# Notes to Financial Statements

*31 December 2005 (in HK Dollars)*

## 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Flat A, 23/F, Empire Land Commercial Centre, 83 Lockhart Road, Wanchai, Hong Kong.

The principal activities of the Company are investment holding and property investment. The principal activities of the Company's principal subsidiaries are set out in Note 20 to financial statements.

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

In the opinion of the directors, the ultimate holding company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. A summary of the effect on initial adoption of these new and revised HKFRSs is disclosed in Note 3 to the financial statements.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believe to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5 to the financial statements.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

### (a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost and modified by the revaluation of investment properties, which are carried at fair value.

### (b) Basis of consolidation

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

*(i) Subsidiaries*

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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

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

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

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Basis of consolidation *(Continued)*

*(ii) Associates*

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

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

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

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

*(iii) Joint ventures*

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

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

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Investments

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities as other investments.

*Other investments*

Securities held for trading are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.

Gains or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

From 1 January 2005 onwards:

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. During the year, the Group did not hold any investments in this category.

(ii) Loans and receivables

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

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Investments *(Continued)*

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

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

The fair values of quoted investments are based on current bid prices. If the market for a financial assets is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**(d) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

| | |
|---|---|
| Buildings | 30 years |
| Leasehold improvement | 3 to 5 years |
| Furniture and fixtures | 5 years |
| Motor vehicles | 3 to 5 years |

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

**(e) Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

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

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Investment properties *(Continued)*

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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

Changes in fair values are recognised in the income statements.

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

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

### (f) Leases

#### *(i) Operating lease*

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

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Leases *(Continued)*

*(ii) Finance lease*

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

### (g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separately identifiable cash flows (cash-generating units).

### (h) Properties under development and held for resale

Properties under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses considered necessary by the directors.

Properties held for resale are stated at the lower of cost or the estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

### (i) Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### (k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (l) Foreign currencies

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

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

*(iii) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (n) Cash and cash equivalents

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

### (o) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

### (p) Employee benefits

*(i)* Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*(ii)* Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the income statement as incurred.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**(p) Employee benefits *(Continued)***

*(iii)* Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**(q) Borrowing costs**

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which the costs are incurred.

**(r) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (s) Recognition of revenue

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

*(i) Rental income from operating leases*

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

*(ii) Interest income and property management income*

Interest income from bank deposits and loans receivable are accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable. Property management income is recognised on a time-apportioned basis.

### (t) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

### (u) Non-current assets held for sale

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

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 3. CHANGES IN ACCOUNTING POLICIES

In 2005, the Group adopted the following new and revised HKFRSs which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

| | |
|---|---|
| HKAS 1 | Presentation of Financial Statements |
| HKAS 7 | Cash Flow Statements |
| HKAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| HKAS 10 | Events after the Balance Sheet Date |
| HKAS 16 | Property, Plant and Equipment |
| HKAS 17 | Leases |
| HKAS 19 | Employee Benefits |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates |
| HKAS 23 | Borrowing Costs |
| HKAS 24 | Related Party Disclosures |
| HKAS 27 | Consolidated and Separate Financial Statements |
| HKAS 28 | Investments in Associates |
| HKAS 31 | Investments in Joint Ventures |
| HKAS 32 | Financial Instruments: Disclosures 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 |
| HKAS-Int 15 | Operating leases – Incentives |
| HKAS-Int 21 | Income Taxes – Recovery of Revalued Non-Depreciated Assets |
| HKFRS 5 | Non-Current Assets Held for Sale and Discontinued Operations |

The adoption of new and revised HKASs 7, 8, 10, 16, 17, 19, 23, 27, 28, 31, 33, 36, 37, HKAS-Int 15 and HKAS-Int 21 did not result in substantial changes to the Group's accounting policies. The impact of adopting the other HKFRSs is summarised as follows:

### (a) HKAS 1 – Presentation of Financial Statements

HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to the equity holders of the Company. With effect from 1 January 2005, minority interests are now shown within total equity in the consolidated balance sheet. Minority interests are presented as an allocation of the total profit or loss for the year in the consolidated income statement. These changes in presentation have been applied retrospectively with comparatives restated.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (b) HKAS 21 – The Effects of Changes in Foreign Exchange Rates

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

### (c) HKAS 24 – Related Party Disclosures

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

### (d) HKASs 32 and 39 – Financial Instruments

In prior years, the Group classified its equity investment as other investments. Other investments are unlisted equity securities intended to be held on a long-term basis and are stated at cost less provision for impairment losses.

