FOR THE YEAR ENDED 31 DECEMBER 2005 (IN HK DOLLARS)

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 13 May 1999 as an exempted company with limited liability under the Company Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development and investment.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred to as the "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Stock Exchange. The financial statements have been prepared under the historical cost convention, except for the revaluation of certain investment properties, which have been measured at fair value.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of New HKFRSs, which have become effective for accounting periods beginning on or after 1 January 2005 and have not been early adopted by the Group for the preparation of the financial statements of the Group for the year ended 31 December 2004.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKAS 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 31, 33, 36, 37 and HKFRS 3 did not result in substantial changes to the accounting policies and the methods of computation used in the financial statements.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDs ("HKFRSs") *(continued)*

The following is a summary of changes in principal accounting policies or presentation of the financial statements as a result of the adoption of the New HKFRSs:

(a) HKAS 17 "Leases"

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to prepaid premium for land lease. The up-front prepayments made for the land use rights are initially stated at cost and amortized on a straight-line basis over the period of the leases. In all other cases the amortization charge for the period is recognized in the income statement immediately. Where there is impairment, the impairment is expensed in the income statement.

In the prior years, the land use rights as included in the property, plant and equipment were stated at cost less accumulated depreciation and accumulated impairment.

The revised accounting policy has been applied retrospectively with comparatives restated in accordance with HKAS 17. There were no impact on the retained profits at 1 January 2004 and 2005 and the results for the year ended 31 December 2005 as a result of the adoption of HKAS 17.

(b) HKAS 32 and HKAS 39 "Financial Instruments: Disclosures and Presentation and Financial Instruments" and "Recognition and Measurement"

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy relating to the classification and measurement of loans and receivables and resulted in the decrease in the retained profits as at 1 January 2005 of HK$4,221,000 and the decrease of mortgage loans receivables as at 1 January 2005 of the same amount.

(c) HKAS 40 "Investment Property"

The adoption of HKAS 40 has resulted in a change in the accounting policy whereby changes in fair values of investment properties are recorded in the income statement.

In prior years, the increases in fair value were credited to the investment property revaluation reserve. Decreases in fair value were first setoff against increases on earlier valuations on a portfolio basis and thereafter recognized in the income statement.

The adoption of HKAS 40 resulted in the increase in the retained profits as at 1 January 2005 of HK$7,679,000 and the decrease of investment property revaluation reserve as at 1 January 2005 of the same amount.

FOR THE YEAR ENDED 31 DECEMBER 2005 (IN HK DOLLARS)

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(d) HKFRS 2 "Share-based Payment"

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payment. In prior years, no amounts were recognized for the equity-settled share based payment transactions in the Group, including share options granted to employees or directors of the Group to acquire shares of the Company at specified exercise prices under the share option schemes operated by the Group.

If the employees or directors of the Group chose to exercise the share options, the nominal amount of share capital and share premium were credited only to the extent of the share option's exercise price receivable.

With adoption of HKFRS 2, the cost of share options is charged to the consolidated income statement and the corresponding amount is recognized in the employee share-based compensation reserve under equity. Where the employees or directors are required to meet vesting conditions before they become entitled to the share options or shares, the Group recognizes the fair value of the share options or shares granted as an expense over the vesting period.

If the employees or directors choose to exercise share options, the respective amount in employee share-based compensation reserve is transferred to share capital and share premium, together with exercise price. At each balance sheet date, the group revises its estimates of the number of share options or shares that are expected to become vested. The impact of the revision of original estimates, if any, is recognized in the income statement with a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

The Group has taken advantage of the transitional provisions set out in HKFRS 2 as

(i) all options granted by the Company to employees on or before 7 November 2002; and

(ii) all options granted by the Company to employees after 7 November 2002 but which had vested before 1 January 2005.

Accordingly, the adoption of HKFRS 2 has no impact on the results of the Group for the years ended 31 December 2004 and 2005.

