Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

First Shanghai Investments Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, sales of motor vehicle meters, hotel operation, investment holding, property holding and management.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The accounting policies and methods of computation used in the preparation of these consolidated financial statements are consistent with those used in the 2005 consolidated financial statements except that the Group has changed its revenue recognition policy (see Note 2.1(d) below) and certain of its other accounting policies following its adoption of the new or revised Standards, amendments and interpretations to the published Standards which are relevant to its operations. The adoption of these new or revised Standards, amendments and interpretations did not result in any substantial changes to the Group's accounting policies.

The consolidated financial statements of First Shanghai Investments Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, buildings, available-for-sale financial assets, financial assets and financial liabilities at fair value through income statement.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Where necessary, certain comparative figures have been reclassified to conform to the current year's presentation.

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

2.1 Basis of preparation *(continued)*

(a) Standards, amendments and interpretations to existing Standards that are not yet effective in 2006 and have not been early adopted by the Group

The Group has not early adopted the following Standards, amendments and interpretations to existing Standards that have been issued but are not yet effective in 2006. The adoption of such Standards, amendments and interpretations will not result in substantial changes to the Group's accounting policies.

• HKAS 1 (Amendment)	Capital Disclosures
• HKFRS 7	Financial Instruments: Disclosures
• HKFRS 8	Operating Segments
• HK(IFRIC) – Int 8	Scope of HKFRS 2
• HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
• HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
• HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

(b) Interpretation to existing Standards that are not yet effective in 2006 and not relevant to the Group's operations

The following interpretations to existing Standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st May 2006 or later periods but are not relevant to the Group's operations:

- HK(IFRIC) – Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1st March 2006). HK(IFRIC) – Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC) – Int 7 is not relevant to the Group's operations; and

- HK(IFRIC) – Int 12, Service Concession Arrangements (effective for annual periods beginning on or after 1st January 2008). HK(IFRIC) – Int 12 sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements, which involve private section participation in the development, financing, operation and maintenance of government infrastructure. Since the Group is not involved in such arrangements, HK(IFRIC) – Int 12 is not relevant to the Group's operations.

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

2.1 Basis of preparation *(continued)*

(c) Standards, amendments and interpretations effective in 2006 but not relevant to the Group's operations or not having significant impact on the Group's consolidated financial statements

The following Standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant to the Group's operations or not having significant impact on the Group's consolidated financial statements:

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

(d) Change in revenue recognition policy

In previous years, sale proceeds and the related cost of sales of financial assets at fair value through income statement were presented in the consolidated income statement within revenue and cost of sales respectively, in accordance with the then Group's accounting policy.

In current year, the Group has revised the accounting policy in order to comply more fully with HKAS 39 and to conform with market practice, whereby the net gains/(losses) on disposal of financial assets at fair value through income statement are recognised in the consolidated income statement within revenue.

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

2.1 Basis of preparation *(continued)*

(d) Change in revenue recognition policy *(continued)*

The effects of the change in accounting policy have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Decrease in revenue	**(282,182)**	(106,266)
Decrease in cost of sales	**345,815**	122,928
Decrease in other gains/(losses) – net	**(63,633)**	(16,662)
Effect on net profit	**–**	–
Effect on basic and fully diluted earnings per share		
– Continuing operations	**–**	–
– Non-current assets classified as held for sale and discontinued operations	**–**	–

This change in accounting policy does not have an impact on the results of the Group in respect of the current and prior years.

2.2 Consolidation

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

(a) *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. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at 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 (Note 2.7). 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 consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. 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 (Note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

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

2.2 Consolidation *(continued)*

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recorded in the consolidated income statement.

(c) *Associated companies*

Associated companies 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 associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.7).

The Group's share of its associated companies, post-acquisition profits or losses is recognised in the consolidated 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 associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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

(d) *Jointly controlled entities*

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's share of its jointly controlled entities' 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 a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

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

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.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through income statement are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are, included in the fair value reserve in equity.

(c) *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:

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

(ii) 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

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

2.4 Foreign currency translation *(continued)*

(c) *Group companies (continued)*

(iii) 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 operations are taken to shareholders' equity. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the consolidated 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.

2.5 Property, plant and equipment

(a) *Buildings in Hong Kong*

In previous years the Group carried its buildings in Hong Kong at cost or at revalued amounts and revaluation surpluses or deficits are dealt with as movements in the assets revaluation reserve. Effective from 30th September 1995, no further revaluations have been carried out. The Group places reliance on paragraph 80A of HKAS 17, Leases, issued by the HKICPA which provides exemption from the need to make regular revaluations for such assets.

(b) *Construction-in-progress*

Construction-in-progress comprises hotel, properties under construction, and other property, plant and equipment under installation, and is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any impairment losses. No depreciation is provided on construction-in-progress until such time as the relevant assets are completed and put into use.

(c) *Other property, plant and equipment*

Other property, plant and equipment comprise mainly buildings outside Hong Kong, furniture fixtures and equipment, plant and machinery, motor vehicles and trucks are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

2.5 Property, plant and equipment *(continued)*

(d) *Depreciation and amortisation*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	Over the shorter of the term of the leases or 20 to 40 years
Furniture, fixtures and equipment	15% – 33$^1/_3$%
Plant and machinery	10%
Motor vehicles	20%
Trucks	12.5%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

(e) *Gains or losses on disposals*

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 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 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. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

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.

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

2.6 Investment properties *(continued)*

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 consolidated 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 consolidated income statement during the financial year in which they are incurred.

Changes in fair values are recognised in the consolidated income statement as part of 'other gains/(losses) – net'.

2.7 Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated companies/jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of associated companies and jointly controlled entities is included in 'investments in associated companies' and 'investments in jointly controlled entities' respectively. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) *Trading rights*

The trading rights at the Hong Kong Futures Exchange Limited ('trading rights') are recognised as intangible assets on the balance sheet. They have indefinite useful life and are stated at cost less impairment.

(c) *Patent*

Expenditure on acquired patent is capitalised and amortised using the straight-line method over its estimated useful life of five years. Patent is not revalued as there is no active market for this asset.

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

2.8 Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. 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 lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial Assets

The Group classifies its financial assets into the following categories: at fair value through income statement, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through income statement*

Financial assets at fair value through income statement are financial assets held for trading. 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 classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *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 are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'loans receivable', 'loans and advances' and 'trade and other receivables' (Note 2.12) in the balance sheet.

(c) *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 twelve months of the balance sheet date.

Regular purchases and sales of financial assets 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 income statement. Financial assets carried at fair value through income statement are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets 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 income statement are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

2.9 Financial Assets *(continued)*

Gains and losses arising, from changes in the fair value of the 'financial assets at fair value through income statement' category including net gains/(losses) on disposal and remeasurement at fair value, which are recognised in the income statement within 'revenue'; and interest and dividend income, which are presented in the income statement within 'other gains/(losses) – net', in the year in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in income statement, and translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and 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 recognised in equity are included in the consolidated income statement as 'gains and losses from available-for-sale financial assets'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset 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 and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 an indicator that 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. Impairment testing of trade receivables is described in Note 2.12.

2.10 Derivative financial instruments

Investments in financial derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

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

2.11 Inventories

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

2.12 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'selling and distribution costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and distribution costs' in the consolidated income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheets.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.15 Trade and other payables

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

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

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

2.17 Deferred taxation

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

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

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

2.18 Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Discretionary bonus*

Discretionary bonus is accrued in the year in which the associated services are rendered by employees of the Group.

Liabilities for discretionary bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

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

2.18 Employee benefits *(continued)*

(c) *Pension obligations*

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

As stipulated by rules and regulations in Chinese Mainland, the Group contributes to state-sponsored retirement plans for its employees in Chinese Mainland. The Group contributes to the retirement plans certain percentage of the basic salaries of its employees, and has no further obligations for the actual payment of post-retirement benefits.

(d) *Employee share-based compensation*

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

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

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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

2.20 Contingent liabilities

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.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) Revenue from brokerage and commission, management and consultancy and advisory services rendered and container transportation and freight forwarding services is recognised once the duties under the service contracts are performed and outcome of the transactions can be foreseen with reasonable certainty.

(c) All transactions related to securities trading are recorded in the financial statements based on trade dates. Accordingly, only those trade dates falling within the accounting year have been taken into account.

