Notes to the Financial Statements

1. CORPORATE INFORMATION

Lippo Limited is a limited liability company incorporated in the Hong Kong Special Administrative Region of the People's Republic of China. The registered office of the Company is located at 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries, associates and jointly controlled entities are principally engaged in investment holding, property investment and development, food businesses, property management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other financial services.

In the opinion of the Directors, the immediate holding company of the Company is Lippo Capital Limited which is incorporated in the Cayman Islands and the ultimate holding company of the Company is Lippo Cayman Limited which is incorporated in the Cayman Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2005. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of 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.

Minority interests shown in the consolidated profit and loss account and the consolidated balance sheet represent the interests of outsider shareholders of the Company's subsidiaries in the results and net assets of such subsidiaries, respectively.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
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 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 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
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

Notes to the Financial Statements

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 23, 24, 28, 30, 31, 33, 37, 38, HKFRS 2, HKFRS 5, HK-Int 4 and HK(SIC)-Int 15 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated profit and loss account, consolidated summary statement of changes in equity and other disclosures. In addition, in prior years, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge in the consolidated profit and loss account. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates and jointly controlled entities is presented net of the Group's share of tax attributable to associates and jointly controlled entities.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1st January, 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1st January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as asset and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

The impacts of adopting the other HKFRSs are summarised as follows:

(a) HKAS 17 – Leases

In prior years, owner-occupied leasehold land and buildings were included in fixed assets and stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings unless the lease payments cannot be allocated reliably between the land and buildings elements. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid lease payments for land, while buildings continue to be classified as part of fixed assets. Prepaid lease payments for land under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in fixed assets.

The change has been adopted retrospectively and the comparative amounts have been restated to reflect the reclassification of leasehold land.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) HKAS 27 – Consolidated and Separate Financial Statements

(i) Banking subsidiary

In prior years, due to dissimilar nature of banking and non-banking operations, on consolidation of the banking subsidiary of the Company, respective assets and liabilities attributable to the banking operation were recognised in aggregate under "Assets less liabilities attributable to banking operation". Net interest income, commissions, dealing income and other revenues arising from the banking business were reported as "Turnover" in the consolidated profit and loss account.

With effect from 1st January, 2005, in accordance with HKAS 27, banking subsidiary is consolidated into the Group on a line-by-line basis. Assets and liabilities of the banking subsidiary are reported according to the respective type of the assets and liabilities as presented in the Group's consolidated balance sheet. Revenue attributable to banking business is reported on a gross basis and the relevant direct expenses are included in the "Cost of sales" as shown in the consolidated profit and loss account.

(ii) Investment Fund

In prior years, the Group's certain unlisted investment fund was accounted for as other investments in securities which was stated in the balance sheet at fair value.

With effect from 1st January, 2005, in accordance with HKAS 27, requirement for consolidation of an investee should be based on the parent's ability to control the investee, which captures both the power to control and actual control. Accordingly, the underlying assets, liabilities and returns derived from such investment fund are now consolidated into the Group on a line-by-line basis.

The above changes have been adopted retrospectively and comparative amounts have been restated to reflect the aforesaid reclassifications. The effects of the above changes are summarised in Note 2.4 to the financial statements.

(c) HKAS 32 and HKAS 39 – Financial Instruments

Until 31st December, 2004, the Group classified its investments in securities into investment securities, held-to-maturity securities and other investments in securities, which were stated in the balance sheet at cost and amortised cost less any impairment losses and at fair value, respectively. Any impairment losses on investment securities and held-to-maturity securities and changes in fair value on other investments in securities were recognised in the profit and loss account for the period in which they arise. Loans and receivables were reported on the balance sheet at the total of principal amount outstanding and accrued interest receivable (if applicable) net of provisions for doubtful debts.

Notes to the Financial Statements

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HKAS 32 and HKAS 39 – Financial Instruments *(Continued)*

From 1st January, 2005 onwards, the Group classifies its investments into the following categories, taking into account the purpose for which the investments are acquired:

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

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. Derivatives are also categorised as held for trading unless they are designated as hedges. They are carried at fair value in the balance sheet. Any change in fair value shall be recognised in the profit and loss account.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently carried at amortised costs using effective interest method, less any accumulated impairment losses. If the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed to the extent that such reversal shall not result in a carrying amount of the loans and receivables that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of such reversal shall be recognised in the profit and loss account.

