NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of Dan Form Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") are property development, property investment, estate management and holding of investments.

The Company is a limited liability company incorporated in Hong Kong and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office is Room 901–903, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

These financial statements have been approved by the Board of Directors on 18th April 2006.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention as modified by the revaluation of certain properties, available-for-sale financial assets and investment for sale, which are carried at fair values.

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 accounting policies of the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5 below.

2. BASIS OF PREPARATION (Cont'd)

(a) Changes in accounting policies

In 2005, the Group adopted the following new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretations ("Int") (collectively the "new HKFRSs"), which are effective for accounting periods commencing on or after 1st January 2005 and relevant to the operations of the Group:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK(SIC)-Int 12	Consolidation — Special Purpose Entities
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

2. BASIS OF PREPARATION (Cont'd)

(a) Changes in accounting policies (Cont'd)

HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures in the financial statements whereas HKAS 24 has affected the identification of related parties and some other related-party disclosures. The adoption of the new and revised HKASs 1, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33, 36, 37, 38, HK(SIC)-Int 12 and 21 does not have any material effect on the accounting policies of the Group. The major changes in the accounting policies are summarised as follows:

(1) The adoption of HKAS 17 has resulted in the reclassification of leasehold land from property, plant and equipment to prepayments of lease premiums. The up-front prepayments made for the leasehold land is expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account.

In previous years, the leasehold land was classified under property, plant and equipment. For those classified as leasehold land and buildings included in property, plant and equipment, they were depreciated over the period of the lease, whereas those properties under development and for sale were stated at cost, including land and construction costs, less provisions for foreseeable losses. The resulting impact from this change in accounting policy is not material and therefore a prior period adjustment has not been made.

(2) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit and loss and available-for-sale financial assets, which are carried at fair value. Unrealised gains and losses arising from the changes in fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account. HKASs 32 and 39 have also resulted in the change in the recognition and measurement of loans and receivables and borrowings. Loans and receivables are carried at amortised cost using the effective interest method. Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using effective interest method.

In previous years, the Group classified its investments, other than subsidiaries and associated companies, as investment securities which were carried at cost less provision. As a result of this change in accounting policy, the reserves of the Group as at 1st January 2005 have been increased by HK$21,428,000, representing the difference between the fair value and the carrying amount of these financial assets as at that date.

2. BASIS OF PREPARATION (Cont'd)

(a) Changes in accounting policies (Cont'd)

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. Accordingly, the comparative amounts as at 31st December 2004 have not been restated.

(3) The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recognised in the profit and loss account. In previous years, increases in valuations were credited to the investment properties revaluation reserve. Decreases in valuations were first set off against increases on earlier valuations on a portfolio basis and thereafter were charged to the profit and loss account. As permitted under the transitional provision of HKAS 40, the comparative amounts for the previous period have not been restated. The properties revaluation reserve as at 1st January 2005 amounting to HK$945,730,000 has been reclassified to retained profit as a result of this change in accounting policy.

(4) The adoption of HKFRS 3 has resulted in a change in accounting policy for goodwill. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The excess of the interest of the acquirer in the net fair value of the identifiable assets, liabilities, and contingent liabilities of the acquiree over the cost of business combination is recognised immediately in the consolidated profit and loss account.

In previous year, goodwill was amortised using the straight line method over its estimated useful life of not more than twenty years. The carrying amount of goodwill was reviewed annually and provision was only made when, in the opinion of the Directors, there was impairment in value other than temporary in nature. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences were recognised as income in the year of acquisition or over the weighted average useful life of the acquired non-monetary assets. This change in accounting policy does not have any financial impact to the Group.

2. BASIS OF PREPARATION (Cont'd)

(a) Changes in accounting policies (Cont'd)

(5) The adoption of HKFRS 5 has resulted in a change in accounting policy in relation to the classification of non-current asset held for sale and the definition of the timing of the classification of an asset which meets the criteria as "for sale" or has already been disposed of. As a result, the Group's 61.1% equity interest in Beijing Lucky Building Company Limited ("Beijing Lucky"), formerly a subsidiary of the Group, has been reclassified as investment for sale. In accordance with the provision of HKFRS 5, this change has been applied prospectively and a prior period adjustment to the previous accounting period is not necessary. Accordingly, retained profit as at 1st January 2005 has been increased by HK$126,481,000.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, which require retrospective application other than HKASs 32, 39 and 40, and HKFRS 3 and 5. As a result, the 2004 comparative figures have also been restated or amended in accordance with the relevant requirements. The effects of all the changes in accounting policies are summarised in notes (b) and (c) below.

(b) Impact to 2005 financial statements

Following the adoption of the new HKFRSs, the relevant headings in the consolidated profit and loss account and consolidated balance sheet for the financial year ended 31st December 2005 have been increased/(decreased) as follows:

(i) *Consolidated profit and loss account*

	HKAS 1	**HKAS 40**	**HKFRS 5**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Change in fair value of investment properties		60,900		60,900
Other operating income			2,432	2,432
Operating profit				63,332
Share of profits/(losses) of associated companies	(30,205)	176,933		146,728
Profit before taxation				210,060
Taxation	(30,205)	39,408		9,203
Profit for the year attributable to equity holders	—	198,425	2,432	200,857
	HK cents	HK cents	HK cents	HK cents
Earnings per share	—	17.5	0.2	17.7

2. BASIS OF PREPARATION (Cont'd)

(b) Impact to 2005 financial statements (Cont'd)

(ii) *Consolidated balance sheet*

	HKAS 17	HKAS 40	HKASs 32 and 39	HKFRS 5	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	(328)	(415,270)			(415,598)
Investment properties		415,270			415,270
Prepayments of lease premiums	328				328
Associated companies			(346,778)		(346,778)
Available-for-sale financial assets			37,477		37,477
Investment securities			(16,561)		(16,561)
Trade and other receivables			3,969		3,969
Current assets					
Investment for sale				128,913	128,913
Amounts due from associated companies			358,532		358,532
	—	—	36,639	128,913	165,552
Equity					
Revaluation reserves		(1,144,155)	24,885		(1,119,270)
Retained profit		1,144,155		128,913	1,273,068
Current liabilities					
Amounts due to associated companies			11,754		11,754
	—	—	36,639	128,913	165,552