2.2 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

While the adoptions of HKAS 17 and HKFRS 2 have no impacts on the Group's consolidated income statement, the effect of the adoption of HKAS 32 and 39 and HKAS 40 is summarised as follows:

	2005 HK$'000
HKAS 32 and 39: Decrease in administrative expenses	893
HKAS 40: Increase in fair value of investment properties	13,307
Total increase in profit attributable to shareholders	14,200
Increase in basic earnings per share	HK$0.007

The adoption of HKAS 32 and HKAS 39 and HKAS 40 resulted in the decrease and increase in the retained profits as at 1 January 2005 by HK$4,221,000 and HK$7,679,000 respectively. The effects of adoption of HKAS 17, HKAS 32 and HKAS 39 and HKAS 40 on the consolidated balance sheet as at 1 January 2005 and 31 December 2005 are as follows:

	31 December 2005		1 January 2005		
	HKAS 17	HKAS 32 and 39	HKAS 17	HKAS 32 and 39	HK AS 40
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Increase/(Decrease) in non-current assets					
– prepaid premium for land leases	1,189	–	1,263	–	–
– mortgage loans receivables	–	(4,538)	–	(2,909)	–
Increase/(Decrease) in current assets					
– prepaid premium for land leases	74	–	74	–	–
– mortgage loans receivables	–	5,431	–	(1,312)	–
Decrease in property, plant and equipment	(1,263)	–	(1,337)	–	–
Decrease in investment property revaluation reserve	–	–	–	–	7,679
(Increase)/Decrease in retained earnings	–	(893)	–	4,221	(7,679)

3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December, 2005. All significant inter-company balances and transactions within the Group are eliminated on consolidation.

(b) Subsidiaries

A subsidiary is a company controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from the activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment loss in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Investments in a property development joint venture

Investments in a property development joint venture represent the consideration paid to a third party for acquiring the 5% interest of the income arising from a property development project which is operated by the Group. The investment is stated at cost, less provision for impairment in value, if any, and the cost is amortized over the estimated economic life of the property development project.

(d) Investment properties

Investment properties are interests in land and building in respect of which construction work and development have been completed and which are held to earn rentals or for capital appreciation purposes, any rental income being negotiated at arm's length. Investment properties are measured using the fair value model, gains or losses arising in the fair value of investment properties are included in the income statement for the period in which they arise. All investment properties are stated at their open market values which are assessed annually by qualified external valuers.

(e) Properties held for development

Properties held for development are stated at cost, including land cost, construction cost, development expenditure and interest capitalized, less any impairment losses as are considered necessary by the directors. No depreciation is provided on properties held for development until they are completed and put into effective use.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Properties held for sale

Properties held for sale are stated at the lower of cost and the estimated net realizable value. In the case of properties developed by the Group, cost is determined by apportionment of the total development costs attributable to unsold properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

(g) Property, plant and equipment and depreciation

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives using the straight-line method. The annual rates used are as follows:

Buildings	2.5% or over the lease term, whichever is shorter
Leasehold improvements	20% – 33.3%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

For depreciation purpose, cost of buildings is deemed to be 50% of the total cost of land and buildings.

The gain or loss on disposal or retirement of a property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognized in the income statement.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Prepaid premium for land leases and operating leases

Lease where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases.

The Group's prepaid premium for land leases represent the up-front prepayments made for the land use rights in the PRC. The prepayments are amortized on a straight-line basis over the remaining term of lease.

Where there is impairment, the impairment is expensed in the income statement.

(i) Mortgage loans receivables

Mortgage loans receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of mortgage loans receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statements. Once mortgage loans receivables have been written down as a result of impairment loss, the reversal of previous provision will be charged to the administrative expenses.

(j) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(k) Taxation

Hong Kong profits tax is provided for the prevailing rate on the estimated assessable profits less available tax relief for losses brought forward for each individual company comprising the Group. For subsidiary company incorporated in overseas, income tax is provided for at the applicable local rates on the estimated assessable profits. For the People's Republic of China (the "PRC") property development projects operated by the Hong Kong subsidiaries, income tax is provided at the applicable local rates on property sales amounts.

For deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date is used to determine deferred taxation.