Upon the adoption of HKAS 39, the Group classifies its financial assets as available-for-sale financial assets. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

In prior years, the Group's other investments were stated at cost less impairment. Upon the adoption of HKAS 39, the investment was classified as available-for-sale financial assets and are carried in the balance sheet at cost less impairment losses.

### (e) HKAS 40 – Investment Property

The adoption of HKAS 40 has resulted in a change in the accounting policy of which the changes in fair value are recorded in the income statement as part of other income. In prior years, changes arising on the revaluation of investment properties were generally dealt with in reserves except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed or when an individual investment property was disposed of. In these limited circumstances, changes arising on the revaluation of investment properties were recognised in the income statement. The Group did not have balances in investment property revaluation reserve and therefore no prior year adjustments were required for adoption of HKAS 40.

### (f) HKFRS 5 – Non-Current Assets Held for Sale

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

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

**3. CHANGES IN ACCOUNTING POLICIES *(Continued)***

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

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

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

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

*Effect on the consolidated balance sheet as at 31 December 2004*

| | **HKAS 1 Presentation of financial statements** ***$'000*** |
|---|---|
| **Assets** | |
| Increase in investment properties | 80,000 |
| Decrease in property, plant and equipment | (80,000) |
| | – |

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

*Effect on the consolidated income statement for the year ended 31 December 2004*

| | HKAS 32 and 39 Financial instruments $'000 |
|---|---|
| Increase in provision for impairment of accounts receivable | 2,299 |
| Decrease in provision for doubtful debts | (2,299) |
| Increase in provision for impairment of amount due from a fellow subsidiary | 2,405 |
| Decrease in provision for amount due from a fellow subsidiary | (2,405) |
| Increase in impairment loss on available-for-sale financial assets | 253,466 |
| Decrease in impairment loss on other investments | (253,466) |
| | – |

*Effect on the consolidated balance sheet as at 1 January 2005*

| | HKAS 32 and 39 Financial instruments $'000 |
|---|---|
| **Assets** | |
| Increase in available-for-sale financial assets | **87,000** |
| Decrease in other investments | **(87,000)** |
| | – |

*Effect on the consolidated balance sheet as at 31 December 2005*

| | HKFRS 5 Non-current assets held for sale $'000 |
|---|---|
| **Assets** | |
| Increase in non-current assets classified as held for sale | **101,768** |
| Decrease in interest in joint venture | **(46,768)** |
| Decrease in available-for-sale financial assets | **(55,000)** |
| | – |

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

**3. CHANGES IN ACCOUNTING POLICIES *(Continued)***

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKAS 19 (Amendment) | Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures |
| HKAS 21 (Amendment) | The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation |
| HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intragroup Transaction |
| HKAS 39 (Amendment) | The Fair Value Option |
| HKAS 39 & HKFRS 4 (Amendment) | Financial Guarantee Contracts |
| HKFRS 1 (Amendment) | First-time Adoption of Hong Kong Financial Reporting Standards |
| HKFRS 6 | Exploration for and Evaluation of Mineral Resources |
| HKFRS 7 | Financial Instruments: Disclosure |
| HK (IFRIC) – Int 4 | Determining whether an Arrangement contain a Lease |
| HK (IFRIC) – Int 5 | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| HK (IFRIC) – Int 6 | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment |
| HK (IFRIC) – Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK (IFRIC) – Int 8 | Scope of HKFRS 2 |
| HK (IFRIC) – Int 9 | Reassessment of Embedded Derivatives |

HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKAS 1 from annual periods beginning 1 January 2007.

HKAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit and loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transaction that would qualify as a hedged item in the consolidated financial statements as at 31 December 2004 and 2005.

HKAS 39 (Amendment) – The Fair Value Option changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on or after 1 January 2006.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKAS 39 and HKFRS 4 (Amendment) – Financial Guarantee requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date.

HKFRS 7 – Financial Instruments: Disclosures introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32 – Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS.

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

## 4. FINANCIAL RISK MANAGEMENT

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

*(a) Market risks*

(i) Foreign exchange risk

The Group operates mainly in both the People's Republic of China (the "PRC") and Hong Kong and majority of transactions are dominated in Renminbi and Hong Kong dollars. Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures. Hong Kong dollars and Renminbi are pegged to United States dollars and the foreign exchange exposure between them are considered limited.

(ii) Price risk

The Group is not exposed to commodity price risk.

*(b) Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables. The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales and services are made to customers with an appropriate credit history. The exposures to these credit risks are monitored on an ongoing basis.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 4. FINANCIAL RISK MANAGEMENT *(Continued)*

**Financial risk factors *(Continued)***

*(c) Liquidity risk*

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

*(d) Cash flow and fair value interest rate risk*

Long term borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rates expose the Group to fair value interest rate risk. The Group monitors the interest rate risk exposure on a continuous basis and adjust the portfolio of borrowings where necessary.