2. BASIS OF PREPARATION (Cont'd)

(c) Restatement of 2004 financial statements

In accordance with the transitional provisions of the respective new HKFRSs as set out in note (a) above, the relevant headings in the consolidated profit and loss account and consolidated balance sheet as previously reported in the financial statements for the year ended 31st December 2004 have been adjusted as follows:

(i) *Consolidated profit and loss account*

	As previously reported	**HKAS 1**	**Restated**
	HK$'000	HK$'000	HK$'000
Turnover	36,990		36,990
Cost of sales	(11,705)		(11,705)
Gross profit	25,285		25,285
Other revenue	177		177
Administrative expenses	(20,437)		(20,437)
Other operating income	4,772		4,772
Write back of provision for properties for sale	1,974		1,974
Write back of provision for properties under development	8,269		8,269
Provision for litigation	(6,367)		(6,367)
Operating profit	13,673		13,673
Finance costs	(20,469)		(20,469)
Share of losses of associated companies	(157,984)	(9,103)	(167,087)
Loss before taxation	(164,780)		(173,883)
Taxation	(9,385)	9,103	(282)
Loss for the year	(174,165)	—	(174,165)
Attributable to:			
Equity holders of the Company	(174,081)	—	(174,081)
Minority interests	(84)	—	(84)
	(174,165)	—	(174,165)
	HK cents		HK cents
Loss per share	(15.3)	—	(15.3)

2. BASIS OF PREPARATION (Cont'd)

(c) Restatement of 2004 financial statements (Cont'd)

(ii) *Consolidated balance sheet*

	As previously reported HK$'000	HKAS 17 HK$'000	HKASs 32 and 39 HK$'000	HKAS 40 HK$'000	Restated HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	355,205	(331)		(354,370)	504
Investment properties	—			354,370	354,370
Prepayments of lease premiums	—	331			331
Associated companies	1,229,575		(381,601)		847,974
Investment securities	17,230		(4,638)		12,592
Current assets					
Properties held for sale	194,904				194,904
Trade and other receivables	10,943		4,638		15,581
Amounts due from associated companies	—		393,215		393,215
Tax recoverable	2,858				2,858
Cash and bank balances	17,154				17,154
Total assets	1,827,869	—	11,614	—	1,839,483
EQUITY					
Share capital	567,803				567,803
Reserves	927,584				927,584
Total equity	1,495,387				1,495,387
LIABILITIES					
Non-current liabilities					
Deferred taxation liabilities	39,208				39,208
Current liabilities					
Creditors and accruals	194,339				194,339
Amounts due to associated companies	—		11,614		11,614
Bank loans and overdrafts	98,935				98,935
Total liabilities	332,482				344,096
Total equity and liabilities	1,827,869	—	11,614	—	1,839,483

2. BASIS OF PREPARATION (Cont'd)

(d) Standards, amendments and interpretations which are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not early adopted, as follows:

Effective from 1st January 2006

HKAS 19 (Amendment)	Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts — Financial Guarantee Contracts
HKFRS 6	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-Waster Electrical and Electronic Equipment

Effective from 1st January 2007

HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary
HKFRS 7 and Amendment to HKAS 1	Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements — Capital Disclosures

The Group has already commenced an assessment of the impact of these new standards, interpretations and amendments but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for those stated in note 2(a) above.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December and the share of post acquisition results and reserves of its associated companies attributable to the Group.

Results attributable to subsidiaries and associated companies acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or to the date of disposal as applicable.

The profit or loss on disposal of subsidiaries or associated companies is calculated by reference to the share of net assets at the date of disposal including the attributable amount of goodwill not yet written off.

(b) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued equity capital.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Subsidiaries (Cont'd)

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

In the balance sheet of the Company, the investments in subsidiaries are carried at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(c) Minority interests

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

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 that are recorded in the profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

(d) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management, accompanying a shareholding of between 20 to 50% of the voting rights.

Investments in associated companies are accounted for under the equity method of accounting and are initially recognised at cost. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

The share of post-acquisition profits or losses of associated companies attributable to the Group is recognised in the profit and loss account, and the 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 share of losses of the Group 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Associated companies (Cont'd)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiary and associated company attributable to the Group at the effective date of acquisition, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition over the carrying amount of the proportion of the minority interests acquired. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference represents negative goodwill and is recognised directly in the consolidated profit and loss account.

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Property, plant and equipment (Cont'd)

Depreciation of property, plant and equipment is calculated to write off their costs less residual value and accumulated impairment losses on a straight-line basis over their expected useful lives to the Group. The principal estimated useful lives for this purpose are:

Buildings	Unexpired period of the lease or 40 years whichever is shorter
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 to 10 years

The residual values and useful lives of the assets are reviewed and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its estimated recoverable amount.

Profit or loss on disposal is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases is 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 valuations carried out by external valuers. Changes in fair values are recognised in the profit and loss account.

Subsequent expenditure is included in the carrying amount of the property only when it is probable that future economic benefits associated with the property will flow to the Group and the cost of the property can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Investment properties (Cont'd)

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

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation reserve of property, plant and equipment. However, if the fair value gives rise to a reversal of the previous impairment loss, this write-back is recognised in the profit and loss account.

(h) Prepayments of leases premiums

Leases where significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from lessors, under operating leases are charged to the profit and loss account on a straight line basis over the period of the leases.

Prepayments of leases premiums represent non-refundable rental payments for the lease of land and are stated at cost less accumulated amortisation. Amortisation is calculated to write off the prepayments over the period of the lease on a straight-line basis. When there is impairment, the impairment is expensed in the profit and loss account.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or 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 carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Properties held for sale

Properties held for sale are included in current assets and carried at the lower of cost and estimated net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Investments

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

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. 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. Financial assets carried at fair value through profit or loss are initially recognised at fair value and subsequently, carried at fair value. Transaction costs are expensed in the profit and loss account.