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

Deferred tax assets is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

FOR THE YEAR ENDED 31 DECEMBER 2005 (IN HK DOLLARS)

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Translation of foreign currencies

Transactions in foreign currency during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries and operations are translated into Hong Kong dollars at exchange rate prevailing on the balance sheet date. Income and expense items are translated into Hong Kong dollars at the average exchange rate during the year. Exchange differences arising, if any, are dealt with in the translation reserve.

(m) Borrowing costs

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for intended use or sale.

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

(n) Provisions and contingencies

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognized are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition

(i) Revenue derived from properties held for sale is recognized upon completion of sales agreements.

(ii) Revenue derived from properties held for development and investment properties is recognized upon the completion of the sales agreement and deposits are received.

(iii) Rental income under operating leases is recognized on a straight-line basis over the term of the relevant lease.

(iv) Interest income is accrued on a time proportion basis on the principal outstanding and the rates applicable.

(p) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(q) Cash and cash equivalents

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

For the purpose of the consolidated balance sheet, cash and bank balances comprise cash on hand and at banks, less any overdrafts in use.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(r) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Employee retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of this subsidiary in an independently administered fund. The employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the PRC government, the Company and its subsidiaries operating in the PRC have participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby the Company and its subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the income statement as incurred.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(r) Employee benefits *(continued)*

(iii) Share-base payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in employee equity (Employee share-based compensation reserve).

As mention in note 2, the Group has taken advantage of the transitional provisions set out in HKFRS 2 and the changes in accounting policy has no impact on the results of the Group for the years ended 31 December 2004 and 2005.

4 TURNOVER

Turnover represents the aggregate of net amounts received and receivable for properties held for sale, investment properties and properties held for development sold by the Group to outside customers and property rental income for the years ended, after a deduction of 5% business tax, and is analyzed as follows:

	2005	2004
	HK$'000	HK$'000
Sales on properties held for sale	**6,788**	28,053
Sales on investment properties	**–**	8,798
Sales on properties held for development	**–**	97,642
Property rental	**2,988**	4,135
	9,776	138,628

No geographical analysis are presented for the year as substantially all the Group's turnover and contribution to results were derived from the business of property in the PRC.

FOR THE YEAR ENDED 31 DECEMBER 2005 (IN HK DOLLARS)

5 (LOSS)/PROFIT FROM OPERATIONS

The Group's (loss)/profit from operations is arrived at after crediting and charging the following:

	2005	2004
		(Restated)
	HK$'000	HK$'000
Charging:		
Auditors' remuneration	**314**	374
Staff costs, including directors' remuneration as set out in note (7) below:		
– Contributions to defined contribution retirement plans	**186**	182
– Salaries and other staff costs	**3,653**	3,956
Depreciation	**1,306**	1,195
Provision for doubtful and bad mortgage loans receivables	**–**	393
Write-off of other receivables	**–**	203
Amortization on investments in a property development joint venture	**–**	2,160
Amortization of prepaid premium for land leases	**74**	74
Cost of properties held for sale sold	**4,242**	18,594
Cost of investment properties sold	**–**	4,801
Cost of properties held for development sold	**–**	50,406
Minimum lease payments under operating leases for land and buildings	**243**	202
Net exchange losses	**206**	1,618
Crediting:		
Gross rental income from investment properties (Note)	**2,988**	4,135
Write-back of doubtful debts and bad mortgage loans recoverable	**2,137**	–
Write-back of other receivables	**203**	–
Gain on disposals of property, plant and equipment	**25**	–
Interest income	**67**	69

Note: The outgoings related to the gross rents from investment properties for each of the two years ended 31 December 2005 and 2004 are negligible.