**Fair value estimation**

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

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

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

**(a) Trade debtors**

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)***

**(b) Impairment of assets**

The Group tests annually whether the assets has suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

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

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid.

**(d) Fair value of other financial assets and liabilities**

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

**(e) Income taxes and deferred taxation**

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

**(f) Estimated of fair value of investment properties**

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

### (f) Estimated of fair value of investment properties *(Continued)*

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

## 6. TURNOVER

Turnover represents rental income, interest income and management fee income. An analysis of the Group's turnover and other revenue is as follows:

| | **2005** | 2004 |
|---|---|---|
| | ***$'000*** | $'000 |
| **Turnover:** | | |
| Rental income | **1,375** | 4,215 |
| Interest income | **1,948** | 1,872 |
| Management fee income | **6,399** | – |
| | **9,722** | 6,087 |
| **Other revenue:** | | |
| Bad debt recovered | **438** | – |
| Sundry income | **84** | – |
| | **522** | – |
| | **10,244** | 6,087 |

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 7. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

| | **2005** | 2004 |
|---|---|---|
| | ***$'000*** | $'000 |
| | | (Restated) |
| Auditors' remuneration | **400** | 400 |
| Staff costs (including directors' remuneration) | | |
| – Wages and salaries | **3,168** | 3,591 |
| – Retirement benefits contributions | **30** | 57 |
| Depreciation of property, plant and equipment | **1,017** | 1,238 |
| Impairment loss on available-for-sale financial assets | **–** | 253,466 |
| Loss on disposal of property, plant and equipment | **–** | 584 |
| Loss on disposal of investment properties | **–** | 1,845 |
| Provision for amount due from a fellow subsidiary | **–** | 2,405 |
| Provision for impairment of accounts receivable | **–** | 2,299 |
| Provision for impairment of amount due from an associate | **605** | – |
| Operating lease rentals in respect of land and buildings | **256** | 201 |
| Other receivables waived | **4,136** | – |

## 8. FINANCE COSTS

| | **2005** | 2004 |
|---|---|---|
| | ***$'000*** | $'000 |
| Interest on bank loans and overdrafts repayable within 5 years | **1,124** | 2,452 |

## 9. TAXATION

No provision for Hong Kong profits tax has been made as the Group (2004: Nil) incurred a taxation loss for the year.

Taxation on overseas profits is charged at the rates of taxation prevailing in the countries in which the companies operate. No provision for overseas taxation has been made in the financial statements as the subsidiaries operating outside Hong Kong incurred a taxation loss for the year (2004: Nil).

(a) Taxation in the consolidated income statement represents:

| | **2005** | 2004 |
|---|---|---|
| | ***$'000*** | $'000 |
| Current tax – Provision for Hong Kong | | |
| Under provision in prior years | **183** | – |

No provision for deferred tax liabilities has been made as the Group had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2004: Nil).

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 9. TAXATION *(Continued)*

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Hong Kong | | | | PRC | | | |
| | **2005** | | 2004 | | **2005** | | 2004 | |
| | ***$'000*** | | $'000 | | ***$'000*** | | $'000 | |
| Loss before taxation | **(2,310)** | | (280,423) | | **(3,157)** | | (5,396) | |
| Tax at the domestic income tax rate | **(404)** | **(17.5%)** | (49,074) | (17.5%) | **(1,042)** | **(33.0%)** | (1,781) | (33.0%) |
| Tax effect of expenses that are not deductible in determining taxable profit | **83** | **3.6%** | 48,312 | 17.2% | **1,245** | **39.4%** | 1,782 | 33.01% |
| Tax effect of income that is not taxable in determining taxable profit | **(792)** | **(34.3%)** | (327) | (0.1%) | **(203)** | **(6.4%)** | (1) | (0.01%) |
| Tax effect of unrecognised tax losses | **1,291** | **55.9%** | 1,551 | 0.6% | **–** | **–** | – | – |
| Tax effect of unrecognised temporary differences | **(178)** | **(7.7%)** | (462) | (0.2%) | **–** | **–** | – | – |
| Under provision in prior years | **183** | **7.9%** | – | – | **–** | **–** | – | – |
| Taxation charge for the year | **183** | **7.9%** | – | – | **–** | **–** | – | – |

At 31 December 2005, the Group has unused tax losses available for offsetting against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit stream. Under the current tax legislation, the tax losses can be carried forward indefinitely.

## 10. SEGMENT INFORMATION

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

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

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 10. SEGMENT INFORMATION *(Continued)*

Business segment information has been chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. Details of the business segments are as follows:

(a) Property leasing : The leasing of commercial premises.