(d) Hotel room income is recognised when services are rendered.

(e) Operating lease rental income is recognised on a straight-line basis over the lease periods.

(f) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(g) Dividend income is recognised when the rights to receive payment is established.

2.22 Finance costs

Finance costs that are directly attributable to the acquisition, construction or production of any qualifying asset are capitalised during the period of time is required to complete and prepare the asset for its intended use. Other finance costs are expensed as incurred.

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

2.23 Operating leases

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 charged in the income statement on a straight-line basis over the period of the lease.

2.24 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) 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.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and price risk), credit risk, liquidity risk and interest rate risk. Risk management is carried out by senior management of the Group under policies approved by the Board of Directors of the Company.

(a) *Market risk*

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar and Renminbi. Revenue and majority of its operating costs and cost of sales are in Hong Kong dollar and Renminbi basis. No significant foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations is expected in the foreseeable future.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the balance sheet either as available-for-sale financial assets or as financial assets at fair value through income statement. The Group is not exposed to commodity price risk.

(b) *Credit risk*

The Group has no significant concentrations of credit risk. The carrying amount of trade and other receivables included in the balance sheets represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products and services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the consolidated financial statements.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) *Liquidity risk*

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

(d) *Interest rate risk*

The Group's income and operation cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets, other than cash at banks. The Group's exposure to changes in interest rates is mainly attributable to its bank loans. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3.2 Fair value estimation

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 2 includes a summary of the significant accounting policies used in the preparation of the Group's financial statements. The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Estimated fair value of financial instruments

The fair value of financial instruments traded in active markets (such as trading and available-for-sale financial assets) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on available recent market information such as most recent market transaction price with third parties and the latest available financial information existing at each balance sheet date.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Incomes taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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 year in which such determination is made.

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Impairment of available-for-sale financial assets

The Group follows the guidance if HKAS 39 in determining whether an investment in available-for-sale financial assets is impaired. This determination requires significant judgements. In making these judgements, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, change in technology and operational and financing cash flow.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(f) Estimated allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of loans receivable, loans and advances and trade and other receivables. Allowance is made when there are events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of loans receivable, loan and advances and trade and other receivables is different from the original estimate, such difference will impact the carrying value of loans receivable, loans and advances and trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(g) Estimated allowance for write-down of inventories to net realisable value

The Group makes allowance for write-down of inventories based on assessment of the net realisable value of existing inventories. Allowance is made if there is an indication that the net realisable value of inventories are lower than the cost. Calculation of net realisable value requires the use of judgement and estimates.

(h) Distinction between investment properties and owner-occupied properties

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

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

5. SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries, associated companies and jointly controlled entities are set out in Notes 20, 21 and 22 to the consolidated financial statements.

The Group has determined the business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, inventories, financial assets and operating cash. Segment liabilities comprise operating liabilities and borrowings but exclude taxation and deferred taxation. Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights.

In respect of geographical segment reporting, sales are based on the country in which the customers are located.

(a) Primary reporting format – business segments

The Group is organised into seven main business segments:

- Securities trading and investment
- Corporate finance and stockbroking
- Container transportation and freight forwarding services
- Hotel operation
- Sales of motor vehicle meters and components
- Investment holding, property holding and management
- Sales of child products

5. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Securities trading and investment *(see Note (a) below)* 2006 *HK$'000*	Corporate finance and stockbroking 2006 *HK$'000*	Container transportation and freight forwarding services 2006 *HK$'000*	Hotel operation *(Note 41)* 2006 *HK$'000*	Sales of motor vehicle meters and components 2006 *HK$'000*	Investment holding, property holding and management 2006 *HK$'000*	Sales of child products 2006 *HK$'000*	Group 2006 *HK$'000*
Revenue	128,421	145,085	891,057	80,925	37,765	36,036	–	1,319,289
Segment results	101,488	30,866	(14,514)	6,491	(1,098)	(19,574)	–	103,659
Finance costs								(20,585)
Share of profits less losses of								
– Associated companies	4,601	–	–	–	866	(7,871)	–	(2,404)
– Jointly controlled entities	–	–	–	–	–	5,081	(663)	4,418
Profit before taxation								85,088
Taxation								(16,618)
Profit for the year from continuing operations								68,470
Profit for the year from non-current assets classified as held for sale and discontinued operations	–	–	–	–	–	55,489	105,828	161,317
Profit for the year								229,787
Balance sheet								
Segment assets	152,723	379,737	118,449	239,302	36,683	793,700	–	1,720,594
Investments in associated companies	4,601	–	–	–	11,487	281,482	–	297,570
Investments in jointly controlled entities	–	–	–	–	–	50,943	21,393	72,336
Tax recoverable								374
Deferred tax assets								1,231
Total assets								2,092,105
Segment liabilities	865	7,028	12,793	161,280	30,130	159,600	–	371,696
Taxation payable								24,242
Deferred tax liabilities								496
Total liabilities								396,434
Other information								
Capital expenditure	333	1,263	5,028	33,173	228	21,026	–	61,051
Depreciation	319	1,534	10,915	12,550	557	10,986	–	36,861
Amortisation on leasehold land and land use rights	–	–	628	479	2	166	–	1,275

Notes:

(a) The revenue of securities trading and investment business recognised during the year represents the net gains/(losses) on disposal and remeasurement at fair value of financial assets at fair value through income statement.

(b) There are no sales or other transactions among the business segments.

5. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Securities trading and investment *(see Note (a) below)* Restated 2005 *HK$'000*	Corporate finance and stockbroking Restated 2005 *HK$'000*	Container transportation and freight forwarding services Restated 2005 *HK$'000*	Hotel operation Restated 2005 *HK$'000*	Sales of motor vehicle meters and components Restated 2005 *HK$'000*	Investment holding, property holding and management Restated 2005 *HK$'000*	Sales of child products Restated 2005 *HK$'000*	Group Restated 2005 *HK$'000*
Revenue	26,359	86,676	953,500	11,793	29,380	40,754	–	1,148,462
Segment results	8,337	18,447	6,951	(16,671)	(3,538)	(26,149)	–	(12,623)
Finance costs								(8,409)
Share of profits less losses of								
– Associated companies	–	–	–	–	(125)	33,615	2,841	36,331
– Jointly controlled entities	–	–	–	–	–	16,380	1,147	17,527
Profit before taxation								32,826
Taxation								(3,637)
Profit for the year from continuing operations								29,189
Profit for the year from non-current assets classified as held for sale and discontinued operations	–	–	–	–	–	–	40,961	40,961
Profit for the year								70,150
Balance sheet								
Segment assets	53,295	317,742	319,233	151,185	29,929	287,384	–	1,158,768
Investments in associated companies	–	–	–	–	10,201	266,059	–	276,260
Investments in jointly controlled entities	–	–	–	–	–	50,956	21,253	72,209
Non-current assets classified as held for sale and discontinued operations	–	–	–	–	–	68,357	344,010	412,367
Tax recoverable								4,003
Deferred tax assets								603
Total assets								1,924,210
Segment liabilities	1,960	28,426	224,280	125,850	22,153	94,129	–	496,798
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations	–	–	–	–	–	11,989	–	11,989
Taxation payable								1,447
Deferred tax liabilities								516
Total liabilities								510,750
Other information								
Capital expenditure	18	1,237	21,654	126,649	537	40,993	–	191,088
Depreciation	37	1,809	9,510	3,332	510	2,930	–	18,128
Amortisation on leasehold land and land use rights	–	–	603	729	2	173	–	1,507

Notes:

(a) The revenue of securities trading and investment business recognised during the year represents the net gains/(losses) on disposal and remeasurement at fair value of financial assets at fair value through income statement.

(b) There are no sales or other transactions among the business segments.