6 FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable		
– Within five years	**2,082**	5,451
– Over five years	**897**	1,280
Others	**33**	–
	3,012	6,731

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Director's emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	For the year ended 31 December 2005			
	Directors' fees HK$'000	**Basic salaries and other benefits HK$'000**	**Provident fund contributions HK$'000**	**Total HK$'000**
Executive Directors				
Mr. Tsang Wai Lun, Wayland (Chairman)	–	776	12	788
Madam Kwok Wai Man, Nancy	–	294	12	306
Mr. Lau Tam Wah	–	222	10	232
Independent Non-executive Directors				
Mr. Hui Pui Wai, Kimber	–	45	2	47
Mr. Lum Pak Sum	–	50	2	52
Dr. Wong Yun Kuen	–	50	2	52
	–	1,437	40	1,477

FOR THE YEAR ENDED 31 DECEMBER 2005 (IN HK DOLLARS)

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Director's emoluments *(continued)*

	For the year ended 31 December 2004			
	Directors' fees HK$'000	Basic salaries and other benefits HK$'000	Provident fund contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Tsang Wai Lun, Wayland (Chairman)	–	740	12	752
Madam Kwok Wai Man, Nancy	–	294	12	306
Mr. Lau Tam Wah	–	221	10	231
*Mr. Zen Qing Sheng	–	–	–	–
Independent Non-executive Directors				
Mr. Hui Pui Wai, Kimber	–	40	2	42
Mr. Lum Pak Sum	–	25	1	26
Dr. Wong Yun Kuen	–	16	1	17
*Mr. Ho Kwong Yue, Sidney	–	20	–	20
	–	1,356	38	1,394

* Both Mr. Zen Qing Sheng and Mr. Ho Kwong Yue, Sidney resigned on 5 July 2004

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Director's emoluments *(continued)*

During the year, land and buildings of the Group with a carrying amount of HK$4,882,000 (2004: HK$4,977,000) was occupied by certain directors free of charge.

During the year, no options were granted to directors of the Company and the exercise of rights in respect of options granted to them to subscribe for the shares in the Company.

(b) Five highest paid individuals

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

	2005	2004
	HK$'000	HK$'000
Basic salaries and other benefits	**601**	388
Provident fund contributions	**22**	14
	623	402

The emoluments of the remaining two highest paid individuals fell within the following bands:

Emoluments bands	**Number of individuals**	
	2005	2004
HK$Nil to HK$1,000,000	**2**	2

FOR THE YEAR ENDED 31 DECEMBER 2005 (IN HK DOLLARS)

8 INCOME TAX

	2005	2004
	HK$'000	HK$'000
Subsidiaries		
Income tax in the PRC other than Hong Kong		
– The subsidiary incorporated in the PRC	**–**	362
– Subsidiaries incorporated in Hong Kong with property development investments in the PRC	**68**	6,727
	68	7,089

Enterprise income tax for the subsidiary incorporated in the PRC is calculated at 15% of the estimated assessable profit for the year (2004: 15%).

Enterprise income tax for the subsidiaries incorporated in Hong Kong which have property development investments in the PRC is calculated at 3% (2004: 3%) of the sales revenue on respective property development projects.

No provision for Hong Kong profits tax has been made in the financial statements as the Group's income neither arises, nor is derived from, Hong Kong in both financial years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8 INCOME TAX *(continued)*

The provision for the year can be reconciled from taxation based on the consolidated income statement as follows:

	2005 **HK$'000**	2004 HK$'000
Profit before income tax	**3,103**	47,707
Tax at the domestic tax rate of 17.5% (2004: 17.5%)	**543**	8,349
Effect of different tax rates of a subsidiary company incorporated in the PRC	**(216)**	(916)
Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries	**(477)**	570
Tax effect on non-deductible expenses	**333**	2,106
Tax effect on accelerated depreciation allowance	**43**	–
Tax effect on non-tax taxable income	**(158)**	(3,020)
Tax charge for the year	**68**	7,089

Deferred tax has not been provided (2004: Nil) because the Company and the Group had no significant temporary differences at the balance sheet date.

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in the Groups' consolidated profit attributable to shareholders of HK$3,035,000 (2004: HK$40,618,000), loss of HK$1,071,000 (2004: HK$1,387,000) have been dealt with in the financial statements of the Company.

10 DIVIDENDS

At the Board of Directors meeting held on 26 April 2006, the directors do not recommend the payment of any dividends in respect of the year ended 31 December 2005 (2004: HK 0.8 cents per share).