(b) *Loans and receivables*

Loans and receivables are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method.

(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. Available-for-sale financial assets are initially recognised at fair value plus transaction cost and subsequently carried at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Investments (Cont'd)

Regular purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit and loss account in the financial period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial 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, discounted cash flow analysis, and option pricing models refined to reflect the specific circumstances of the issuer.

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 as an indicator in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) 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 receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account within other operating expenses

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement, less bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

(n) Borrowings

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

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

(o) Provision

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) 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, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred 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 taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation 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 and associated companies, 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.

(q) Employee benefits

Employee entitlements to annual and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leaves are not recognised until the time of leave.

Provision for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate can be made.

Contributions to defined contribution retirement schemes are charged to the profit and loss account in the period to which the contributions relate.

(r) Foreign currency translation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Foreign currency translation (Cont'd)

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 of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(b) income and expenses for each profit and loss account are translated at average exchange rates; and

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account 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.

(s) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Contingent liabilities (Cont'd)

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, it will then be recognised as a provision.

(t) Revenue recognition

Revenue from sale of completed properties for sale is recognised when the relevant sales contracts are concluded and the risk and rewards of the property have been passed to the purchasers. Rental income net of any incentives given to the lessees is recognised on a straight-line basis over the period of the leases. Estate management income is recognised when services are provided. Interest income is recognised on a time proportion basis using the effective interest method, taking into account the principal amounts outstanding and the effective interest rates applicable. Dividend income is recognised when the right to receive payment is certain.

(u) 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 environments.

(v) Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the financial statements in the period in which the dividend payable becomes legal and constructive obligations of the Company.

4. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to a variety of financial risks, including foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management programme of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use any derivative financial instruments to hedge for its risk exposures.

4. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments, and investing excess liquidity.

(a) Foreign exchange risk

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

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

(b) Credit risk

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history and limit the amount of credit exposure to any financial institution.

(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. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

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

The interest rate risk of the Group arises from bank loans and overdrafts. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group maintains most of the borrowings in variable rate instruments.

4. FINANCIAL RISK MANAGEMENT (Cont'd)

(e) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market 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. The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year; debtors and prepayments, cash and cash equivalents, creditors and accruals and current borrowings are assumed to approximate their fair values.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities of the Group are discussed below.

(1) *Investment properties*

The fair value of each investment property individually is determined at each balance sheet date by independent valuers by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income or net income, after allowing for outgoings. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

(a) Critical accounting estimates and assumptions (Cont'd)

(2) *Asset for sale*

The fair value of each asset is reviewed whenever events or changes in circumstances indicate that the carrying amount of the asset has been affected. The fair value also reflects the net discounted cashflows that could be expected from the ultimate sale after deducting the estimated expenses directly associated with the sale.

(3) *Accounts receivable*

Impairment of accounts receivable is established when there is objective evidence on the ultimate recoverability of the amount due according to the original terms. Estimates are made based on the assessments of the financial position of the debtors, probability of the debtor being bankrupt, default or delinquent. The provision takes into account the present value of the estimated future cashflows, discounted at the effective interest rate.

(b) Critical judgements in applying accounting policies

The Group determines whether a property qualifies as investment property or classifies as land held for development or property held for sale. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. 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.

The classification of properties is determined based on judgement on the intention of usage by management. The Group considers each property separately in making its judgement, and the property is accounted for accordingly.

6. TURNOVER

	2005 **HK$'000**	2004 HK$'000
Rental	**26,929**	31,398
Estate management fees	**4,808**	4,469
Interest	**360**	752
Dividend from unlisted investments	**467**	371
	32,564	36,990

7. SEGMENT INFORMATION

The principal activities of the Group are property development, property investment, estate management and holding of investments. There are no other significant identifiable separate businesses. In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets primarily consist of property, plant and equipment, other non-current assets, properties for sale, debtors and prepayments and mainly exclude certain investments and cash and bank balances. Segment liabilities comprise mainly creditors and accruals. There are no sales or trading transactions between the business segments.

(a) Business segments

	Property development HK$'000	Property investment HK$'000	Estate management HK$'000	Investment holding HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31st December 2005						
Turnover	**—**	**26,929**	**4,808**	**827**		**32,564**
Segment results	**12,637**	**77,494**	**4,163**	**10,428**		**104,722**
Unallocated corporate expenses					**(16,216)**	**(16,216)**
Operating profit						**88,506**
Finance costs						**(6,643)**
Share of profits/(losses) of associated companies	**(39,166)**	**153,744**	**—**	**—**		**114,578**
Profit before taxation						**196,441**
Taxation						**(18,568)**
Profit for the year						**177,873**
Year ended 31st December 2004						
Turnover	—	31,398	4,469	1,123		36,990
Segment results	(2,075)	25,746	3,490	3,627		30,788
Unallocated corporate expenses					(17,115)	(17,115)
Operating profit						13,673
Finance costs						(20,469)
Share of loss of associated companies	(162,631)	(4,456)	—	—		(167,087)
Loss before taxation						(173,883)
Taxation						(282)
Loss for the year						(174,165)

7. SEGMENT INFORMATION (Cont'd)

(a) Business segments (Cont'd)

	Property development HK$'000	Property investment HK$'000	Estate management HK$'000	Investment holding HK$'000	Unallocated HK$'000	Total HK$'000
At 31st December 2005						
Segment assets	**296,779**	**700,278**	**1,754**	**175,193**		**1,174,004**
Associated companies	**—**	**990,861**	**—**	**—**		**990,861**
Unallocated assets					**19,421**	**19,421**
Total assets						**2,184,286**
Segment liabilities	**254,879**	**72,406**	**2,224**	**24,405**		**353,914**
Unallocated liabilities					**6,935**	**6,935**
Total liabilities						**360,849**
Capital expenditure	**—**	**—**	**—**	**—**	**112**	**112**
Depreciation and amortisation	**52**	**—**	**1**	**—**	**309**	**362**
Provision for impairment of trade receivables	**3,069**	**—**	**—**	**—**	**—**	**3,069**
Write back of provision for properties for sale	**(14,041)**	**—**	**—**	**—**	**—**	**(14,041)**
At 31st December 2004						
Segment assets	307,690	647,490	1,729	16,375		973,284
Associated companies	12,743	835,231	—	—		847,974
Unallocated assets					18,225	18,225
Total assets						1,839,483
Segment liabilities	250,372	21,378	2,023	—		273,773
Unallocated liabilities					70,323	70,323
Total liabilities						344,096
Capital expenditure	—	7	—	—	18	25
Depreciation and amortisation	225	48	4	—	384	661
Write back of provision for investment securities	—	—	—	(2,341)	—	(2,341)
Write back of provision for properties for sale	(2,557)	583	—	—	—	(1,974)
Write back of provision for properties under development	—	(8,269)	—	—	—	(8,269)
Provision for litigation	6,367	—	—	—	—	6,367