Impairment provisions for loans and receivables assessed individually are calculated using a discounted cash flow analysis for the impaired advances. Collective assessment of impairment for individually insignificant items or items where no impairment has been identified on an individual basis, with similar risk characteristic, made using formula-based approaches or statistical methods. Impairment provisions for loans and receivables will be presented as individually assessed and collectively assessed instead of specific provisions and general provisions. Loans and receivables are included in loans and advances and debtors, prepayments and deposits in the balance sheet.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HKAS 32 and HKAS 39 – Financial Instruments *(Continued)*

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are carried at amortised costs using effective interest method, less any accumulated impairment losses.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any other categories. They are carried at fair value except for certain available-for-sale financial assets that do not have a published quoted price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any accumulated impairment losses. The impairment loss is charged to the profit and loss account for the period in which they arise.

For available-for-sale financial assets carried at fair value, any gain or loss arising from the change in fair value shall be recognised directly in equity except for impairment losses, until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity shall be recognised in the profit and loss account.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments shall not be reversed through profit or loss. For debt instruments, impairment losses shall be reversed through profit or loss if the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised.

Interest on available-for-sale financial assets is calculated using the effective interest method and recognised in the profit and loss account and dividends are recognised in the profit and loss account when the Group's right to receive payment is established.

Notes to the Financial Statements

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HKAS 32 and HKAS 39 – Financial Instruments *(Continued)*

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

In accordance with the transitional provisions of HKAS 39, the Group re-designated:

(i) other investments in securities with total carrying amount of HK$1,093,273,000 and HK$203,972,000 into financial assets at fair value through profit or loss and available-for-sale financial assets on 1st January, 2005, respectively. There is no effect on re-measurement as the accounting policy on measurement of the Group's other investments in securities as at 31st December, 2004 is the same as that for the financial assets at fair value through profit or loss and the available-for-sale financial assets which are carried at fair value;

(ii) investment securities with total carrying amount of HK$262,317,000 and HK$196,628,000 into financial assets at fair value through profit or loss and available-for-sale financial assets on 1st January, 2005, respectively, resulting in an adjustment of HK$88,513,000 and HK$34,325,000 credited to the opening balance of retained profits and minority interests respectively to reflect the difference in fair value;

(iii) the remaining investment securities with total carrying amount of HK$95,165,000 into available-for-sale financial assets which are carried at cost less any impairment losses. There is no effect on re-measurement as the accounting policy on measurement of the Group's investment securities as at 31st December, 2004 is the same as that for available-for-sale financial assets which are carried at cost;

(iv) loans and advances with total carrying amount of HK$25,906,000 into available-for-sale financial assets on 1st January, 2005, resulting in an adjustment of HK$8,823,000 and HK$3,580,000 debited to the opening balance of retained profits and minority interests to reflect the difference in fair value; and

(v) held-to-maturity securities with total carrying amount of HK$145,032,000 into financial assets at fair value through profit or loss on 1st January, 2005. There is no material effect on re-measurement as the carrying amounts of the held-to-maturity securities are approximate to their fair values.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HKAS 32 and HKAS 39 – Financial Instruments *(Continued)*

The effects of the above changes are summarised in Note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(d) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the period in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the period of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained profits rather than restating the comparative amounts to reflect the changes retrospectively. The effects of the above changes are summarised in Note 2.4 to the financial statements.

(e) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill/negative goodwill arising on acquisitions prior to 1st January, 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the consolidated profit and loss account until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1st January, 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the consolidated balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated profit and loss account when the future losses and expenses were recognised.

Notes to the Financial Statements

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(e) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets *(Continued)*

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the consolidated profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st January, 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained profits. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the consolidated profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in Note 2.4 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(f) HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets

In prior years, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the current profits tax rate has been applied to the calculation of deferred tax.

The change has been adopted retrospectively and the comparative amounts have been restated to reflect the deferred tax liabilities incurred. The effects of the above changes are summarised in Note 2.4 to the financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1st January, 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	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 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January, 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1st January, 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment regarding actuarial gains and losses, group plans and disclosures and HKAS 39 Amendment regarding: (i) cash flow hedge accounting of forecast intragroup transactions and (ii) the fair value option shall be applied for annual periods beginning on or after 1st January, 2006.

The HKAS 21 Amendment has modified HKAS 21 relating to net investment in a foreign operation. This amendment shall be applied for annual periods beginning on or after 1st January, 2006.