11 EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit attributable to shareholders of HK$3,035,000 (2004: HK$40,618,000) and on the weighted average number of 2,046,650,000 (2004: 2,046,650,000) shares issued during the year.

Diluted earnings per share is not presented as there are no diluting events during the years ended 31 December 2004 and 2005.

FOR THE YEAR ENDED 31 DECEMBER 2005 (IN HK DOLLARS)

12 INVESTMENT PROPERTIES

	The Group	
	2005	2004
	HK$'000	HK$'000
FAIR VALUE		
At 1 January, as orginally stated	**54,986**	42,398
Surplus on revaluation	**–**	7,461
As restated	**54,986**	49,859
Transfer from/(to) properties held for sale	**746**	(135)
Disposals	**–**	(4,801)
Transfer from property, plant and equipment	**–**	7,976
Leasehold improvements	**2,460**	2,087
Fair value changes on investment properties	**13,307**	–
Exchange adjustment	**2,425**	–
At 31 December	**73,924**	54,986

The fair value of the Group's investment properties at 31 December 2005 have been arrived at on the basis of valuation by BMI Appraisals Limited, an independent professional valuer, using the basis date as at 31 December 2005 on an open market value basis.

All investment properties are situated outside Hong Kong and are held on long leases. As at 31 December 2005, property certificates of investment properties with carrying amounts of HK$44,021,000 (2004: HK$36,759,000) have not yet been issued.

Investment properties of a carrying amount of HK$23,927,000 (2004: HK$18,227,000) have been pledged to the banks as securities for the banking facilities granted to the companies within the Group.

13 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2005					
– as originally stated	25,451	3,879	562	2,076	31,968
– effect of HKAS 17	(1,482)	–	–	–	(1,482)
– as restated	23,969	3,879	562	2,076	30,486
Exchange adjustment	362	39	17	10	428
Additions	341	398	–	158	897
Disposals	–	–	–	(231)	(231)
At 31 December 2005	24,672	4,316	579	2,013	31,580
Accumulated depreciation					
At 1 January 2005					
– as originally stated	4,227	2,661	561	1,938	9,387
– effect of HKAS 17	(145)	–	–	–	(145)
– as restated	4,082	2,661	561	1,938	9,242
Exchange adjustment	32	22	11	18	83
Charge for the year	960	288	–	58	1,306
Elimination on disposals	–	–	–	(200)	(200)
At 31 December 2005	5,074	2,971	572	1,814	10,431
Net book value					
At 31 December 2005	19,598	1,345	7	199	21,149
At 31 December 2004 (restated)	19,887	1,218	1	138	21,244

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13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group *(continued)*

The carrying amount of the buildings, all being held on long term leases, shown above comprises:

	2005	2004
		(Restated)
	HK$'000	HK$'000
Buildings situated in Hong Kong	4,882	4,977
Buildings situated in the PRC	14,716	14,910
	19,598	19,887

Buildings situated in the PRC mainly represents car park space and other facilities built in the construction projects.

Buildings with a net book value of HK$4,882,000 (2004: HK$4,977,000) have been pledged to the banks as securities for the banking facilities granted to the companies within the Group.

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	HK$'000
Unlisted share at cost	159,056	159,056
Amounts due from subsidiaries	160,460	178,224

The carrying amount of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganization in 1999.

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

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

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

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Issued and fully paid share capital/ registered capital	Principal activities
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	100%	–	US$1	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	100%	–	US$1	Investment holding
Grand Field Group Limited	Hong Kong	–	100%	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	Investment holding and property development
Grand Field Property Development (Shenzhen) Company Limited (Note)	PRC	–	100%	RMB 19,232,100	Property development
Ka Fong Industrial Company, Limited	Hong Kong/PRC	–	100%	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	Property development
Kwan Cheung Holdings Limited	Hong Kong/PRC	–	100%	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	Property development
Shing Fat Hong Limited	Hong Kong/PRC	–	100%	Ordinary shares of HK$4 and deferred non-voting shares of HK$2	Property development
Grand Field New Energy Company Limited	Hong Kong	–	100%	Ordinary shares of HK$2	Property holding

Notes:

This is a wholly foreign owned enterprise established in the PRC for an operating period of 24 years up to 2019.