7. SEGMENT INFORMATION (Cont'd)

(b) Geographical segments

	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
2005				
Hong Kong	**28,734**	**67,244**	**1,730,493**	**69**
Mainland China	**3,830**	**21,262**	**453,793**	**43**
	32,564	**88,506**	**2,184,286**	**112**
2004				
Hong Kong	28,969	4,206	1,498,834	21
Mainland China	8,021	9,467	340,649	4
	36,990	13,673	1,839,483	25

8. OPERATING PROFIT

	2005 HK$'000	2004 HK$'000
Operating profit is arrived at after crediting:		
Exchange gain	**3,928**	—
Write back of provision for investment securities	**—**	2,341
and after charging:		
Staff costs, including Directors' remuneration (note 9)	**10,752**	12,090
Depreciation and amortisation	**362**	661
Direct operating expenses of investment properties that generate rental income	**5,414**	6,488
Direct operating expenses of investment properties that did not generate rental income	**1,162**	775
Operating lease rental for land and buildings	**1,734**	1,727
Loss on disposal of property, plant and equipment	**5**	43
Loss on disposal of investment properties	**—**	2,250
Provision for impairment of trade receivables	**3,069**	—
Auditors' remuneration		
Audit services	**850**	800
Non-audit services	**116**	56
Exchange loss	**—**	19

9. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2005 HK$'000	2004 HK$'000
Wages and salaries	**10,359**	11,748
Social security cost	**195**	164
Defined contribution plans (note 10)	**198**	178
	10,752	12,090

10. RETIREMENT BENEFIT COSTS

The Group operates a defined contribution provident fund scheme (the "Scheme"), which is available to certain employees who joined the Group before 1st December 2000, and a mandatory provident fund scheme (the "Fund"), which is available to all employees in Hong Kong with effect from 1st December 2000. The assets of the Scheme and the Fund are held separately from those of the Group in independently administered funds. Contributions to the Scheme and the Fund by the Group and the employees are calculated as a percentage of the monthly salaries of the employees. Contributions to the Scheme are reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions. During the year, forfeited contributions in respect of the Scheme totalling HK$40,000 (2004: HK$27,000) were utilised with HK$22,000 (2004: HK$40,000) refunded to the Group. There was no forfeited contribution available as at 31st December 2005 to reduce future contributions (2004: HK$62,000).

The Group also participates in the employee pension schemes of the respective municipal government in Mainland China where the Group operates. The Group is required to make monthly defined contributions at rates calculated as a percentage of the monthly payroll. The respective municipal government will assume the retirement benefit obligations of all existing and future retired employees of the Group.

The cost charged to the profit and loss account represents contributions payable by the Group to the above schemes.

11. DIRECTORS AND SENIOR MANAGEMENT EMOLUMENTS

(a) Directors emoluments

Name	Fees HK$'000	Salaries and allowances HK$'000	Discre-tionary bonuses HK$'000	Defined contribution plans HK$'000	Total HK$'000
2005					
DAI Xiaoming	10	2,797	194	12	3,013
Kenneth Hiu King KON	10	2,030	169	12	2,221
Jesse Nai Chau LEUNG	220	—	—	—	220
XIANG Bing	220	—	—	—	220
Edward SHEN	220	—	—	—	220
	680	4,827	363	24	5,894
2004					
DAI Xiaoming	10	2,862	194	12	3,078
Kenneth Hiu King KON	10	2,030	169	12	2,221
Jesse Nai Chau LEUNG	206	—	—	—	206
XIANG Bing	220	—	—	—	220
Edward SHEN	220	—	—	—	220
	666	4,892	363	24	5,945

None of the Directors of the Company has waived the right to receive their emoluments during the year. The Directors represent key management personnel of the Company having authority and responsibility for planning, directing and controlling the activities of the Group.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2004: two) Directors whose emoluments are reflected in note (a) above. The emoluments for the remaining three (2004: three) individuals are as follows:

	2005 HK$'000	2004 HK$'000
Salaries and allowances	**1,890**	1,540
Discretionary bonuses	**158**	128
Defined contribution plans	**92**	73
	2,140	1,741

11. DIRECTORS AND SENIOR MANAGEMENT EMOLUMENTS (Cont'd)

(b) Five highest paid individuals (Cont'd)

The emoluments of these individuals fell within the following bands:

Emolument bands	Number of individuals	
	2005	2004
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

12. FINANCE COSTS

	2005 **HK$'000**	2004 HK$'000
Interest on bank loans and overdrafts	**6,518**	18,259
Interest on other loans not wholly repayable within five years	**—**	669
Interest on overdue creditors	**—**	1,323
Other incidental borrowing costs	**125**	218
	6,643	20,469

13. SHARE OF PROFITS/(LOSSES) OF ASSOCIATED COMPANIES

Share of profits less losses of associated companies include the share of gain in fair value of investment properties amounting to HK$176,933,000 and taxation charge amounting to HK$30,205,000 (2004: HK$9,103,000). In 2004, the share of gain on revaluation of investment properties was taken directly to reserves. The investment properties of the associated companies were valued at 31st December 2005 by independent professional surveyors on an open market value basis.