5. SEGMENT INFORMATION *(continued)*

(b) Secondary reporting format – geographical segments

The Group operates in two main geographical areas:

Hong Kong – securities trading and investment, corporate finance and stockbroking, investment holding, property holding and management

Chinese Mainland – container transportation and freight forwarding services, hotel operation, sales of motor vehicle meters and components and sales of child products

	Revenue 2006 HK$'000	Segment results 2006 HK$'000	Total assets 2006 HK$'000	Capital expenditure 2006 HK$'000
Hong Kong	**265,052**	**99,838**	**784,341**	**1,105**
Chinese Mainland	**1,053,743**	**10,456**	**909,743**	**59,624**
Others	**494**	**(6,635)**	**26,510**	**322**
	1,319,289	**103,659**	**1,720,594**	**61,051**
Investments in associated companies			**297,570**	
Investments in jointly controlled entities			**72,336**	
Tax recoverable			**374**	
Deferred tax assets			**1,231**	
Total assets			**2,092,105**	

	Revenue Restated 2005 HK$'000	Segment results 2005 HK$'000	Total assets 2005 HK$'000	Capital expenditure 2005 HK$'000
Hong Kong	123,455	28,439	610,226	1,544
Chinese Mainland	1,024,569	(45,631)	502,574	189,526
Others	438	4,569	45,968	18
	1,148,462	(12,623)	1,158,768	191,088
Investments in associated companies			276,260	
Investments in jointly controlled entities			72,209	
Non-current assets classified as held for sale and discontinued operations			412,367	
Tax recoverable			4,003	
Deferred tax assets			603	
Total assets			1,924,210	

Note:

There are no sales among the geographical segments.

6. OTHER GAINS/(LOSSES) – NET

	Group	
	2006	2005
	HK$'000	*HK$'000*
Provision for diminution in value of available-for-sale financial assets *(Note 23)*	**(2,341)**	(7,800)
Interest income	**15,598**	3,993
Dividend income	**2,965**	660
Investment income, net	**16,222**	(3,147)
Net fair value gains on investment properties	**12,239**	1,261
	28,461	(1,886)

7. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after crediting and charging the following:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Crediting		
Net gain on disposal of interest in subsidiaries	**13,897**	161
Net gain on disposal of partial interest in an associated company	**–**	2,966
Recovery of bad debts previously written off	**–**	161
Net gain on disposal of property, plant and equipment	**–**	159
Net foreign exchange gain	**963**	614
Negative goodwill charged to income statement	**–**	1,470
Charging		
Depreciation	**36,861**	18,128
Amortisation of leasehold land and land use rights	**1,275**	1,507
Impairment losses on trading rights and patent	**500**	–
Impairment losses on goodwill	**–**	13,667
Direct expense in respect of container transportation and freight forwarding services	**888,286**	929,338
Cost of inventories	**37,348**	32,013
Staff costs *(Note 13)*	**195,919**	117,622
Operating lease rental in respect of land and buildings	**8,514**	4,059
Auditors' remuneration	**3,087**	1,830
Provision for doubtful debts	**5,768**	3,748
Provision for obsolesce stock	**1,663**	–
Net loss on deemed disposal of partial interest in an associated company	**3,904**	–
Net loss on disposal of property, plant and equipment	**373**	–

8. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**19,175**	6,453
Interest on other loans	**1,410**	1,956
	20,585	8,409

9. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(a) The amount of taxation charged to the consolidated income statement represents:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current	**5,175**	3,494
Under-provision in previous years	**88**	169
Overseas taxation		
Current	**11,389**	720
Under-provision in previous years	**614**	–
Deferred taxation *(Note 35)*	**(648)**	(746)
Taxation charge	**16,618**	3,637

9. TAXATION *(continued)*

(a) The amount of taxation charged to the consolidated income statement represents: *(continued)*

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) before taxation (net of share of profits less losses of associated companies, jointly controlled entities and non-current assets classified as held for sale and discontinued operations)	**83,074**	(21,032)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**14,538**	(3,681)
Effect of different taxation rates in other countries	**(3,441)**	(520)
Income not subject to taxation	**(18,537)**	(5,352)
Expenses not deductible for taxation purposes	**1,654**	4,278
Under-provision in previous years, net	**164**	165
Utilisation of previously unrecognised tax losses	**(262)**	–
Unrecognised deferred tax assets	**21,795**	9,291
Others	**707**	(544)
Taxation charge	**16,618**	3,637

(b) The amount of taxation in the Group's consolidated balance sheet represents:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Recoverable		
Hong Kong	**162**	3,991
Overseas	**212**	12
	374	4,003
Payable		
Hong Kong	**1,998**	927
Overseas	**22,244**	520
	24,242	1,447

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$276,358,000 (2005: HK$91,920,000).

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK$236,573,000 (2005: HK$76,320,000). The basic earnings per share is based on the weighted average number of 1,188,096,023 (2005: 1,175,441,673) shares in issue during the year. The diluted earnings per share is based on 1,211,050,276 (2005: 1,192,483,905) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 22,954,253 (2005: 17,042,232) shares deemed to be issued at no consideration if all outstanding options had been exercised.

12. DIVIDENDS

The dividends paid in 2006 and 2005 were HK$41,635,000 (HK$0.035 per ordinary share) and HK$11,737,000 (HK$0.01 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2006 of HK$0.005 (2005: HK$0.015) per share, amounting to a total final dividend of HK$5,969,000 (2005: HK$17,758,000) is to be proposed at the Annual General Meeting on 25th May 2007. These financial statements do not reflect this final dividend payable.

	2006	2005
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.02 (2005: Nil) per ordinary share	**23,877**	–
Proposed final dividend of HK$0.005 (2005: HK$0.015) per ordinary share	**5,969**	17,758
	29,846	17,758

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2006	2005
	HK$'000	*HK$'000*
Wages, salaries and allowance	**162,131**	103,486
Benefits	**9,975**	6,352
Retirement benefit costs *(Note 15)*	**9,823**	5,276
Employees share option benefits *(Note 34)*	**13,990**	2,508
	195,919	117,622

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st December 2006 is set out below:

Name of Director	Fees	Salary	Dis-cretionary bonuses	Retirement benefit costs	Employees share option benefits	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. Lao Yuan Yi	**–**	**2,475**	**13,978**	**212**	**4,724**	**21,389**
Mr. Xin Shulin, Steve	**–**	**1,934**	**8,173**	**122**	**2,442**	**12,671**
Mr. Yeung Wai Kin	**–**	**2,156**	**9,173**	**185**	**2,442**	**13,956**
Mr. Hu Yi Ming	**–**	**608**	**–**	**1**	**–**	**609**
Non-executive director:						
Mr. Kwok Lam Kwong, Larry, J.P.	**270**	**–**	**–**	**–**	**–**	**270**
Independent non-executive director:						
Prof. Woo Hia Wei	**270**	**–**	**–**	**–**	**–**	**270**
Mr. Liu Ji	**270**	**–**	**–**	**–**	**–**	**270**
Mr. Yu Qi Hao (a)	**270**	**–**	**–**	**–**	**–**	**270**

The remuneration of every Director for the year ended 31st December 2005 is set out below:

Name of Director	Fees	Salary	Dis-cretionary bonuses	Retirement benefit costs	Employees share option benefits	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. Lao Yuan Yi	–	2,475	2,580	212	983	6,250
Mr. Xin Shulin, Steve	–	1,817	800	122	508	3,247
Mr. Yeung Wai Kin	–	2,156	1,200	185	508	4,049
Mr. Hu Yi Ming	–	580	–	1	–	581
Non-executive director:						
Mr. Kwok Lam Kwong, Larry, J.P.	270	–	–	–	–	270
Independent non-executive director:						
Prof. Woo Hia Wei	270	–	–	–	–	270
Mr. Liu Ji	270	–	–	–	–	270
Mr. Yu Qi Hao (a)	220	–	–	–	–	220

(a) Appointed on 17th March 2005

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

Certain Directors of the Company have been granted options to acquire shares of the Company. Details of share options granted, exercised and lapsed during the year are disclosed in the Report of the Directors.

No Directors have waived emoluments in respect of the years ended 31st December 2006 and 2005.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2005: two) individuals during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, commision, housing allowances, other allowances and benefits-in-kind	**7,742**	4,228
Discretionary bonuses	**16,857**	1,042
Retirement benefit costs	**95**	172
Employees share option benefits	**2,442**	508
	27,136	5,950

The emoluments fell within the following bands:

Emolument bands	**Number of individuals**	
HK$	**2006**	2005
2,000,001 – 3,000,000	**–**	1
3,000,001 – 5,000,000	**–**	1
5,000,001 – 10,000,000	**1**	–
10,000,001 – 15,000,000	**–**	–
15,000,001 – 20,000,000	**1**	–
	2	2

15. RETIREMENT BENEFIT COSTS

The Group operates defined contribution retirement schemes which are available to Hong Kong employees. The rates of contributions are 5% of basic salary from the employees and 5% to 10% from the employer depending on the length of service of the individuals. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

HK$226,685 (2005: HK$140,543) of defined contribution retirement schemes in Hong Kong was utilised during the year. There is no outstanding balance as at the balance sheet dates of 2006 and 2005 available to reduce the contributions payable in the future years.