The above new HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

Notes to the Financial Statements

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1st January, 2005	Effect of adopting						
	HKAS 17#	HKAS 27#	HKASs 32 and 39*	HKAS 40*	HKFRS 3*	HK(SIC)-Int 21#	
Effect of new policies (Increase/(Decrease))	Prepaid lease payments for land HK$'000	Change in presentation HK$'000	Change in classification of security investments HK$'000	Surplus on revaluation of investment properties HK$'000	Derecognition of negative goodwill HK$'000	Deferred tax on revaluation of investment properties HK$'000	Total HK$'000
Assets							
Negative goodwill	–	–	–	–	111,603	–	111,603
Prepaid lease payments for land	5,399	–	–	–	–	–	5,399
Fixed assets	(5,399)	26,272	–	–	–	–	20,873
Available-for-sale financial assets	–	–	634,921	–	–	–	634,921
Investment securities	–	–	(554,110)	–	–	–	(554,110)
Financial assets at fair value through profit or loss	–	–	1,500,705	–	–	–	1,500,705
Other investments in securities	–	(11,031)	(1,297,245)	–	–	–	(1,308,276)
Held-to-maturity financial assets/ securities	–	9,643	(145,032)	–	–	–	(135,389)
Loans and advances	–	147,931	(25,906)	–	–	–	122,025
Assets less liabilities attributable to banking operation	–	(175,411)	–	–	–	–	(175,411)
Debtors, prepayments and deposits	–	4,196	–	–	–	–	4,196
Treasury bills	–	23,765	–	–	–	–	23,765
Cash and bank balances	–	95,847	–	–	–	–	95,847
							346,148
Liabilities/Equity							
Creditors, accruals and deposits received	–	2,477	–	–	–	–	2,477
Current, fixed, savings and other deposits of customers	–	117,641	–	–	–	–	117,641
Tax payable	–	1,094	–	–	–	–	1,094
Deferred tax liabilities	–	–	2,898	–	–	86,976	89,874
Investment property revaluation reserve	–	–	–	(74,391)	–	(15,264)	(89,655)
Other asset revaluation reserve	–	–	–	(25,366)	–	–	(25,366)
Capital reserve	–	–	–	–	(529,598)	–	(529,598)
Retained profits	–	–	79,690	99,757	640,182	(56,304)	763,325
Minority interests	–	–	30,745	–	1,019	(15,408)	16,356
							346,148

* Adjustments taken effect prospectively from 1st January, 2005

\# Adjustments/presentation taken effect retrospectively

Notes to the Financial Statements

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Effect on the consolidated balance sheet *(Continued)*

At 31st December, 2005			Effect of adopting			
	HKAS 27	HKASs 32 and 39	HKAS 40	HKFRS 3	HK(SIC)-Int 21	
Effect of new policies (Increase/(Decrease))	Change in presentation HK$'000	Change in classification of security investments HK$'000	Surplus on revaluation of investment properties HK$'000	Discontinuation of amortisation of goodwill/ Derecognition of negative goodwill HK$'000	Deferred tax on revaluation of investment properties HK$'000	Total HK$'000
Assets						
Goodwill	–	–	–	114,072	–	114,072
Fixed Assets	33,504	–	–	–	–	33,504
Available-for-sale financial assets	8,439	646,834	–	–	–	655,273
Investment securities	–	(692,728)	–	–	–	(692,728)
Financial assets at fair value through profit or loss	152	1,176,486	–	–	–	1,176,638
Other investments in securities	–	(909,515)	–	–	–	(909,515)
Held-to-maturity financial assets	9,604	–	–	–	–	9,604
Loans and advances	176,740	(25,162)	–	–	–	151,578
Assets less liabilities attributable to banking operation	(195,006)	–	–	–	–	(195,006)
Debtors, prepayments and deposits	3,185	–	–	–	–	3,185
Treasury bills	15,520	–	–	–	–	15,520
Cash and bank balances	68,022	–	–	–	–	68,022
						430,147
Liabilities/Equity						
Creditors, accruals and deposits received	2,855	–	–	–	–	2,855
Current, fixed, savings and other deposits of customers	116,743	–	–	–	–	116,743
Tax payable	429	–	–	–	–	429
Deferred tax liabilities	133	5,026	–	–	97,474	102,633
Investment property revaluation reserve	–	–	(248,508)	–	9,816	(238,692)
Investment revaluation reserve	–	56,302	–	–	–	56,302
Other asset revaluation reserve	–	–	(24,840)	–	–	(24,840)
Capital reserve	–	–	–	(529,598)	–	(529,598)
Retained profits	–	65,796	273,348	637,461	(91,190)	885,415
Minority interests	–	68,791	–	6,209	(16,100)	58,900
						430,147

Notes to the Financial Statements

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Effect on the balances of equity at 1st January, 2004 and at 1st January, 2005