(b) Interest income : The placing of funds with banks and lending of funds to independent third parties.

(c) Property management : Provision of management service to commercial premises.

### Business segments

| | Property leasing | | Interest income | | Property management | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 |
| | ***$'000*** | $'000 | ***$'000*** | $'000 | ***$'000*** | $'000 | ***$'000*** | $'000 | ***$'000*** | $'000 |
| **Segment revenue:** | | | | | | | | | | |
| Turnover | **1,375** | 4,215 | **1,948** | 1,872 | **6,399** | – | **–** | – | **9,722** | 6,087 |
| Segment results | **5,200** | (15,547) | **1,948** | 1,872 | **1,935** | – | **–** | – | **9,083** | (13,675) |
| Other revenue | | | | | | | | | **522** | – |
| Administrative expenses | | | | | | | | | **(9,207)** | (11,521) |
| Other operating expenses | | | | | | | | | **(4,741)** | (4,705) |
| Impairment loss on available-for-sale financial assets | | | | | | | | | **–** | (253,466) |
| Loss from operations | | | | | | | | | **(4,343)** | (283,367) |
| Finance costs | | | | | | | | | **(1,124)** | (2,452) |
| Loss before tax | | | | | | | | | **(5,467)** | (285,819) |
| Taxation | | | | | | | | | **(183)** | – |
| Loss for the year | | | | | | | | | **(5,650)** | (285,819) |
| Depreciation for the year | **–** | – | **–** | – | **–** | – | **1,017** | 1,238 | **1,017** | 1,238 |
| Segment assets | **47,766** | 80,266 | **31,004** | 31,004 | **4,812** | – | **375,047** | 381,209 | **458,629** | 492,479 |
| Segment liabilities | **16,853** | 45,633 | **–** | – | **2,222** | – | **21,688** | 23,000 | **40,763** | 68,633 |
| Capital expenditure incurred during the year | **–** | – | **–** | – | **–** | – | **1,709** | 76,691 | **1,709** | 76,691 |
| Non-cash expenses | **–** | 4,144 | **4,136** | – | **–** | – | **605** | 256,455 | **4,741** | 260,599 |

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 10. SEGMENT INFORMATION *(Continued)*

### Geographical segments

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

| | Hong Kong | | Rest of the PRC | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***$'000*** | $'000 | ***$'000*** | $'000 |
| Turnover | **3,323** | 6,087 | **6,399** | – |
| Loss from operations | **1,186** | 24,534 | **3,157** | 258,833 |
| Segment assets | **226,585** | 262,013 | **232,044** | 230,466 |
| Capital expenditure incurred during the year | **–** | – | **1,709** | 76,691 |

## 11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2005 was approximately HK$2,614,000 (2004: HK$388,480,000).

## 12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2005 (2004: Nil).

## 13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of approximately HK$4,692,000 (2004: HK$284,269,000) and the weighted average of 3,313,869,000 (2004: 3,313,869,000) ordinary shares in issue during the year.

There were no potential dilutive shares in existence for the two years ended 31 December 2005 and 31 December 2004, accordingly, no diluted loss per share has been presented.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 14. DIRECTORS' REMUNERATION

The remuneration of every director for the year ended 31 December 2005 and 2004 are set out below:

| | Fees | | Salaries and other benefits | | Retirement benefits scheme contributions | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2005 $'000** | 2004 $'000 | **2005 $'000** | 2004 $'000 | **2005 $'000** | 2004 $'000 | **2005 $'000** | 2004 $'000 |
| **Executive Directors** | | | | | | | | |
| Chiu Yeung | **–** | – | **320** | 520 | **12** | 12 | **332** | 532 |
| Ren Jun Tao | **–** | – | **–** | – | **–** | – | **–** | – |
| Xu Zhe Cheng (resigned on 28 February 2006) | **–** | – | **–** | – | **–** | – | **–** | – |
| Jin Jiu Xin (appointed on 28 February 2006) | **–** | – | **–** | – | **–** | – | **–** | – |
| | **–** | – | **320** | 520 | **12** | 12 | **332** | 532 |
| **Independent Non-Executive Directors** | | | | | | | | |
| Mu Xiangming | **100** | 100 | **–** | – | **–** | – | **100** | 100 |
| Cheng Chak Ho | **100** | 100 | **–** | – | **–** | – | **100** | 100 |
| Lo Wa Kei Roy | **–** | – | **–** | – | **–** | – | **–** | – |
| | **200** | 200 | **–** | – | **–** | – | **200** | 200 |
| **Non-Executive Director** | | | | | | | | |
| Qian Yong Wei | **–** | – | **–** | – | **–** | – | **–** | – |
| | **200** | 200 | **320** | 520 | **12** | 12 | **532** | 732 |