14. TAXATION

	2005 HK$'000	2004 HK$'000
Current		
Hong Kong	**352**	134
Mainland China	**8,487**	—
Deferred (note 27)	**9,729**	148
	18,568	282

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on profits generated in Mainland China has been provided at the prevailing rates applicable to those subsidiaries which operate in Mainland China.

The taxation on the profit/(loss) before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Company operates, as follows:

	2005 HK$'000	2004 HK$'000
Profit/(loss) before taxation	**196,441**	(173,883)
Share of (profits)/losses of associated companies	**(114,578)**	167,087
	81,863	(6,796)
Tax charge/(credit) at the rate of 17.5% (2004: 17.5%)	**14,326**	(1,189)
Effect of different taxation rates	**340**	(188)
Income not subject to taxation	**(6,249)**	(2,282)
Expenses not deductible for taxation purposes	**369**	3,057
Utilisation of previously unrecognised tax losses	**(631)**	(2,222)
Temporary differences not recognised	**1,870**	2,994
Under provision in respect of previous years	**8,543**	112
Taxation charge	**18,568**	282

15. EARNINGS/(LOSS) PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK$177,873,000 (2004: loss of HK$174,081,000) and 1,135,606,132 (2004: 1,135,606,132) shares in issue during the year. There is no diluted earnings or loss per share since there are no dilutive potential shares in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Group					
Cost					
At 31st December 2003	16,880	1,880	6,515	4,576	29,851
Change in exchange rates	16	—	3	2	21
Additions	—	22	3	—	25
Disposals	—	(196)	(52)	(1,351)	(1,599)
Disposal of a subsidiary	(16,842)	(50)	—	(400)	(17,292)
At 31st December 2004	54	1,656	6,469	2,827	11,006
Change in exchange rates	—	6	70	5	81
Additions	—	112	—	—	112
Disposals	—	(49)	(13)	(1,664)	(1,726)
At 31st December 2005	**54**	**1,725**	**6,526**	**1,168**	**9,473**
Accumulated depreciation and impairment					
At 31st December 2003	16,865	1,523	6,237	3,763	28,388
Change in exchange rates	17	—	3	—	20
Charge for the year	9	115	138	396	658
Disposals	—	(122)	(36)	(1,351)	(1,509)
Disposal of a subsidiary	(16,841)	(42)	—	(172)	(17,055)
At 31st December 2004	50	1,474	6,342	2,636	10,502
Change in exchange rates	—	3	70	4	77
Charge for the year	4	95	121	139	359
Disposals	—	(47)	(10)	(1,664)	(1,721)
At 31st December 2005	**54**	**1,525**	**6,523**	**1,115**	**9,217**
Net book value					
At 31st December 2005	**—**	**200**	**3**	**53**	**256**
At 31st December 2004	4	182	127	191	504

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Company				
Cost				
At 31st December 2003	496	2,057	2,248	4,801
Additions	18	—	—	18
Disposals	(42)	(12)	(1,351)	(1,405)
At 31st December 2004	472	2,045	897	3,414
Additions	112	—	—	112
Disposals	(40)	—	—	(40)
At 31st December 2005	**544**	**2,045**	**897**	**3,486**
Accumulated depreciation and impairment				
At 31st December 2003	412	1,806	1,934	4,152
Charge for the year	37	131	180	348
Disposals	(40)	(12)	(1,351)	(1,403)
At 31st December 2004	409	1,925	763	3,097
Charge for the year	47	120	134	301
Disposals	(40)	—	—	(40)
At 31st December 2005	**416**	**2,045**	**897**	**3,358**
Net book value				
At 31st December 2005	**128**	**—**	**—**	**128**
At 31st December 2004	63	120	134	317

17. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	HK$'000
At beginning of the year	**354,370**	565,330
Disposal	**—**	(3,382)
Change in fair value	**60,900**	(207,578)
At end of the year	**415,270**	354,370
Comprising:		
Hong Kong		
Leases of between 10 to 50 years	**411,400**	350,500
Leases of less than 10 years	**200**	200
Mainland China		
Leases of over 50 years	**1,490**	1,490
Leases of between 10 to 50 years	**2,180**	2,180
	415,270	354,370

The investment properties were revalued at 31 December 2005 by independent firm of professional qualified surveyor, DTZ Debenham Tie Leung Limited, based on current prices in an active market for all properties.

Investment properties with net book value of HK$383,400,000 (2004: HK$328,200,000) have been pledged as securities for the banking facilities of the Group.

18. PREPAYMENTS OF LEASE PREMIUMS

	Group	
	2005	2004
	HK$'000	HK$'000
At beginning of the year	**331**	334
Amortisation	**(3)**	(3)
At end of the year	**328**	331

Prepayments of lease premiums represent prepaid operating lease payments for land held under leases of between 10 to 50 years. Amortisation during the year is included under administrative expenses.

19. SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**1,904**	1,904
Amounts receivable, net of provision	**455,929**	502,307
Amounts payable	**594**	613

Particulars of the principal subsidiaries as at 31st December 2005 are set out in note 34(a).

The amounts receivable are unsecured, interest free, except for HK$51,455,000 (2004: HK$51,455,000), which carries interest at 6% (2004: 6%) per annum, and HK$180,000,000 (2004: HK$180,000,000), which carries interest at prime rate (2004: prime rate), and have no fixed terms of repayment.

The amounts receivable and payable are denominated in Hong Kong dollars and their fair values approximate to the carrying amounts.

20. ASSOCIATED COMPANIES

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets		
At beginning of the year	**847,974**	747,229
Changes in exchange rates	**(509)**	142
Share of results for the year		
Profit/(loss) before taxation	**144,783**	(157,984)
Taxation	**(30,205)**	(9,103)
Share of revaluation surplus of properties, net of taxation	**—**	267,690
Transfer from amounts receivable	**28,818**	—
At end of the year	**990,861**	847,974
Amounts receivable, net of provision	**357,309**	393,215
Amounts payable	**12,417**	11,614

20. ASSOCIATED COMPANIES (Cont'd)

Particulars of the principal associated companies as at 31st December 2005 are set out in note 34(b).

The amounts receivable are unsecured, interest free and have no fixed terms of repayment or repayable on demand.