Effect of new policies (Increase/(Decrease))	Effect of adopting HKASs 32 and 39 Designation of financial assets at fair value through profit or loss and available-for-sale financial assets HK$'000	HKAS 40 Surplus on revaluation of investment properties HK$'000	HKFRS 3 Negative goodwill HK$'000	HK(SIC) – Int 21 Deferred tax on revaluation of investment properties HK$'000	Total HK$'000
1st January, 2005					
Investment property revaluation reserve	–	(74,391)	–	(15,264)	(89,655)
Other asset revaluation reserve	–	(25,366)	–	–	(25,366)
Capital reserve	–	–	(529,598)	–	(529,598)
Retained profits	79,690	99,757	640,182	(56,304)	763,325
Minority interests	30,745	–	1,019	(15,408)	16,356
					135,062
1st January, 2004					
Retained profits	–	–	–	(35,088)	(35,088)
Minority interests	–	–	–	(1,945)	(1,945)
					(37,033)

Notes to the Financial Statements

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Effect on the consolidated profit and loss account for the years ended 31st December, 2005 and 2004

Effect of new policies	HKAS 1 Share of post-tax results of associates HK$'000	HKAS 27 Change in presentation HK$'000	HKASs 32 and 39 Designation of financial assets at fair value through profit or loss and available-for-sale financial assets HK$'000	HKAS 40 Surplus on revaluation of investment properties HK$'000	HKFRS 3 Discontinuation of amortisation of goodwill HK$'000	HK(SIC)-Int 21 Deferred tax on revaluation of investment properties HK$'000	Total HK$'000
	Effect of adopting						
Year ended 31st December, 2005							
Increase in revenue	–	149,294	–	–	–	–	149,294
Increase in cost of sales	–	(140,069)	(24,354)	–	–	–	(164,423)
Increase in fair value gains on investment properties	–	–	–	300,710	–	–	300,710
Increase/(Decrease) in net fair value gains on financial assets at fair value through profit and loss	–	(9,225)	2,944	–	–	–	(6,281)
Decrease in other operating expenses	–	–	–	–	2,469	–	2,469
Decrease in share of results of associates	(3,098)	–	–	–	–	–	(3,098)
Decrease/(Increase) in tax	3,098	–	–	–	–	(62,540)	(59,442)
Decrease/(Increase) in share of result attributable to minority interests	–	–	7,516	(126,593)	(5,190)	27,654	(96,613)
Total increase/(decrease) in profit attributable to equity holders of the Company	–	–	(13,894)	174,117	(2,721)	(34,886)	122,616
Increase/(Decrease) in basic earnings per share	–	–	(3.2) cents	40.1 cents	(0.6) cent	(8.0) cents	28.3 cents
Increase/(Decrease) in diluted earnings per share	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Year ended 31st December, 2004							
Increase in revenue	–	147,224	–	–	–	–	147,224
Increase in cost of sales	–	(140,322)	–	–	–	–	(140,322)
Decrease in other operating expenses	–	3,892	–	–	–	–	3,892
Increase in net unrealised holding loss on other investments in securities	–	(10,794)	–	–	–	–	(10,794)
Decrease in share of results of associates	(37,748)	–	–	–	–	–	(37,748)
Decrease/(Increase) in tax	37,748	–	–	–	–	(29,973)	7,775
Decrease in share of result attributable to minority interests	–	–	–	–	–	8,757	8,757
Total increase/(decrease) in profit attributable to equity holders of the Company	–	–	–	–	–	(21,216)	(21,216)
Increase/(Decrease) in basic earnings per share	–	–	–	–	–	(4.9) cents	(4.9) cents
Increase/(Decrease) in diluted earnings per share	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is a company, other than a jointly controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power on issued share capital or controls the composition of its board of directors.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. Interests in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

(b) Joint venture companies

A joint venture company is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture company and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(i) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power on issued share capital or controls the composition of its board of directors;

(ii) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20 per cent. of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20 per cent. of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

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

(c) Jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly controlled entities is included as part of the Group's interest in jointly controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly controlled entities are included in the Company's profit and loss account to the extent of dividend received and receivable. The Company's interests in jointly controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

(d) Associates

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20 per cent. of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Notes to the Financial Statements

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

(e) Goodwill

Goodwill arising on the acquisition of subsidiaries, associates, and jointly controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisition for which the agreement date is on or after 1st January, 2005

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. In the case of associates and jointly controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit of group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

(e) Goodwill *(Continued)*

Goodwill previously eliminated against the consolidated reserve

Prior to the adoption of Statement of Standard Accounting Practice 30 "Business Combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations (applicable to business combinations for which the agreement date is on or after 1st January, 2005)

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries, associates and jointly controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated profit and loss account.