The number of directors whose remuneration falls within the following designated bands is set out below:

| | Number of directors | |
|---|---|---|
| | **2005** | 2004 |
| HK$Nil – HK$1,000,000 | **3** | 3 |

During the year ended 31 December 2005, no amounts have been paid by the Group to the directors as inducement to join the Group, as compensation for loss of office or as commitment fees to existing directors for entering into new services contracts with the Group (2004: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2004: two) directors, details of whose remuneration are set out in Note 14 above. Details of the remuneration of the remaining two (2004: three) highest paid, non-director employees are as follows:

| | **2005** | 2004 |
|---|---|---|
| | ***$'000*** | $'000 |
| Salaries and other benefits | **457** | 1,008 |
| Mandatory provident fund contributions | **18** | 45 |
| | **475** | 1,053 |

Their remuneration fell within HK$Nil to HK$1,000,000.

## 16. EMPLOYEE BENEFITS

### (a) Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

There is no forfeited contribution which could be utilised to reduce the level of the contribution by the Group and therefore there was no such balance as at 31 December 2005.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong, Singapore and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2005 in respect of the retirement of its employees.

### *(b) Equity compensation benefits*

The share option scheme adopted by the Group has been expired on 23 December 2000, as at 31 December 2005 and up to the date of this report, the Group does not adopt any new share option scheme.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 17. PROPERTY, PLANT AND EQUIPMENT

### (a) Group

| | Investment properties $'000 (Restated) | Properties under development $'000 (Note) | Leasehold improve-ments $'000 | Furniture, fixture and motor vehicles $'000 | Total $'000 (Restated) |
|---|---|---|---|---|---|
| **At cost:** | | | | | |
| At 1 January 2004, as previously stated | 102,620 | 114,623 | 463 | 11,155 | 228,861 |
| Effect on adoption of HKAS 1 | (102,620) | – | – | – | (102,620) |
| At 1 January 2004, as restated | – | 114,623 | 463 | 11,155 | 126,241 |
| Additions | – | 44,436 | – | 255 | 44,691 |
| Disposals | (4,820) | – | – | (1,451) | (6,271) |
| Deficit on revaluation | (17,800) | – | – | – | (17,800) |
| Effect on adoption of HKAS 1 | 22,620 | – | – | – | 22,620 |
| At 31 December 2004, as restated and at 1 January 2005 | – | 159,059 | 463 | 9,959 | 169,481 |
| Additions | – | 1,704 | – | 5 | 1,709 |
| Disposals | – | – | (463) | (2,029) | (2,492) |
| **At 31 December 2005** | – | 160,763 | – | 7,935 | 168,698 |
| Representing: | | | | | |
| Cost | – | 160,763 | – | 7,935 | 168,698 |
| Valuation | – | – | – | – | – |
| | – | 160,763 | – | 7,935 | 168,698 |
| **Depreciation and impairment losses:** | | | | | |
| At 1 January 2004 | – | – | 250 | 3,195 | 3,445 |
| Charge for the year | – | – | 110 | 1,128 | 1,238 |
| Written back on disposal | – | – | – | (867) | (867) |
| At 31 December 2004 and 1 January 2005 | – | – | 360 | 3,456 | 3,816 |
| Charge for the year | – | – | – | 1,017 | 1,017 |
| Written back on disposal | – | – | (360) | (1,000) | (1,360) |
| **At 31 December 2005** | – | – | – | 3,473 | 3,473 |
| **Net book value:** | | | | | |
| **At 31 December 2005** | **–** | **160,763** | **–** | **4,462** | **165,225** |
| At 31 December 2004, as restated | – | 159,059 | 103 | 6,503 | 165,665 |

*Note:* Properties under development are situated in the PRC.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### (b) Company

| | Furniture, fixture and motor vehicles *$'000* |
|---|---|
| **At cost:** | |
| At 1 January 2004, 31 December 2004 and at 31 December 2005 | 922 |
| **Depreciation:** | |
| At 1 January 2004 | 570 |
| Charge for the year | 168 |
| At 31 December 2004 and at 1 January 2005 | 738 |
| Charge for the year | 149 |
| At 31 December 2005 | 887 |
| **Net book value:** | |
| **At 31 December 2005** | **35** |
| At 31 December 2004 | 184 |