Contributions totalling HK$105,000 (2005: HK$88,000) were payable to the retirement scheme at the year-end and are included in accounts payable.

The Group also contributes retirement plans for its employees in the Chinese Mainland and overseas. The rates of contributions are approximately 17% to 28% of basic salary from the Group for its employees in the Chinese Mainland and approximately 12% of basic salary from the Group for its overseas employees.

16. INTANGIBLE ASSETS

Group

	Goodwill *HK$'000*	Trading rights and patent *HK$'000*	Total *HK$'000*
Cost			
At 1st January 2006	**16,660**	**2,958**	**19,618**
Disposals	**(4,060)**	**(1,320)**	**(5,380)**
At 31st December 2006	**12,600**	**1,638**	**14,238**
Accumulated amortisation			
At 1st January 2006	**13,667**	**2,058**	**15,725**
Disposals	**(4,060)**	**(1,320)**	**(5,380)**
Impairment losses	**–**	**500**	**500**
At 31st December 2006	**9,607**	**1,238**	**10,845**
Net book value			
At 31st December 2006	**2,993**	**400**	**3,393**

	Goodwill *HK$'000*	Trading rights and patent *HK$'000*	Total *HK$'000*
Cost			
At 1st January 2005	16,660	5,805	22,465
Disposals	–	(2,869)	(2,869)
Exchange differences	–	22	22
At 31st December 2005	16,660	2,958	19,618
Accumulated amortisation			
At 1st January 2005	–	3,824	3,824
Charge for the year	–	1,096	1,096
Disposals	–	(2,869)	(2,869)
Impairment losses	13,667	–	13,667
Exchange differences	–	7	7
At 31st December 2005	13,667	2,058	15,725
Net book value			
At 31st December 2005	2,993	900	3,893

Impairment test for goodwill

Goodwill acquired through business combination has been allocated to the lowest level within at which the goodwill is monitored by internal management purpose for impairment testing.

The recoverable amount of the lowest level of cash-generating unit has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering a period of five to ten years. The discount rate applied to cash flow projection is 10%.

17. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings						
	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction–in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation							
At 1st January 2006	22,664	150,102	63,983	39,193	69,367	9,014	354,323
Additions	–	2,347	15,546	9	2,194	31,179	51,275
Disposals	–	(29)	(10,339)	(3,951)	(11,855)	(126)	(26,300)
Disposal of subsidiaries *(Note 37(c))*	–	–	(8,689)	–	–	–	(8,689)
Reclassification	–	33,628	947	(644)	(290)	(33,641)	–
Exchange differences	–	6,056	1,710	1,532	2,416	484	12,198
At 31st December 2006	22,664	192,104	63,158	36,139	61,832	6,910	382,807
Accumulated depreciation							
At 1st January 2006	5,923	11,050	25,758	8,926	40,463	–	92,120
Charge for the year	566	8,644	19,843	2,440	5,368	–	36,861
Disposals	–	(5)	(2,796)	(1,298)	(4,933)	–	(9,032)
Disposal of subsidiaries *(Note 37(c))*	–	–	(8,245)	–	–	–	(8,245)
Reclassification	–	–	87	–	(87)	–	–
Exchange differences	–	455	483	359	1,466	–	2,763
At 31st December 2006	6,489	20,144	35,130	10,427	42,277	–	114,467
Net book value							
At 31st December 2006	16,175	171,960	28,028	25,712	19,555	6,910	268,340

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Group *(continued)*

	Buildings						
	Long-term leases in Hong Kong HK$'000	Medium-term leases outside Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles and trucks HK$'000	Construction–in-progress HK$'000	Total HK$'000
Cost or valuation							
At 1st January 2005	25,840	20,204	30,869	10,157	58,236	70,913	216,219
Additions	–	242	34,661	27,364	11,207	117,614	191,088
Disposals	–	–	(175)	(36)	(947)	–	(1,158)
Disposal of subsidiaries *(Note 37(c))*	–	–	(53)	–	–	–	(53)
Transfer to non-current assets classified as held for sale and discontinued operations *(Note 36)*	–	–	–	–	–	(51,481)	(51,481)
Transfer to investment properties *(Note 18)*	(3,176)	–	–	–	–	–	(3,176)
Reclassification	–	129,212	(1,538)	1,538	–	(129,212)	–
Exchange differences	–	444	219	170	871	1,180	2,884
At 31st December 2005	22,664	150,102	63,983	39,193	69,367	9,014	354,323
Accumulated depreciation							
At 1st January 2005	6,072	8,334	17,922	5,798	36,834	–	74,960
Charge for the year	677	2,561	8,223	2,729	3,938	–	18,128
Disposals	–	–	(128)	(25)	(879)	–	(1,032)
Transfer to investment properties *(Note 18)*	(826)	–	–	–	–	–	(826)
Reclassification	–	–	(327)	327	–	–	–
Exchange differences	–	155	68	97	570	–	890
At 31st December 2005	5,923	11,050	25,758	8,926	40,463	–	92,120
Net book value							
At 31st December 2005	16,741	139,052	38,225	30,267	28,904	9,014	262,203

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Group *(continued)*

The analysis of the cost or valuation at 31st December 2006 of the above assets is as follows:

	Buildings						
	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction–in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	**11,539**	**192,104**	**63,158**	**36,139**	**61,832**	**6,910**	**371,682**
At professional valuation –1994	**11,125**	**–**	**–**	**–**	**–**	**–**	**11,125**
	22,664	**192,104**	**63,158**	**36,139**	**61,832**	**6,910**	**382,807**

The analysis of the cost or valuation at 31st December 2005 of the above assets is as follows:

	Buildings						
	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction–in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	11,539	150,102	63,983	39,193	69,367	9,014	343,198
At professional valuation –1994	11,125	–	–	–	–	–	11,125
	22,664	150,102	63,983	39,193	69,367	9,014	354,323

The carrying amount of the land and buildings in Hong Kong under long-term leases would have been HK$9,890,000 (2005: HK$10,222,000) had they been stated at cost less accumulated depreciation.

(b) Company

	Motor vehicles	
	2006	2005
	HK$'000	*HK$'000*
Cost		
At 1st January	**442**	442
Accumulated depreciation		
At 1st January	**287**	199
Charge for the year	**88**	88
At 31st December	**375**	287
Net book value		
At 31st December	**67**	155

18. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Valuation at 1st January	**19,260**	10,950
Additions	**8,329**	–
Transfer from leasehold land and land use rights *(Note 19)*	**–**	5,107
Transfer from property, plant and equipment *(Note 17)*	**–**	2,350
Net fair value gains	**12,239**	853
Valuation at 31st December	**39,828**	19,260

The investment properties were revalued at 31 December 2006, on an open market value basis by independent, professionally qualified valuers, Chung, Chan & Associates.

The Group's interests in investment properties at valuation are analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
In Hong Kong, held on		
– Leases over 50 years	**6,000**	6,000
Outside Hong Kong, held on		
– Leases between 10 to 50 years	**18,878**	–
– Leases over 50 years	**14,950**	13,260
	39,828	19,260

19. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and the movement in the net book value thereof is analysed as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Net book value at 1st January	**66,377**	89,177
Additions	**1,447**	–
Amortisation	**(1,275)**	(1,507)
Transfer to investment properties *(Note 18)*	**–**	(5,107)
Transfer to non-current assets classified as held for sale and discontinued operations *(Note 36)*	**–**	(16,876)
Exchange differences	**929**	690
Net book value 31st December	**67,478**	66,377

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

	2006	2005
	HK$'000	*HK$'000*
In Hong Kong, held on		
– Leases over 50 years	**36,408**	36,449
Outside Hong Kong, held on		
– Leases between 10 to 50 years	**31,070**	29,928
	67,478	66,377

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted investments, at cost	**38,374**	34,280
Loan to a subsidiary	**70,000**	70,000
Less: accumulated impairment losses	**(16,886)**	(15,452)
	91,488	88,828

The loan to a subsidiary is unsecured, interest bearing at prime rate plus 1% and not repayable with the next twelve months as at the balance sheet date. The effective interest rate at 31st December 2006 was prime rate quoted by The Hong Kong and Shanghai Banking Corporation Limited plus 1%. The carrying value of the loan to a subsidiary approximates its fair value as at 31st December 2006.

