998 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	—	100%	Property development
Top Hill Holdings Limited#	Hong Kong	1,000 ordinary shares of HK$1 each	—	70%	Property development
Wonder Mark Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	—	100%	Property investment
Soundwill (China) Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Chongqing) Limited#	Hong Kong	100 ordinary shares HK$1 each	—	100%	Investment holding
Soundwill (Fujian) Limited#	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Guangdong) Limited#	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Jiangxi) Limited#	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Jilin) Limited#	Hong Kong	99 ordinary shares of HK$1 each 1 non-voting deferred share of HK$1	—	100%	Investment holding
Soundwill (Shaanxi) Limited#	Hong Kong	1,000 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Sichuan) Limited#	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Yunnan) Limited#	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
韶關城市管網建設投資管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
惠州市惠陽金朝陽城市管網投資建設有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
柳州城市管網建設管理有限公司*#	PRC	Registered capital of HK$28,280,000**	—	80%	Urban infrastructure development
貴港金朝陽城市管網建設管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
南昌城市管網建設投資有限公司*#	PRC	Registered capital of HK$30,000,000**	—	80%	Urban infrastructure development
景德鎮城市管網建設投資管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
連雲港金朝陽城市管網建設管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
武夷山市城市管道建設投資有限公司*#	PRC	Registered capital of HK$10,000,000**	—	80%	Urban infrastructure development
南平市(金朝陽)城市管道建設投資管理有限公司*#	PRC	Registered capital of HK$25,000,000**	—	80%	Urban infrastructure development
威海市城市管網建設投資有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
山東金朝陽城市管網建設有限公司***#	PRC	Registered capital of HK$10,000,000	—	100%	Urban infrastructure development

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
重慶金朝陽城市管網建設管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
寶鷄市城市管網建設投資有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
黃岡市城市管網建設投資有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
鄂州金朝陽城市管網建設投資有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
玉溪市城市管道建設有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
許昌市市政公用管網投資建設管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
廣州金朝陽城市管網建設有限公司***#	PRC	Registered capital of RMB$10,000,000	—	100%	Urban infrastructure development

Note:

* These subsidiaries were established as cooperative joint ventures with limited liability.

** Pursuant to the joint venture agreements, the parties from the Mainland China to the agreements are required to contribute certain urban infrastructure development rights as capital contributions to these subsidiaries. As at the balance sheet date, such urban infrastructure development rights had not been injected to the subsidiaries as capital contributions.

*** This subsidiary was established as a foreign wholly-owned limited liability company.

\# Subsidiaries not audited by Grant Thornton or other Grant Thornton international member firms.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the principal subsidiaries which materially affect the results or assets of the Group.