Approximate 22% (2004: 27%) of the amounts receivable are denominated in US dollars, and the rest are denominated in Hong Kong dollars. The fair values of the amounts receivable and payable approximate to the carrying amounts.

The share of the assets, liabilities and results of the associated companies attributable to the Group are set out below:

	Total assets HK$'000	**Total liabilities** HK$'000	**Turnover** HK$'000	**Profits/ (losses) after taxation** HK$'000
2005				
Zeta Estates Limited	**1,194,857**	**(285,548)**	**21,809**	**128,270**
Beijing Jing Yuan Property Development Company Limited	**247,995**	**(247,995)**	**453**	**(39,166)**
Others	**83,245**	**(1,693)**	**3,035**	**25,474**
	1,526,097	**(535,236)**	**25,297**	**114,578**
2004				
Zeta Estates Limited	1,070,315	(289,278)	18,968	(4,543)
Beijing Jing Yuan Property Development Company Limited	545,141	(532,398)	338,903	(162,487)
Others	55,867	(1,673)	2,581	(57)
	1,671,323	(823,349)	360,452	(167,087)

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group 2005 HK$'000	Company 2005 HK$'000
At beginning of the year, as restated	34,020	2,880
Change in fair value transferred to equity	3,457	210
At end of the year	37,477	3,090

Available-for-sale financial assets represent unlisted equity securities.

22. INVESTMENT SECURITIES

	Group 2004 HK$'000	Company 2004 HK$'000
Unlisted investments, at cost	20,117	1,405
Provision	(7,525)	—
	12,592	1,405

23. INVESTMENT FOR SALE

The investment represents the Group's 61.1% equity interest in Beijing Lucky Building Company Limited ("Beijing Lucky"), formerly a subsidiary of the Group. On 26th April 2004, Turbo Dragon Limited ("Turbo Dragon"), a wholly-owned subsidiary of the Group, entered into a sale and purchase supplemental agreement, which was supplemental to the sale and purchase agreement dated 30th July 2003 and subsequently amended by supplemental agreements (collectively the "Agreements"), with China Yintai Investment Company Limited ("China Yintai") to sell its entire equity interest of 61.1% in Beijing Lucky, at an aggregate consideration, as subsequently amended on 22nd June 2004, of RMB134,070,000 (approximately HK$128,913,000). On execution of the Agreements, a deposit of RMB25,000,000 (approximately HK$24,038,000) was received and the remaining of RMB109,070,000 (approximately HK$104,875,000) is receivable by instalments, which carry interest at agreed rates. On 21st November 2005, Turbo Dragon entered into another supplemental agreement with China Yintai, under which, inter alia, the payment schedule for the balance of the sale consideration was revised and the method of calculating interest on the instalments was agreed. In February 2006, the Group received from China Yintai the first instalment of RMB10,000,000 (approximately HK$9,615,000) together with accrued and penalty interest of RMB975,000 (approximately HK$937,000). According to the terms of the Agreements, Turbo Dragon will transfer the equity interest in Beijing Lucky to China Yintai in stages in proportion to the amount of consideration actually received, commencing in 2006. In addition, 2 out of the 4 directors representing Turbo Dragon in the board of directors of Beijing Lucky were replaced by those representing China Yintai following the execution of the Agreements in 2004. Accordingly, Beijing Lucky ceased to be a subsidiary and classified as an investment for sale.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**4,733**	3,808	**—**	—
Other receivables	**12,382**	5,531	**—**	—
Prepayments and deposits	**6,529**	6,242	**1,541**	1,346
	23,644	15,581	**1,541**	1,346

Trade receivables represent rental charges and estate management fees due from tenants which are payable on presentation of invoices. The ageing analysis of the trade receivables of the Group is as follows:

	2005	2004
	HK$'000	HK$'000
Within 30 days	**1,434**	1,245
31–60 days	**354**	749
61–90 days	**194**	212
Over 90 days	**2,751**	1,602
	4,733	3,808

Other receivables of the Group include amounts receivable from certain investee companies, which are held by the Group under available-for-sale financial assets, of HK$3,969,000 (2004: HK$4,638,000). These receivables are unsecured, carry interest at prime rate (2004: prime rate) and have no fixed terms of repayment.

The fair values of trade and other receivables approximate to the carrying amounts. Approximate 24% (2004: 32%) and 10% (2004: 5%) of the trade and other receivables of the Group and the Company are denominated in RMB with the rest denominated in Hong Kong dollars.

25. SHARE CAPITAL

	2005 **HK$'000**	2004 HK$'000
Authorised:		
1,600,000,000 shares of HK$0.50 each	**800,000**	800,000
Issued and fully paid:		
1,135,606,132 shares of HK$0.50 each	**567,803**	567,803

26. RESERVES

	Share premium HK$'000	**Properties revaluation reserve** HK$'000	**Investments revaluation reserve** HK$'000	**Foreign exchange reserve** HK$'000	**Retained profit** HK$'000	**Total** HK$'000
Group						
At 31st December 2004, as previously reported	694,070	945,730	—	3,793	(716,009)	927,584
Opening adjustments						
Available-for-sale financial assets (HKASs 32 and 39)	—	—	21,428	—	—	21,428
Reserve of investment properties (HKAS 40)	—	(945,730)	—	—	945,730	—
Investment for sale (HKFRS 5)	—	—	—	—	126,481	126,481
At 1st January 2005, as restated	694,070	—	21,428	3,793	356,202	1,075,493
Changes in exchange rates	—	—	—	(1,189)	—	(1,189)
Change in fair value of available-for-sale financial assets	—	—	3,457	—	—	3,457
Profit for the year	—	—	—	—	177,873	177,873
At 31st December 2005	**694,070**	**—**	**24,885**	**2,604**	**534,075**	**1,255,634**
Retained by:						
Company and subsidiaries	694,070	—	24,885	(6)	(101,327)	617,622
Associated companies	—	—	—	2,610	635,402	638,012
	694,070	—	24,885	2,604	534,075	1,255,634