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15 PREPAID PREMIUM FOR LAND LEASES

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

	The Group	
	2005	2004
	HK$'000	HK$'000
Leasehold land held in the PRC, leases of over 50 years	**1,263**	1,337

16 MORTGAGE LOANS RECEIVABLES

	The Group	
	2005	2004
	HK$'000	HK$'000
Total loans receivables, secured	**22,347**	42,696
Less: Specific provision for doubtful and bad debts	**–**	(6,271)
Add: Write-back of provision for doubtful and bad debts	**2,776**	–
	25,123	36,425
Less: Balance due within one year included under current assets	**(12,622)**	(17,516)
Balance due after one year	**12,051**	18,909

The carrying amount of the current portion and non-current portion of mortgage loans receivables approximates to fair value. The fair value is determined based on cash flows discounted using the Group's bank borrowings rate of 7.25% per annum (2004: 6.9% per annum).

Mortgage loans receivables represent the interest-free loans provided by the Group to the customers and are to be repaid on instalments basis as stipulated in the scheduled loan agreement.

17 DEPOSITS FOR ACQUISITION OF LAND

The balances as at 31 December 2005 and 2004 mainly represent the amounts paid to the local authority to obtain the title of a piece of land in the PRC.

18 PLEDGED BANK DEPOSITS

The balance represents the bank deposits pledged as a security for the mortgage loans made available from the banks to the buyers of the Group's properties. As the balance will continue to be pledged to the banks in the next twelve months, the balance is classified as a non-current asset.

19 PROPERTIES HELD FOR DEVELOPMENT

	The Group	
	2005	2004
	HK$'000	HK$'000
Land cost	**3,552**	3,259
Development costs	**5,573**	5,387
Interest capitalized	**4,986**	4,986
	14,111	13,632

The balance as at 31 December 2005 represents the costs incurred by the Group on the properties under construction in the PRC. Under the contracts of these property development projects entered into between the Group and the co-operative partner, the co-operative partner is responsible for making available the land use rights of the construction sites while the Group is responsible for, at its own costs, the construction of these properties. The certificates of the land use rights are now registered in the name of the co-operative partner and, under the contracts of these property development projects, the Group will be entitled to apply for the certificates of the land use rights for each separate construction sites in the name of the Group upon the completion of development.

Total interest capitalized in the properties held for development as at 31 December 2005, is HK$4,986,000 (2004: HK$4,986,000). The capitalisation rate is nil for the year ended 31 December 2005 (2004: nil) as there is no interest capitalized during the year.

20 PROPERTIES HELD FOR SALE

As at 31 December 2005 and 31 December 2004, all properties held for sale are situated outside Hong Kong and are held on long term leases.

As at 31 December 2005, property certificates of the properties held for sale with carrying amounts of HK$15,675,000 (2004: HK$14,632,000) have not yet been issued to the Group.

Properties held for sale with a carrying amount of HK$8,531,000 (2004: HK$8,370,000) have been pledged to the banks as securities for the banking facilities granted to the companies within the Group.

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21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount due from a co-operative developer amounting to HK$9,022,000 (2004: HK$32,067,000).

22 INTEREST-BEARING BORROWINGS

	The Group	
	2005	2004
	HK$'000	HK$'000
Loan from a third party, unsecured and wholly repayable		
– On demand or within one year	**1,834**	1,799
– Between one and two years	**2,039**	2,790
– Between two and five years	**2,919**	2,970
– After five years	**–**	1,360
	6,792	8,919
Less: Portion classified as current liabilities	**(1,834)**	(1,799)
Total shown as non-current liabilities	**4,958**	7,120
Current portion of loan from a third party	**1,834**	1,799
Secured bank loans	**24,942**	30,755
Total shown as current liabilities	**26,776**	32,554
Total interest-bearing borrowings	**31,734**	39,674

Interest of the loan from a third party is charged on the outstanding balances at a rate of 11.4% (2004: 11.4%) per annum. The loans are repaid through monthly instalments up to 15 June 2010.