The following is a list of the principal subsidiaries at 31st December (see note (a) below):

Name	**Place of incorporation/ establishment** *(see note (b) below)*	**Particulars of issued share capital/ registered capital**	**Effective interest held** **2006**	2005	**Principal activities**
Shares held directly:					
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
First Shanghai Finance Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Money lending
First Shanghai Investment Management Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%**	100%	Financial advisory
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares of HK$1 each	**100%**	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Nominee services
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares of HK$1 each	**100%**	100%	Property investment
P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A$1 each	**100%**	100%	Securities investment
UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2006	2005	Principal activities
Shares held indirectly:					
Addsmart Investments Limited	British Virgin Islands	1 ordinary shares of US$1 each	**100%**	–	Securities investment
Atlas Securities Pty. Limited	Australia	2 ordinary shares of A$1 each	**100%**	100%	Securities investment
Billion Bright Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	–	Securities investment
Bonvision International Consulting Limited	Chinese Mainland	HK$1,000,000	**100%**	100%	Financial consultancy
Bonvision Technology (Beijing) Limited	Chinese Mainland	HK$500,000	**100%**	100%	Financial consultancy
Bonvision Technology (Shanghai) Limited	Chinese Mainland	US$200,000	**100%**	100%	Financial consultancy
Bright Shining Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	–	Property investment
Changchun FAW Sihuan Betung Instrument Company Limited	Chinese Mainland	RMB7,700,000	**55%**	55%	Manufacture of autoparts
Clear Profit Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	–	Property investment
Crimson Pharmaceutical (Shanghai) Company Limited	Chinese Mainland	US$1,400,000	**51%**	51%	Pharmaceutical services
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Draco Equity Investment Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2006	2005	Principal activities
Shares held indirectly: *(continued)*					
Ever Achieve Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
First Information Technology Limited	British Virgin Islands	10,000 ordinary shares of US$0.01 each	**78.21%**	78.21%	Investment holding
First Shanghai Assets (Kunshan) Company Limited	Chinese Mainland	US$10,000,000	**100%**	–	Property development
First Shanghai Capital Limited	Hong Kong	17,000,000 ordinary shares of HK$1 each	**100%**	100%	Corporate finance
First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
First Shanghai Futures Limited	Hong Kong	8,000,000 ordinary shares of HK$1 each	**100%**	100%	Futures broking
First Shanghai Securities Limited	Hong Kong	65,000,000 ordinary shares of HK$1 each	**100%**	100%	Stockbroking
First Shanghai Venture Capital Management Limited	Chinese Mainland	HK$1,000,000	**100%**	100%	Venture capital & management
Fu Hai Digital Science & Technology (Shanghai) Company Limited	Chinese Mainland	US$5,000,000	**100%**	100%	Investment holding
Golad Resources Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
GTI Financial Information Limited	Hong Kong	429,999,999 ordinary shares of HK$0.01 each	**78.21%**	65.70%	Investment holding
Kunshan Traders Park Hotel Company Limited	Chinese Mainland	US$12,000,000	**65%**	65%	Hotel operation

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held **2006**	2005	Principal activities
Shares held indirectly: *(continued)*					
Leading Business Limited	British Virgin Islands	1,450,000 ordinary shares of US$1 each	**100%**	100%	Property investment
Perfect Honour Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	–	Property investment
P.H.A Investments Pty. Limited	Australia	60,000 ordinary shares of A$2 each	**78.6%**	78.6%	Investment holding
P.H.A Trading Pty. Limited	Australia	2 ordinary shares of A$0.5 each	**78.6%**	78.6%	Investment holding
Public Holdings (Australia) Limited (Listed in Sydney, Australia)	Australia	14,979,000 ordinary shares of A$0.125 each	**78.6%**	78.6%	Securities investment
Shanghai Huan Ya Insurance Agency Company Limited	Chinese Mainland	RMB20,000,000	**62%**	62%	Insurance broker
Shanghai Transvision Network Application Service Company Limited	Chinese Mainland	US$1,800,000	**100%**	100%	Investment holding
Shanghai Yi Hang Logistic Network Management Limited	Chinese Mainland	RMB2,000,000	**75.48%**	75.48%	Logistics services
Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	Chinese Mainland	US$11,025,000	**62%**	62%	Container transportation and freight forwarding
Staying Power International Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
Talent Creation Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	–	Property investment

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2006	2005	Principal activities
Shares held indirectly: *(continued)*					
Yin Zin Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Yongzhou Chang Yi Car Electronics Limited Company	Chinese Mainland	RMB1,999,300	**51%**	51%	Manufacture of autoparts
Zhongshan Shunshine Resort Limited	Chinese Mainland	RMB80,000,000	**80%**	–	Property development

Notes:

(a) The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or form 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.

(b) The subsidiaries operate principally in their places of incorporation.

21. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Carrying value at 1st January	**276,260**	370,798
Share of associated companies' results		
– (loss)/profit before taxation	**(891)**	37,094
– taxation	**(1,513)**	(763)
Share of associated companies' reserves	**28,212**	(17,325)
Dividend received	**–**	(5,184)
Increase in investments in associated companies	**–**	1,172
Disposal of partial interest of an associated company	**–**	(54,754)
Deemed disposal of partial interest of an associated companies	**(3,904)**	–
Transfer to available-for-sale financial assets *(Note 23)*	**–**	(55,002)
Exchange differences	**(594)**	224
Carrying value at 31st December	**297,570**	276,260

21. INVESTMENTS IN ASSOCIATED COMPANIES *(continued)*

The following is a list of the associated companies as at 31st December:

Name	**Place of incorporation/ establishment**	**Particulars of issued share capital/ registered capital**	**Effective interests held 2006**	**Effective interests held 2005**	**Principal activities**
China Assets (Holdings) Limited ("China Assets") (see note (a) below)	Hong Kong	74,398,160 ordinary shares of US$0.1 each	**33.23%**	33.82%	Investment holding
China Assets Investment Management Limited	Hong Kong	2,000 ordinary shares of HK$1 each	**28%**	28%	Management and investment advisory services
Yangfeng Visteon Betung Automotive Instrumentation Company Limited	Chinese Mainland	RMB61,950,000	**30%**	30%	Sales of motor vehicle meters and components
Zhejiang Shaohong Instrument Company Limited	Chinese Mainland	RMB3,550,000	**30%**	30%	Sales of motor vehicle meter and components
First Shanghai Fund Management Limited	British Virgin Islands	100 ordinary shares of US$1 each	**20%**	20%	Fund management

Note:

(a) China Assets operates principally in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited.

The Groups' interest in its principal associated company is given as follows:

	2006				2005			
Name	**Assets**	**Liabilities**	**Revenue**	**Loss**	Assets	Liabilities	Revenue	Profit
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
China Assets	**262,299**	**875**	**1,715**	**7,524**	265,998	1,111	6,752	33,615

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Carrying value at 1st January	**72,209**	354,307	**11,793**	124,171
Share of jointly controlled entities' results				
– profit before taxation	**13,052**	20,604	**–**	–
– taxation	**(8,634)**	(3,077)	**–**	–
Dividend received	**(7,770)**	(3,092)	**–**	–
Transfer to non-current assets classified as held for sale and discontinued operations	**–**	(297,433)	**–**	(112,378)
Exchange differences	**3,479**	900	**–**	–
Carrying value at 31st December	**72,336**	72,209	**11,793**	11,793

The following is a list of the jointly controlled entities as at 31st December:

Name	**Place of incorporation/ establishment and operation**	**Effective interest in ownership/voting power/profit sharing**		**Principal activities**
		2006	2005	
Geoby International Holdings Limited ("Geoby") *(see note (a) below)*	Cayman Islands	**–**	49.5%	Investment holding
Goodbaby Bairuikang Hygienic Products Company Limited ("Goodbaby Bairuikang") *(see note (b) below)*	Chinese Mainland	**50%**	50%	Production of diapers and related hygienic products
Shanghai Zhangjiang Information Properties Company Limited ("Zhangjaing") *(see note (c) below)*	Chinese Mainland	**50%**	50%	Property development

Notes:

(a) Geoby is an investment holding company. Its main subsidiary is Goodbaby Child Products Company Limited which is engaged in the production of baby and infant products in Chinese Mainland. In January 2006, the Company disposed its entire interest in Geoby and the gain has been recognised in the consolidated financial statements.