26. RESERVES (Cont'd)

	Share premium HK$'000	Properties revaluation reserve HK$'000	Foreign exchange reserve HK$'000	Retained profit HK$'000	Total HK$'000
Group					
At 31st December 2003	694,070	847,225	3,483	(541,928)	1,002,850
Change in exchange rates	—	—	507	—	507
Deficit on revaluation of investment properties	—	(207,578)	—	—	(207,578)
Deferred tax on revaluation deficit	—	36,330	—	—	36,330
Surplus on revaluation of investment properties of associated companies	—	322,500	—	—	322,500
Deferred tax on revaluation of associated companies	—	(54,115)	—	—	(54,115)
Realised on disposal of investment properties	—	2,063	—	—	2,063
Realised on disposal of properties of an associated company	—	(695)	—	—	(695)
Disposal of a subsidiary	—	—	(197)	—	(197)
Loss for the year	—	—	—	(174,081)	(174,081)
At 31st December 2004	694,070	945,730	3,793	(716,009)	927,584
Retained by:					
Company and subsidiaries	694,070	168,067	674	(459,171)	403,640
Associated companies	—	777,663	3,119	(256,838)	523,944
	694,070	945,730	3,793	(716,009)	927,584

26. RESERVES (Cont'd)

	Share premium HK$'000	Investments revaluation reserve HK$'000	Foreign exchange reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
Company					
At 31st December 2003	694,070	—	—	(451,003)	243,067
Loss for the year	—	—	—	(363,757)	(363,757)
At 31st December 2004	694,070	—	—	(814,760)	(120,690)
Opening adjustment					
Available-for-sale financial assets (HKASs 32 and 39)	—	1,475	—	—	1,475
At 1st January 2005, as restated	694,070	1,475	—	(814,760)	(119,215)
Change in exchange rate	—	—	(20)	—	(20)
Change in fair value of available-for-sale financial assets	—	210	—	—	210
Loss for the year	—	—	—	(36,774)	(36,774)
At 31st December 2005	**694,070**	**1,685**	**(20)**	**(851,534)**	**(155,799)**

The Company does not have any distributable reserve calculated under section 79B of the Hong Kong Companies Ordinance (2004: nil).

27. DEFERRED TAXATION LIABILITIES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**39,208**	75,442	**142**	(1,298)
Charged to the profit and loss account (note 14)	**9,729**	148	**(142)**	1,440
Taxation arising from revaluation of investment properties credited to reserve	**—**	(36,330)	**—**	—
Reclassified to current taxation	**—**	(52)		
At end of the year	**48,937**	39,208	**—**	142

Deferred taxation liabilities are calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date. Deferred taxation assets and liabilities are offset when there is a legal right to set off and when the deferred tax relates to the same taxation jurisdiction. All deferred taxation liabilities are expected to be settled after twelve months.

The movements in deferred tax liabilities of the Group during the year are as follows:

	Fair value gains		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**38,245**	74,575	**963**	867	**39,208**	75,442
Charged/(credited) to the profit and loss account	**9,903**	—	**(174)**	148	**9,729**	148
Credited to reserve	**—**	(36,330)	**—**	—	**—**	(36,330)
Reclassified to current taxation	**—**	—	**—**	(52)	**—**	(52)
At end of the year	**48,148**	38,245	**789**	963	**48,937**	39,208

Deferred taxation assets of the Group in respect of taxation losses of HK$18,565,000 (2004: HK$22,128,000) have not been recognised in the financial statements. Unused taxation losses have no expiry date.

28. CREDITORS AND ACCRUALS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**48,010**	47,473	**—**	—
Other payables	**146,809**	141,164	**24,082**	24,012
Accrued operating expenses	**9,068**	5,702	**1,214**	1,654
	203,887	194,339	**25,296**	25,666

The ageing analysis of the trade payables of the Group is as follows:

	2005	2004
	HK$'000	HK$'000
Within 30 days	**448**	368
31–60 days	**247**	540
61–90 days	**326**	290
Over 90 days	**46,989**	46,275
	48,010	47,473

Other payables of the Group include the deposit of RMB25,000,000 (approximately HK$24,038,000) (2004: HK$23,585,000) received from China Yintai in respect of the sale of Beijing Lucky (note 23). These also include provision for claims payable of HK$101,394,000 (2004: HK$99,426,000) as more fully detailed in note 32 below.

The fair values of creditors and accruals of the Group approximate to their carrying amounts. Approximately 91% (2004: 90%) of the creditors and accruals of the Group are denominated in RMB with the rest denominated in Hong Kong dollars.

29. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short term bank loans, secured (note a)	**50,866**	49,905	**—**	—
Bank overdrafts, secured (note b)	**38,823**	49,030	**38,823**	49,030
	89,689	98,935	**38,823**	49,030

(a) The short term bank loans are secured by the properties of a subsidiary, Beijing Dan Yao Property Company Limited, and denominated in RMB.

(b) The bank overdraft facilities of HK$45,000,000 (2004: HK$75,000,000) are secured by first legal charges over the properties held by a wholly-owned subsidiary and share charges over the issued shares of certain subsidiaries. The facilities were subsequently reduced to HK$36,000,000 in February 2006.

(c) The fair values of the short-term loans approximate to their respective carrying amounts and the effective interest rates of the bank loans and overdrafts are as follows:

	2005		2004	
	HK$	**RMB**	HK$	RMB
Short-term loans	**—**	**5.5%**	—	5.5%
Bank overdrafts	**8.3%**	**—**	5.5%	—

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash generated from operations

	2005 HK$'000	2004 HK$'000
Operating profit	**88,506**	13,673
Depreciation and amortisation	**362**	661
Loss on disposal of investment properties	**—**	2,250
Loss on disposal of property, plant and equipment	**5**	43
Write back of provision for properties for sale	**(14,041)**	(1,974)
Write back of provision for properties under development	**—**	(8,269)
Write back of provision against investment securities	**—**	(2,341)
Change in fair value of investment properties	**(60,900)**	—
Dividend income	**(467)**	(371)
Interest income	**(360)**	(752)
Operating profit before working capital changes	**13,105**	2,920
Decrease in investment securities	**—**	814
Increase in properties for sale	**—**	(3,992)
Increase in trade and other receivables	**(7,969)**	(2,079)
Increase in creditors and accruals	**2,872**	32,808
Net cash generated from operations	**8,008**	30,471