Interest of the bank loans is charged on the outstanding balances at a rate of 7.25% per annum (2004: 6.90% per annum). These are secured to the extent of the Group's assets as follows:

(a) Investment properties of the Group with a carrying amounts of approximately HK$23,927,000 (2004: HK$18,227,000); and

(b) Properties held for sale of the Group with a carrying amounts of approximately HK$8,531,000 (2004: HK$8,370,000).

Bank overdrafts are secured by the buildings of the Group with a carrying amount of approximately HK$4,882,000 (2004: HK$4,977,000).

23 TRADE PAYABLES, DEPOSITS AND ACCRUALS

Ageing analysis of trade payables is as follows:

	The Group	
	2005	2004
	HK$'000	HK$'000
Current to 90 days	**20**	1,306
91 to 180 days	**–**	74
181 to 360 days	**12**	–
Over 360 days	**4,346**	9,246
	4,378	10,626

24 AMOUNTS DUE TO A DIRECTOR

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

25 SHARE CAPITAL

	The Group and the Company	
	2005	2004
	HK$'000	HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.02 each	**100,000**	100,000
Issued and fully paid:		
2,046,650,000 ordinary shares of HK$0.02 each	**40,933**	40,933

There have been no movements in share capital during the years ended 31 December 2004 and 2005.

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26 RESERVES

The movements of reserves of the Group and Company are set out under the statement of changes in equity.

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued at part of the group reorganization in 1999 for the listing of the Company's shares on the Stock Exchange.

The contributed surplus of the Company arose as a result of the same group reorganization and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefore.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distributed. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2005	2004
	HK$'000	HK$'000
Contributed surplus	**140,281**	140,281
Accumulated losses	**(25,051)**	(7,607)
	115,230	132,674

27 CAPITAL COMMITMENTS

As at 31 December 2005, the Group had the following capital commitments:

	2005 HK$'000	2004 HK$'000
Capital expenditure in respect of property development projects:		
Contracted but not provided for	**1,581**	5,038
Authorized but not contracted for	**–**	8,083
	1,581	13,121

28 OPERATING LEASE COMMITMENTS

(a) The Group as lessee

As at 31 December 2005, the Group had total future minimum lease payments in respects of land and buildings under a non-cancelable operating lease, as follows:

	2005 HK$'000	2004 HK$'000
Within one year	**282**	186
In the second to fifth years inclusive	**235**	–
	517	186

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28 OPERATING LEASE COMMITMENTS *(continued)*

(b) The Group as lessor

As at 31 December 2005, the Group had contracted with its tenants for the following total future minimum lease payments in respects of investment properties under non-cancelable operating leases:

	2005	2004
	HK$'000	HK$'000
Within one year	**1,304**	2,576
In the second to fifth years inclusive	**1,725**	1,758
Over five years	**2,019**	1,736
	5,048	6,070

(c) As at 31 December 2005, the Company does not have any operating lease commitments as a lessee and any operating lease arrangements as a lessor.

29 CONTINGENT LIABILITES

(a) The Company has given corporate guarantees to a bank in respect of fully utilized general banking facilities granted to a subsidiary amounting to HK$4,000,000 (2004: HK$4,000,000).

(b) On 10 November 2005 and 20 October 2005, the local tax authorities of Shenzhen issued the letters, namely Shen Dai Shui Fa [2005] No. 521 and 522 and Shen Dai Shui Han [2005] No. 110 respectively to commence the levies of the land appreciation tax ("LAT") for the property developers with effect from 1 November 2005. In the opinion of the Directors, the LAT for the properties sold during the years ended 1999, 2000 and 2001 totalling HK$17,254,000 (which had been accrued in those years and written back as an increase in 2004) have not yet been levied by the tax authorities in Shenzhen. The Directors consider that there is low possibility that these amounts of LAT will be levied. Should the LAT be levied on the properties sold in 1999, 2000 and 2001 by the tax authorities in Shenzhen, there is an additional LAT payable of HK$17,254,000 and this has not yet been provided for in the financial statements for the year ended 31 December 2005.

30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 26 April 2006.