## 18. INVESTMENT PROPERTIES

### Group

| | *$'000* (Restated) |
|---|---|
| At 1 January 2004, as previously stated | – |
| Effect on adoption of HKAS 1 | 102,620 |
| Disposal | (4,820) |
| Deficit on revaluation | (17,800) |
| At 31 December 2004, as restated and at 1 January 2005 | 80,000 |
| Disposal | (35,000) |
| Surplus on revaluation | 2,700 |
| At 31 December 2005 | 47,700 |

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 18. INVESTMENT PROPERTIES *(Continued)*

(a) The analysis of net book value of investment properties is as follows:

| | Group | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| **In Hong Kong** | | |
| Under medium-term leases | **47,700** | 80,000 |

(b) The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

| | Group | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| Within 1 year | **784** | 1,458 |
| After 1 year but within 5 years | **–** | 784 |
| | **784** | 2,242 |

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals. As at 31 December 2005, the Group's investment properties held for use in operating leases were HK$19,400,000 (2004: HK$53,300,000).

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 18. INVESTMENT PROPERTIES *(Continued)*

(c) Movements of investment properties revaluation (surplus)/deficit comprise of the follows:

| | Group | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| Accumulated deficit at 1 January | **46,249** | 32,784 |
| (Surplus)/deficit on revaluation for the year | **(2,700)** | 17,800 |
| Reversal of deficit on revaluation upon disposal | **(43,249)** | (4,335) |
| Accumulated deficit at 31 December | **300** | 46,249 |

(d) With reference to the valuation report dated 1 September 2006, investment properties of the Group were revalued at 31 December 2005 by an independent firm of surveyors, Malcom & Associates Appraisal Limited who have among their staff Associates of the Hong Kong Institute of Surveyors, on an open market value basis calculated by reference to net rental income allowing for reversionary income potential.

(e) Certain investment properties are pledged for the bank facilities granted to the Group, details of which are set out in Note 31 to the financial statements.

## 19. INTEREST IN JOINT VENTURE

In 2001, the Group entered into an agreement with an independent third party to jointly develop a property project in the PRC. Pursuant to the agreement, the Group contributes a piece of land and takes up the costs of preliminary stage of the property construction and the joint venture party takes up all remaining costs of property construction. Profits from the sales of the property will be shared between the Group and the joint venture party on a 30:70 basis.

On 22 March 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of the interest in joint venture at a consideration of approximately HK$46,768,000 and the entire amount was transferred to non-current assets classified as held for sale.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 20. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| Unlisted shares, at cost | **510,824** | 510,824 |
| *Less*: Impairment loss of investment in subsidiaries | **(374,384)** | (374,384) |
| | **136,440** | 136,440 |

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

Particulars of the principal subsidiaries of the Company are as follows:

| Name of company | Place of incorporation/ establishment and operation | Particulars of issued and paid-up share capital/ registered capital | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities |
|---|---|---|---|---|---|
| BOC Mantai Property Management (Shanghai) Corporation Limited | PRC | Registered capital US$200,000 | – | 100% | Property management |
| BOCMT Real Estate Holdings Limited | Hong Kong | Ordinary HK$246,153,900 | 100% | – | Investment holding |
| Express Century Limited | Hong Kong | Ordinary HK$2 | – | 100% | Property investment |
| Great Luck Property Limited | Hong Kong | Ordinary HK$2 | – | 100% | Property investment |
| Master Venture Limited | Hong Kong | Ordinary HK$2 | – | 100% | Property investment |
| Sherwell Property Corp. | British Virgin Islands | Ordinary US$200 | – | 100% | Investment holding |
| Silver Place Limited | Hong Kong | Ordinary HK$2 | – | 100% | Investment holding |
| Sun Man Tai International Architectural Decoration Design Co., Limited | Hong Kong | Ordinary HK$40 | – | 100% | Investment holding |
| Sun Man Tai International (B.V.I.) Limited | British Virgin Islands | Ordinary HK$274,051 | 100% | – | Investment holding |
| Talent Ocean Limited | Hong Kong | Ordinary HK$2 | – | 100% | Property investment |
| Wan Tai China Telecom Limited | Hong Kong | Ordinary HK$2 | – | 100% | Property investment |
| Xian BOCMT Estate Company Limited | PRC | Registered capital US$10,000,000 | – | 70% | Property development |

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

## 21. INTEREST IN AN ASSOCIATE

| | Group | | Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***$'000*** | $'000 | ***$'000*** | $'000 |
| Unlisted shares, at cost | **–** | – | **–** | – |
| Share of net assets | **–** | – | **–** | – |
| | **–** | – | **–** | – |
| Amount due from an associate | **605** | 605 | **605** | 605 |
| *Less*: Provision for impairment of amount due from an associate | **(605)** | – | **(605)** | – |
| | **–** | 605 | **–** | 605 |