(b) Goodbaby Bairuikang was established as an equity joint venture in the Chinese Mainland in December 1997 for a term of 50 years.

(c) Zhangjiang was established as an equity joint venture in the Chinese Mainland in October 2002 for a term of 50 years.

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The Group's interest in its principal jointly controlled entity is given as follows:

	2006				2005			
Name	**Assets**	**Liabilities**	**Revenue**	**Profit**	Assets	Liabilities	Revenue	Profit
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Zhangjiang	**58,963**	**25,019**	**34,516**	**5,056**	57,684	6,513	42,565	16,380

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Carrying value at 1st January	**63,433**	20,811	**17,523**	32,416
Additions	**17,788**	7,800	**–**	–
Disposal	**–**	–	**(24)**	–
Transfer from investment in an associated company (Note 21)	**–**	55,002	**–**	–
Fair value change transfer from/(to) equity	**36,153**	(12,380)	**45,419**	(14,893)
Impairment provision (Note 6)	**(2,341)**	(7,800)	**–**	–
Carrying value at 31st December	**115,033**	63,433	**62,918**	17,523

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed securities				
– Equity securities, Hong Kong	**34,327**	43,593	**62,918**	17,499
Unlisted securities				
– Equity securities traded on inactive markets and private issuers	**80,706**	19,840	**–**	24
	115,033	63,433	**62,918**	17,523
Market value of listed securities	**34,327**	43,593	**62,918**	17,499

24. LOANS RECEIVABLE

The loans receivable represents loans to third parties of HK$16,961,000 (2005: HK$11,154,000) which bears interest at 5% (2005: 5.6%) per annum, and an interest free loan of HK$11,305,000 (2005: HK$11,873,000). These loans receivable are not repayable within one year from 31st December 2006. The carrying value of loans receivable approximate to its fair value. The weighted average effective interest rate at 31st December 2006 was 6.3% (2005: 7.1%).

25. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**1,747**	4,300
Work-in-progress	**2,378**	3,093
Finished goods	**14,767**	11,138
	18,892	18,531

At 31st December 2006, the carrying amount of inventories that are carried at net realisable value amounted to HK$14,767,000 (2005: HK$11,138,000).

26. LOANS AND ADVANCES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Margin loans *(see note (a) below)*	**183,904**	90,581
Provision for doubtful debts	**(538)**	(622)
	183,366	89,959
Other loans and advances *(see note (b) below)*	**50,841**	31,157
Provision for doubtful debts	**(27,246)**	(23,821)
	23,595	7,336
	206,961	97,295

Notes:

(a) Margin loans to third parties bear interest at Prime rate plus 1% to 3% per annum in 2006 and 2005, and are repayable on demand. The carrying value of margin loans approximate to their fair value.

(b) Other loans and advances to third parties include HK$1,242,000 (2005: HK$1,150,000) which bears interest at Prime rate plus 1% (2005: Prime rate plus 1%) per annum, HK$1,856,000 (2005: HK$3,165,000) which bears interest at 5% (2005: 5%) per annum, and the remaining of HK$20,497,000 (2005: HK$3,021,000) which is non-interest bearing. These other loans and advances are repayable within the next twelve months. The carrying value of other loans and advances approximate to their fair value.

27. TRADE RECEIVABLES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	**34,309**	25,486
Trade receivables, net	**122,507**	291,361
Bills receivable	**747**	863
	157,563	317,710

All trade receivables are either repayable within one year or on demand. The fair value of the Group's trade receivables are approximately the same as the carrying value.

The ageing analysis of the trade receivables is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**125,300**	164,240
31 – 60 days	**8,084**	105,428
61 – 90 days	**6,024**	33,929
Over 90 days	**18,155**	14,113
	157,563	317,710

The trade receivables arising from the Group's securities business are on credit terms of trading day plus two trading days. For the remaining business of the Group, trade receivables are on credit terms of 30 to 90 days.

28. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Other receivables	**27,276**	39,118	**2,318**	1,992
Prepayments and deposits	**153,518**	17,869	**649**	1,355
	180,794	56,987	**2,967**	3,347

Other receivables, prepayments and deposits are either repayable within one year or on demand. Accordingly, the fair value of the Group's and the Company's other receivables, prepayments and deposits are approximately the same as the carrying value.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	Group	
	2006	2005
	HK$'000	*HK$'000*
Equity securities		
– Listed, Hong Kong	**19,117**	18,043
– Listed, Overseas	**60,007**	33,166
– Unlisted, Hong Kong	**49,243**	28,853
Derivative financial instruments		
– Equity options	**29,537**	–
Market value of financial assets	**157,904**	80,062

The carrying amounts of the above financial assets are classified as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Held for trading	**79,124**	51,209
Designated as fair value through income statement on initial recognition	**78,780**	28,853
	157,904	80,062

Financial assets at fair value through income statement are presented within the section on operating activities as part of changes in working capital in the consolidated cash flow statement (Note 37(a)).

The fair value of all equity securities is based on their current bid prices in an active market.

Equity options are contractual agreements under which the writer grants to the holder the right, but not obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a financial instrument at a predetermined price ("notional amount"). The notional amount of the equity options held by the Group is approximately HK$33,039,000 (2005: Nil), which indicates the volume of transactions outstanding as at the balance sheet date and does not represent the amounts at risk.

30. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**197,269**	107,803	**27,434**	3,737
Short term bank deposits				
– secured	**15,000**	15,000	**–**	–
– unsecured	**263,873**	27,187	**88,824**	–
	476,142	149,990	**116,258**	3,737

Bank balances of HK$286,486,000 (2005: HK$82,877,000) are placed with banks in the Chinese Mainland. The remittance of these funds out of the Chinese Mainland is subject to exchange control restrictions imposed by the PRC government.

The effective interest rate on short term deposits ranged from 3.45% to 5.05% (2005: 3.7% to 4.0%) per annum and these deposits have an average maturity of 90 days.

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Due to stockbrokers and dealers	**1,918**	–	**–**	–
Due to stockbroking clients	**75,260**	53,575	**–**	–
Trade payables	**39,735**	198,470	**–**	–
Total trade payables	**116,913**	252,045	**–**	–
Accruals and other payables	**107,345**	79,122	**32,035**	14,307
	224,258	331,167	**32,035**	14,307

The ageing analysis of the trade payables is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**93,087**	162,562
31 – 60 days	**4,557**	64,616
61 – 90 days	**2,878**	8,482
Over 90 days	**16,391**	16,385
	116,913	252,045

32. BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Bank loans, secured	**144,449**	87,278	**–**	–
Current				
Short term loans	**2,989**	19,182	**–**	–
Bank loans, secured	**–**	50,060	**–**	28,000
Bank loans, unsecured	**–**	9,111	**–**	–
	2,989	78,353	**–**	28,000
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations (Note 36)	**–**	11,989	**–**	–
Total borrowings	**147,438**	177,620	**–**	28,000

The maturity of non-current borrowings is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Between 1 and 2 years	**–**	27,814
Between 2 and 5 years	**52,799**	28,773
Over 5 years	**91,650**	30,691
	144,449	87,278

Certain properties and leasehold land and land use rights of the Group with an aggregate net book value of approximately HK$76 million (2005: HK$96 million) as well as fixed deposits of approximately HK$32 million (2005: HK$15 million) are pledged as securities against bank loans and general banking facilities amounting to HK$161 million (2005: HK$45 million) granted to the Group.

The carrying amount of bank loans approximates its fair value and is denominated in Hong Kong dollar and Renminbi. The effective interest rate at 31st December 2006 ranged from 4.3% to 6.1% (2005: 4.3% to 6.1%) per annum.