(b) Analysis of changes in financing

	Bank and other loans	
	2005 HK$'000	2004 HK$'000
At beginning of the year	**49,905**	262,002
Change in exchange rates	**961**	228
Repayments	**—**	(23,646)
Disposal of a subsidiary	**—**	(188,679)
At end of the year	**50,866**	49,905

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Analysis of cash and cash equivalents

	2005 **HK$'000**	2004 HK$'000
Cash and bank balances	**16,727**	17,154
Bank overdrafts	**(38,823)**	(49,030)
	(22,096)	(31,876)

31 COMMITMENTS

(a) Operating lease commitments

The future aggregate minimum lease rental payments under non-cancellable operating leases in respect of land and buildings are payable in the following periods:

	Group and Company	
	2005 **HK$'000**	2004 HK$'000
Within one year	**1,095**	1,251
One to five years	**—**	1,069
	1,095	2,320

(b) Operating lease rental receivable

The future minimum lease rental receipts under non-cancellable operating leases in respect of investment and other properties are receivable in the following periods:

	Group	
	2005 **HK$'000**	2004 HK$'000
Within one year	**10,555**	17,437
One year to five years	**9,646**	30,433
Over five years	**3,424**	11,271
	23,625	59,141

32 LITIGATION

In February 2003, a purchaser of the properties developed by Beijing Dan Yao Property Co., Ltd ("Dan Yao"), a 85% subsidiary of the Group, lodged claims against Dan Yao for the refund of purchase consideration and penalties for reasons, among others, that Dan Yao was not able to obtain the property title certificate within the time stated in the relevant sale and purchase agreement. The first court judgement ruled in favour of the purchaser and as a result, the Group has made a full provision (note 28) for the claims while Dan Yao appealed against this ruling. In order to enable the interest of all creditors of Dan Yao, including the Group, be dealt with fairly and properly, the Company has applied in December 2004 for the liquidation of Dan Yao. In March 2005, the Second Intermediate People's Court of Beijing Municipality (the "Court") accepted for consideration of the application of the Company to liquidate Dan Yao, which is then operating under the supervision of the Court. Thereafter, certain creditors of Dan Yao have filed objections against placing Dan Yao under liquidation. The Court will decide whether or not to grant an order for the liquidation after completing the audit of the accounts and valuation of the assets of Dan Yao. Currently, a decision has not yet been made. However, the Directors are of the opinion that the proposed liquidation of Dan Yao will not have any significant negative impact on the financial statements of the Group as a whole.

33 SUBSEQUENT EVENTS

(a) In February 2006, Turbo Dragon received from China Yintai, the first instalment of RMB10,000,000 (approximately HK$9,615,000) together with accrued and penalty interest of RMB975,000 (approximately HK$937,000) for the sale of the 61.1% equity interest in Beijing Lucky. In accordance with the supplemental agreement, Turbo Dragon is in the process of transferring to China Yintai 16.0% of the equity interest in Beijing Lucky, representing the proportion of the consideration, being RMB35,000,000, that has been actually received.

(b) In March 2006, Man Lee Offshore Limited, a wholly owned subsidiary, agreed to purchase two apartments in Beijing, which are under construction with expected completion in or before August 2007, from Beijing Yintai Property Company Limited, a 60% subsidiary of China Yintai, at an aggregate cash consideration of RMB9,743,000 (approximately HK$9,368,000), which has been fully paid.

34 PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name	Place of incorporation/ operation	Issued ordinary share capital	Percentage of attributable equity Company	Group	Principal activities
AsiaSec Finance Limited	Hong Kong	HK$10,000	—	100	Financing
Dan Form (Hong Kong) Limited	Hong Kong	HK$1,000,000	100	100	Investment holding
AsiaSec Property Management Limited	Hong Kong	HK$300,000	—	100	Property management
Dan Form (China) Limited	Hong Kong	HK$2	100	100	Investment holding
Beijing Dan Yao Property Co., Ltd[(1)]	Mainland China	US$11,670,000[(2)]	—	85	Property development
Citigrand Investment Limited	Hong Kong	HK$2	—	100	Property investment
Dawna Range Company Limited	Hong Kong	HK$20	—	100	Investment holding
Diamond Property Management Company Limited	Hong Kong	HK$10,000	—	100	Property management
Dun Man Enterprises Limited	Hong Kong	HK$1,000,000	—	100	Property investment
Harcape Limited	Hong Kong	HK$10,000	—	100	Property investment
Keen Safe Investment Limited	Hong Kong	HK$1,010,000	—	100	Investment holding
Kirshman Limited	Hong Kong	HK$2	100	100	Investment holding
Landfine Investment Limited	Hong Kong	HK$2	—	100	Property investment
Oriental Dragon Investment Limited	British Virgin Islands/ Mainland China	US$1	—	100	Property investment
Top Power Development Limited	Hong Kong	HK$2	—	100	Property investment
Winshine Properties Limited	British Virgin Islands/ Mainland China	US$1	—	100	Property investment

34 PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Cont'd)

(b) Associated companies

The following table includes the principal associated companies of the Group which, in the opinion of the Directors, were significant to the results of the Group or formed a substantial portion of the net assets of the Group. To give details of other associated companies would result in particulars of excessive length.

Name	Place of incorporation/ establishment	Issued ordinary share capital	Percentage of attributable equity Company	Group	Principal activities
Ho Pok Investment Company Limited	Hong Kong	HK$10,000	—	50	Investment
Kin Tong Land Investment Company	Hong Kong	HK$10,000,000	—	50	Property investment
Zeta Estates Limited	Hong Kong	HK$990,000	—	$33\frac{1}{3}$	Property investment
Beijing Jing Yuan Property Development Co., Ltd.[1]	Mainland China	US$61,220,000[2]	—	29.4	Land and property development

(1) Sino-foreign equity joint venture companies

(2) Paid-up registered capital