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associate are as follows:

| Name of company | Business structure | Place of establishment/ registration and operation | Percentage of equity interest attributable to the Group | Class of shares | Principal activities |
|---|---|---|---|---|---|
| Joy Route Limited | Corporate | British Virgin Islands | 50% | Ordinary US$100 | Inactive |

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| Held for non-trading purpose: | | |
| Unlisted shares, at cost | **340,466** | 340,466 |
| *Less*: Transfer to non-current assets classified as held for sale *(Note 29)* | **(55,000)** | – |
| *Less*: Impairment loss on available-for-sale financial assets | **(253,466)** | (253,466) |
| | **32,000** | 87,000 |

The 2004 comparative figure was presented as "Other investments" held by the Group as at 31 December 2004, which was re-designated as "Available-for-sale financial assets" for the year ended 31 December 2005 pursuant to the adoption of the new HKFRSs on 1 January 2005.

The available-for-sale financial assets are unlisted equity securities outside Hong Kong and are carried at cost less impairment losses.

## 23. ACCOUNTS RECEIVABLE

| | Group | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| Accounts receivable | **2,007** | 2,299 |
| *Less*: Provision for impairment loss of accounts receivable | **(1,861)** | (2,299) |
| | **146** | – |

Included in accounts receivable are debts which are normally due within 30 days from the date of billing. The aging analysis included as follows:

| | Group | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| 0 – 30 days | **146** | – |

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 23. ACCOUNTS RECEIVABLE *(Continued)*

*Notes:*

(a) The carrying amounts of accounts receivable approximate to their fair values.

(b) The movements in provision for impairment loss of accounts receivable were as follows:

| | **2005** | 2004 |
|---|---|---|
| | ***$'000*** | $'000 |
| At 1 January | **2,299** | – |
| Provision for impairment loss of accounts receivable | **–** | 2,299 |
| Bad debt recovered | **(438)** | – |
| At 31 December | **1,861** | 2,299 |

## 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables of the Group are expected to be recovered within one year except for utility deposits of approximately HK$180,000 (2004: HK$180,000).

## 25. INVESTMENT DEPOSITS

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***$'000*** | $'000 | ***$'000*** | $'000 |
| Deposits for property investment *(Note)* | **58,720** | 58,720 | **58,720** | 58,720 |

*Note:*

The Group paid investment deposits to an independent third party totaling HK$58,720,000 for properties which are being developed. Certain units of the respective properties will be transferred to the Group upon completion of the construction. The commercial building construction project had been completed in late 2005. On 15 February 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of the right of purchasing those units of the commercial building at a total consideration of approximately HK$65,000,000.

## 26. LOAN RECEIVABLES

The amounts are unsecured, interest-bearing at rates ranging from 6% to 7% per annum and repayable within one year. The loan receivables were fully repaid in March 2006.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 27. OTHER DEPOSIT

A sum of RMB15,000,000 (approximately HK$14,151,000) was deposited into an escrow account kept by a legal firm as fund proof for undertaking construction work of a property development project located in the PRC.

## 28. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***$'000*** | $'000 | ***$'000*** | $'000 |
| Deposits with banks | **229** | 238 | **–** | – |
| Cash at bank | **6,435** | 4,357 | **441** | 258 |
| Cash and bank balances in the balance sheet | **6,664** | 4,595 | **441** | 258 |
| Bank overdraft | **–** | (7,138) | | |
| Cash and cash equivalents in the cash flow statement | **6,664** | (2,543) | | |

## 29. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

| | Group | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| At 1 January | **–** | – |
| Transfer from interest in joint venture *(Note 19)* | **46,768** | – |
| Transfer from available-for-sale financial assets *(Note 22)* | **55,000** | – |
| At 31 December | **101,768** | – |

On 22 March 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of the interest in joint venture at a total consideration of approximately HK$46,768,000.

On 27 February 2006, Great Luck Property Limited and Silver Place Limited, being wholly owned subsidiaries of the Company, entered into a sale and purchase agreement with an independent third party to dispose of part of their available-for-sale financial assets at a total consideration of RMB57,200,000 (approximately HK$55,000,000).

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 30. SHARE CAPITAL

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| | ***'000*** | ***$'000*** | '000 | $'000 |
| **Authorised:** | | | | |
| Ordinary shares at HK$0.01 each: | | | | |
| At 1 January and at 31 December | **5,000,000** | **50,000** | 5,000,000 | 50,000 |
| **Issued and fully paid:** | | | | |
| Ordinary shares at HK$0.01 each: | | | | |
| At 1 January and at 31 December | **3,313,869** | **33,139** | 3,313,869 | 33,139 |

No issue of shares for the two years ended 31 December 2005 and 2004.