33. SHARE CAPITAL

	Ordinary shares of HK$0.2 each			
	2006		2005	
	Number of shares *(thousands)*	***HK$'000***	Number of shares *(thousands)*	*HK$'000*
Authorised:				
At 1st January and 31st December	**2,000,000**	**400,000**	2,000,000	400,000
Issued and fully paid:				
At 1st January	**1,182,030**	**236,406**	1,173,692	234,738
Exercise of share options *(Note (b))*	**11,837**	**2,367**	8,338	1,668
At 31st December	**1,193,867**	**238,773**	1,182,030	236,406

(a) On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the 'Scheme') to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

The maximum number of shares subject to the Scheme and any other schemes of the Company (including without limitation to the 1994 Share Option Scheme) does not in aggregate exceed 30 percent of the shares in issue of the Company from time to time. The total number of shares may be issued upon exercise of all options to be granted under the Scheme must not exceed 113,132,370 shares, being 10 percent of shares in issue as at the date of approval of the Scheme by the Shareholders in the Annual General Meeting.

(b) During the year, 11,836,844 (2005: 8,338,100) new shares of HK$0.2 each were issued upon exercise of options under the Scheme approved by the shareholders of the Company at exercise price of HK$0.318 (2005: HK$0.283 to HK$0.342) per share. These share rank pari passu with the existing shares of the Company. The related weighted average share price at the time of exercise was HK$0.710 (2005: HK$0.586) per share.

33. SHARE CAPITAL *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2006 Average exercise price per share *HK$*	**2006** Number of Options *(thousands)*	2005 Average exercise price per share *HK$*	2005 Number of Options *(thousands)*
At 1st January	**0.537**	**101,609**	0.467	56,614
Granted	**0.680**	**17,850**	0.564	58,272
Exercised	**0.318**	**(11,837)**	0.335	(8,338)
Lapsed	**0.525**	**(2,052)**	0.453	(4,939)
At 31st December	**0.586**	**105,570**	0.537	101,609
Options exercisable at 31st December		**88,970**		43,337

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	**Exercise price** *HK$*	Number of options **2006** *(thousands)*	Number of options 2005 *(thousands)*
15th July 2006	0.318	**–**	11,839
12th November 2007	0.816	**16,950**	16,950
15th July 2008	0.283	**13,748**	14,548
11th December 2015	0.564	**58,272**	58,272
2nd March 2016	0.680	**16,600**	–
		105,570	101,609

Employee share option benefits charged to the income statement are determined using the Black-Scholes valuation model based with the following assumptions:

	2006	2005
Grant date	**3rd March 2006**	30th November 2005
Option value	**HK$0.280**	HK$0.250
Share price at date of grant	**HK$0.670**	HK$0.560
Exercise price	**HK$0.680**	HK$0.564
Expected volatility	**42.39%**	39.46%
Annual risk-free interest rate	**4.30%**	4.46%
Life of options	**8 years**	9.5 years
Dividend yield	**2.52%**	1.79%

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past one year.

34. RESERVES

	Attributable to shareholders of the Company								
	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group									
Balance at 1st January 2006	**596,020**	**2,508**	**95,779**	**14,006**	**12,262**	**5,119**	**17,037**	**362,036**	**1,104,767**
Issue of new shares	1,386	–	–	–	–	–	–	–	1,386
Employee share option benefits	–	13,990	–	–	–	–	–	–	13,990
Exchange reserve realised upon disposal of a subsidiary	–	–	–	–	–	–	1,022	–	1,022
Capital reserve realised upon disposal of jointly controlled entities	–	–	35,279	–	–	–	(7,699)	(35,308)	(7,728)
Share of post acquisition reserves of an associated company	–	–	28,212	–	–	–	–	–	28,212
Fair value gain of available-for-sale financial assets	–	–	–	–	–	36,153	–	–	36,153
Currency translation differences	–	–	(760)	–	–	–	11,660	–	10,900
Transfer from retained earnings	–	–	5,854	–	–	–	–	(5,854)	–
Profit for the year	–	–	–	–	–	–	–	236,573	236,573
2005 final dividend paid	–	–	–	–	–	–	–	(17,758)	(17,758)
2006 interim dividend paid	–	–	–	–	–	–	–	(23,877)	(23,877)
Balance at 31st December 2006	**597,406**	**16,498**	**164,364**	**14,006**	**12,262**	**41,272**	**22,020**	**515,812**	**1,383,640**
Retained by:									
Company and subsidiaries	597,406	16,498	32,055	14,006	12,262	41,272	16,129	245,327	974,955
Associated companies	–	–	132,144	–	–	–	958	130,246	263,348
Jointly controlled entities	–	–	165	–	–	–	4,933	140,239	145,337
Balance at 31st December 2006	**597,406**	**16,498**	**164,364**	**14,006**	**12,262**	**41,272**	**22,020**	**515,812**	**1,383,640**

34. RESERVES *(continued)*

	Attributable to shareholders of the Company								
	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve (Note) HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Group									
Balance at 1st January 2005	594,896	–	76,094	14,006	12,670	32,392	9,387	334,462	1,073,907
Issue of new shares	1,124	–	–	–	–	–	–	–	1,124
Employee share option benefits	–	2,508	–	–	–	–	–	–	2,508
Capital reserve realised upon disposal of an associated company	–	–	41,011	–	–	–	–	(36,698)	4,313
Share of post acquisition reserves of an associated company	–	–	(21,637)	–	–	–	–	–	(21,637)
Fair value loss upon reclassification	–	–	–	–	(408)	–	–	–	(408)
Fair value loss of available-for-sale financial assets	–	–	–	–	–	(27,273)	–	–	(27,273)
Currency translation differences	–	–	–	–	–	–	7,650	–	7,650
Transfer from retained earnings	–	–	311	–	–	–	–	(311)	–
Profit for the year	–	–	–	–	–	–	–	76,320	76,320
2004 final dividend paid	–	–	–	–	–	–	–	(11,737)	(11,737)
Balance at 31st December 2005	596,020	2,508	95,779	14,006	12,262	5,119	17,037	362,036	1,104,767
Retained by:									
Company and subsidiaries	596,020	2,508	48,339	14,006	12,262	5,119	14,120	58,256	750,630
Associated companies	–	–	47,245	–	–	–	1,463	132,650	181,358
Jointly controlled entities	–	–	195	–	–	–	1,454	171,130	172,779
Balance at 31st December 2005	596,020	2,508	95,779	14,006	12,262	5,119	17,037	362,036	1,104,767

Note:

Capital reserve mainly includes goodwill arising on acquisition of subsidiaries, associated companies and jointly controlled entities by the Company and its subsidiaries and statutory reserve. As stipulated by regulations in Chinese Mainland, the Company's subsidiaries established and operated in Chinese Mainland are required to appropriate a portion of their after-tax (after offsetting prior year losses) to a general reserve fund and an enterprise expansion fund, at rates as determined by their respective Boards of Directors. The general reserve fund can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. For the year ended 31st December 2006, a total amount of HK$5,854,000 (2005: HK$311,000) was transferred from retained earnings to statutory reserve.

34. RESERVES *(continued)*

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Company							
At 1st January 2006	**596,020**	**2,508**	**2,104**	**14,006**	**17,499**	**47,214**	**679,351**
Issue of new shares	**1,386**	**–**	**–**	**–**	**–**	**–**	**1,386**
Employee share option benefits	**–**	**13,990**	**–**	**–**	**–**	**–**	**13,990**
Fair value gain of available-for-sale financial assets	**–**	**–**	**–**	**–**	**45,419**	**–**	**45,419**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**276,358**	**276,358**
2005 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(17,758)**	**(17,758)**
2006 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**(23,877)**	**(23,877)**
At 31st December 2006	**597,406**	**16,498**	**2,104**	**14,006**	**62,918**	**281,937**	**974,869**

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Company							
At 1st January 2005	594,896	–	2,104	14,006	32,392	(32,969)	610,429
Issue of new shares	1,124	–	–	–	–	–	1,124
Employee share option benefits	–	2,508	–	–	–	–	2,508
Fair value loss of available-for-sale financial assets	–	–	–	–	(14,893)	–	(14,893)
Profit for the year	–	–	–	–	–	91,920	91,920
2004 final dividend paid	–	–	–	–	–	(11,737)	(11,737)
At 31st December 2005	596,020	2,508	2,104	14,006	17,499	47,214	679,351

35. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Deferred tax assets	**(1,231)**	(603)
Deferred tax liabilities	**496**	516
	(735)	(87)

35. DEFERRED TAXATION *(continued)*

The gross movement on the deferred taxation is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
At 1st January	**(87)**	659
Recognised in the income statement *(Note 9(a))*	**(648)**	(746)
At 31st December	**(735)**	(87)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities represented tax depreciation allowances:

	Group	
	2006	2005
	HK$'000	*HK$'000*
At 1st January	**516**	659
Recognised in the income statement	**(20)**	(143)
At 31st December	**496**	516

Deferred tax assets represented tax losses recognised:

	Group	
	2006	2005
	HK$'000	*HK$'000*
At 1st January	**603**	–
Recognised in the income statement	**628**	603
At 31st December	**1,231**	603

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of approximately HK$54,013,000 (2005: HK$44,096,000) in respect of tax losses amounting to approximately HK$308,645,000 (2005: HK$251,975,000) that can be carried forward indefinitely against future taxable income.

36. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In November 2005, the Group's management approved the disposal of assets held by Fu Hai Digital Science & Technology (Shanghai) Company Limited ("Fu Hai"). These assets, included property, plant and equipment and leasehold land and land use rights ("Fu Hai Properties") were presented as non-current assets classified as held for sale as at 31st December 2005. This transaction was completed in December 2006, resulting in a gain of approximately HK$55,489,000.

36. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS *(continued)*

In December 2005, the Group's management and shareholders approved the disposal of an interest in a jointly controlled entity ("Geoby"). This investment was presented as non-current assets classified as held for sale as at 31st December 2005 and the results of Geoby has been recognised by the Group up to date of disposal. This transaction was completed in January 2006, resulting in a gain of approximately HK$100,093,000.

The assets and liabilities directly associated with non-current assets classified as held for sale and discontinued operations are summarised as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Non-current assets classified as held for sale and discontinued operations		
Investment in a jointly controlled entity	–	344,010
Property, plant and equipment	–	51,481
Leasehold land and land use rights	–	16,876
	–	412,367

	Group	
	2006	2005
	HK$'000	*HK$'000*
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations:		
Short term loans *(Note 32)*	–	11,989

An analysis of the result of non-current assets classified as held for sale and discontinued operations is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Profit for the year from non-current assets classified as held for sale and discontinued operations		
Share of Geoby's results		
– profit before taxation	**5,032**	51,679
– taxation	**703**	(10,718)
Net gain on disposal of Geoby	**100,093**	–
Net gain on disposal of Fu Hai Properties	**55,489**	–
	161,317	40,961

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation from continuing operations to net cash (outflow)/inflow from operating activities

	2006 HK$'000	2005 HK$'000
Profit before taxation from continuing operations	**85,088**	32,826
Share of net loss/(profit) of associated companies	**2,404**	(36,331)
Share of net profit of jointly controlled entities	**(4,418)**	(17,527)
Interest income	**(15,598)**	(3,993)
Dividend income from listed investments	**(2,965)**	(660)
Finance costs	**20,585**	8,409
Loss/(gain) on disposal of property, plant and equipment	**373**	(159)
Net fair value gains on investment properties	**(12,239)**	(1,261)
Gain on disposal of subsidiaries	**(13,897)**	(161)
Gain on disposal of partial interest in an associated company	**–**	(2,966)
Loss on deemed disposal of partial interest in an associated company	**3,904**	–
Gain on disposal of available-for-sale financial assets	**–**	(28)
Provision for diminution in value of available-for-sale financial assets	**2,341**	7,800
Depreciation	**36,861**	18,128
Amortisation of leasehold land and land use rights	**1,275**	1,507
Amortisation of trading rights and patent	**–**	1,096
Impairment losses on trading rights and patent	**500**	–
Impairment losses on goodwill	**–**	13,667
Negative goodwill charged to income statement	**–**	(1,470)
Employees share option benefits	**13,990**	2,508
Operating profit before working capital changes	**118,204**	21,385
Increase in inventories	**(451)**	(12,643)
Decrease/(increase) in trade receivables	**160,121**	(196,826)
(Increase)/decrease in other receivables, prepayments and deposits	**(137,569)**	36,302
(Increase)/decrease in loans and advances	**(109,666)**	15,484
Decrease in other investments	**–**	2,425
Increase in financial assets at fair value through income statement	**(77,842)**	(51,433)
(Decrease)/increase in trade and other payables	**(119,818)**	201,858
Net cash (outflow)/inflow from operating activities	**(167,021)**	16,552

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(b) Analysis of changes in financing during the year

	Share capital including premium		Borrowings	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1st January	**832,426**	829,634	**177,620**	86,863
Issue of shares	**3,753**	2,792	**–**	–
Repayment of short term loans from third parties	**–**	–	**(31,171)**	–
New short term loans from third parties	**–**	–	**–**	31,171
Repayment of short term bank loans	**–**	–	**(50,668)**	(64,103)
Repayment of short term bank loans directly associated with non-current assets classified as held for sale and discontinued operations	**–**	–	**(11,989)**	–
New short term bank loans	**–**	–	**6,475**	56,293
Repayment of long term bank loans	**–**	–	**(87,278)**	–
New long term bank loans	**–**	–	**144,449**	87,278
Bank overdrafts	**–**	–	**–**	(19,882)
At 31st December	**836,179**	832,426	**147,438**	177,620

(c) Disposal of subsidiaries

	2006	2005
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	**444**	53
Inventories	**90**	–
Trade receivables	**26**	2
Other receivables, prepayments and deposits	**13,762**	223
Financial assets at fair value through income statements	**–**	2,250
Cash and cash equivalents	**364**	2,313
Trade and other payables	**(3,683)**	(723)
Minority interests	**–**	(1,422)
	11,003	2,696
Realisation of exchange reserve	**(1,022)**	–
Investment in associated companies	**–**	(1,172)
Gain on disposal of interest in subsidiaries	**13,897**	161
	23,878	1,685
Satisfied by:		
Cash consideration received	**23,878**	1,685

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Disposal of subsidiaries *(continued)*

Analysis of the net cash inflow/(outflow) in respect of the disposal of subsidiaries:

	2006	2005
	HK$'000	*HK$'000*
Bank balances and cash disposed	**(364)**	(2,313)
Cash consideration	**23,878**	1,685
Net cash inflow/(outflow) in respect of the disposal of subsidiaries	**23,514**	(628)

38. CONTINGENT LIABILITIES

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantee for bank overdraft of a subsidiary	**–**	–	**50,000**	50,000

39. COMMITMENTS

(a) Capital commitments for leasehold land and land use rights and property, plant and equipment:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Contracted but not provided for	**41,803**	11,655
Authorised but not contracted	**320,348**	172,638
The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:		
Contracted but not provided for	**5,059**	13,163

The Company did not have any material capital commitments.

39. COMMITMENTS *(continued)*

(b) Commitments under operating leases

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of leasehold land and land use rights and property, plant and equipment as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Not later than one year	**1,735**	–
Later than one year but not later than five years	**717**	–
	2,452	–

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and land use rights and property, plant and equipment as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Not later than one year	**7,251**	8,746
Later than one year but not later than five years	**7,858**	9,906
	15,109	18,652

The Company did not have any material commitments under operating leases.

40. RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with related parties, which were carried out in normal course of business at terms determined and agreed by both parties.

(a) Transactions with associated companies and jointly controlled entities

	Group	
	2006	2005
	HK$'000	*HK$'000*
Purchase of raw materials	**9,236**	23,970
Purchase of investment properties	**12,108**	–

(b) Key management compensations

Key management compensations have been disclosed in Note 14.

41. EVENT AFTER THE BALANCE SHEET DATE

On 5th April 2007, the Company entered into an agreement for the sales of its entire 100% interest in First Shanghai Hotel Group Limited and its 65% interest in subsidiary, Kunshan Traders Park Hotel Company Limited to KHI-11 Ltd., being a third party independent of the Company, at a consideration of approximately RMB201.5 million (equivalent to approximately HK$204.2 million).

42. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the board of Directors on 20th April 2007.