## 31. BANK LOANS AND OVERDRAFT – SECURED

At 31 December 2005, the secured bank loans and overdraft are repayable as follows:

| | Group | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| Within 1 year or on demand | **735** | 35,922 |
| After 1 year but within 2 years | **728** | 1,579 |
| After 2 years but within 5 years | **2,538** | 5,238 |
| After 5 years | **11,441** | 6,999 |
| | **14,707** | 13,816 |
| | **15,442** | 49,738 |

The bank loans were secured on certain investment properties of the Group with an aggregate carrying value totaling HK$47,700,000 as at 31 December 2005 (2004: HK$80,000,000), together with the right to receive rentals thereon.

As at 31 December 2004, the bank overdraft was secured on certain investment properties of the Group with an aggregate carrying value totaling HK$80,000,000, together with the right to receive rentals thereon. Such banking overdraft facilities, amounting to HK$10,000,000, were utilised to the extent of approximately HK$7,138,000 at 31 December 2004.

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 32. ACCOUNTS PAYABLE

The aging analysis of accounts payable is set out as follows:

| | Group | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| Due within 1 month or on demand | **139** | – |

*Note:*

The carrying amounts of accounts payable approximate to their fair values.

## 33. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses of the Group are expected to be settled within one year except for rental deposits of HK$270,000 (2004: HK$270,000).

## 34. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

## 35. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

## 36. RESERVES

**Company**

| | **Share premium** | **Contributed surplus** | **Accumulated losses** | **Total** |
|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* |
| At 1 January 2004 | 491,636 | 115,615 | (21,915) | 585,336 |
| Loss for the year | – | – | (388,480) | (388,480) |
| At 31 December 2004 and at 1 January 2005 | 491,636 | 115,615 | (410,395) | 196,856 |
| Loss for the year | – | – | (2,614) | (2,614) |
| At 31 December 2005 | 491,636 | 115,615 | (413,009) | 194,242 |

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

## 36. RESERVES *(Continued)*

The contributed surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1995.

According to the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus.

## 37. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 34 and 35 to the financial statements, during the year ended 31 December 2005, the Group entered into the following arrangements with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

**Key management personnel**

Remuneration for key management personnel, including amounts paid to company's directors and certain of the highest paid employees, as disclosed in Notes 14 and 15 is as follows:

| | **2005** | 2004 |
|---|---|---|
| | ***$'000*** | $'000 |
| Short-term employee benefits | **320** | 520 |
| MPF Contribution | **12** | 12 |
| | **332** | 532 |

Total remuneration is included in "Staff costs" (Note 7).

## 38. OPERATING LEASE COMMITMENTS

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follow:

| | **Group** | |
|---|---|---|
| | **2005** | 2004 |
| | ***$'000*** | $'000 |
| Within 1 year | **–** | 295 |
| After 1 year but within 5 years | **–** | 38 |
| | **–** | 333 |

The Company did not have any significant operating lease commitments as at 31 December 2005 (2004: Nil).

# Notes to Financial Statements *(Continued)*

*31 December 2005 (in HK Dollars)*

**39. CAPITAL COMMITMENTS**

The Group did not have any significant capital commitments as at 31 December 2005 (2004: Nil).

The Company did not have any significant capital commitments as at 31 December 2005 (2004: Nil).

**40. EVENTS AFTER THE BALANCE SHEET DATE**

(a) On 27 February 2006, Great Luck Property Limited and Silver Place Limited, being wholly owned subsidiaries of the Company, entered into a sale and purchase agreement with an independent third party to dispose of part of their available-for-sale financial assets of the Group at a total consideration of RMB57,200,000 (approximately HK$55,000,000). As at 31 December 2005, the carrying value of the respective available-for-sale financial assets was approximately HK$55,000,000.

(b) On 15 February 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of their investment deposits in relation to the right of purchasing certain units of a commercial building (the "Investment Deposits") at a total consideration of approximately HK$65,000,000. As at 31 December 2005, the carrying value of the Investment Deposits was approximately HK$58,720,000.

(c) On 22 March 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of the interest in joint venture at a total consideration of approximately HK$46,768,000. As at 31 December 2005, the carrying value of the interest in joint venture was approximately HK$46,768,000.

(d) On 26 June 2006, Sun Man Tai International Architectural Decoration Design Co., Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest of Shanghai Minhang Weixing Horticultural Land (the "Acquisition") at a consideration of approximately RMB85,984,000 (equivalent to approximately HK$83,480,000). The consideration of the Acquisition was financed by the internal resources of the Group.

**41. COMPARATIVE FIGURES**

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

**42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 25 September 2006.