The excess for the associates and jointly controlled entities is included in the determination of the Group's share of the associates' and jointly controlled entities' profit or loss in the period in which the investments are acquired.

(f) Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to the Financial Statements

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

(f) Impairment of assets *(Continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the receivable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(g) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. When an item of fixed assets is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets and the cost of the item can be measured realiably, the expenditure is capitalised as an additional cost to that asset or as a replacement.

Depreciation of fixed assets is calculated on the straight-line basis to write off the cost of each item of fixed assets to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	20 per cent.
Furniture, fixtures, plant and equipment	10 per cent. to 33 1/3 per cent.
Motor vehicles	12 per cent. to 25 per cent.

When parts of an item of fixed assets have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its used or disposal. Any gain or loss on disposal or retirement recognised in the profit and loss account in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Notes to the Financial Statements

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

(h) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the year in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in the profit and loss account in the year of the retirement or disposal.

(i) Properties under development

Properties under development intended for sale are stated at the lower of cost and net realisable value, which is determined by reference to prevailing market prices, on an individual property basis. Other properties under development are stated at cost less any impairment losses. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

(j) Investments and other financial assets

Applicable to the year ended 31st December, 2004

The Group classified its investments in securities other than subsidiaries, associates and jointly controlled entities, as investment securities, held-to-maturity securities and other investments in securities.

Investment securities

Investment securities are investments in equity securities, debt securities and investment funds which are intended to be held on a continuing strategic or long term purpose. Investment securities are included in the balance sheet at cost less impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, the carrying amount of the security is reduced to its fair value, as determined by the Directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment losses cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Notes to the Financial Statements

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

(j) Investments and other financial assets *(Continued)*

Held-to-maturity securities

Held-to-maturity securities are investments in dated debt securities which the Group has the expressed intention and ability to hold to maturity, and are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition, less any impairment losses which reflect their credit risk.

Premiums and discounts arising on acquisition of held-to-maturity securities are amortised over the period to maturity and are included as part of interest income. Profits or losses on realisation of held-to-maturity securities are accounted for in the profit and loss account as they arise.

Other investments in securities

Other investments in securities are those securities which are not classified as investment securities nor held-to-maturity securities, and are stated at their fair values on the basis of their quoted prices at the balance sheet date, on an individual investment basis. Unrealised holding gains or losses arising from changes in fair values of securities are dealt with in the profit and loss account as they arise.

Applicable to the year ended 31st December, 2005

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the profit and loss account.

The Group's financial assets at fair value through profit or loss which are under regular way of purchases or sales are accounted for at trade dates. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

(j) Investments and other financial assets *(Continued)*

Held-to-maturity financial assets/securities

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Financial assets intended to be held for an undefined period are not included in this classification. Other long term financial assets that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For financial assets carried at amortised cost, gains and losses are recognised in the profit and loss account when the financial assets are derecognised or impaired, as well as through the amortisation process.

All regular way purchases and sales of held-to-maturity financial assets are recognised on the settlement dates i.e., the dates the assets are received or delivered by the Group.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

All regular way purchases and sales of loans and receivables are recognised on the settlement dates i.e., the dates the assets are received or delivered by the Group.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted equity securities, debt securities and investment funds that are designated as available-for-sale or are not classified in any of the other three categories. After initial recognition, an available-for-sale financial asset is measured at fair value with gain or loss being recognised as a separate component of equity until the financial asset is derecognised or until the financial asset is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

When the fair value of unlisted equity securities and debt securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that financial assets or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Notes to the Financial Statements

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

(j) Investments and other financial assets *(Continued)*

Available-for-sale financial assets (Continued)

All regular way purchases and sales of available-for-sale financial assets are recognised on the settlement dates i.e., the dates the assets are received or delivered by the Group.

Fair value

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For a financial asset where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; by reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and option pricing models.

(k) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Asset that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

(k) Impairment of financial assets *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the profit and loss account. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event, occurring after the impairment loss was recognised in profit or loss.

(l) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interests method.

Gains and losses are recognised in the profit or loss account when the liabilities are derecognised as well as through the amortisation process.

(m) Derecognition of financial assets (applicable to the year ended 31st December, 2005)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

(i) the right to receive cash flows from the asset have expired;

(ii) the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

(iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the Financial Statements

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

(m) Derecognition of financial assets (applicable to the year ended 31st December, 2005) *(Continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and reward of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchase option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(n) Derecognition of financial liabilities (applicable to the year ended 31st December, 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss account.

(o) Property held for sale

Property held for sale is stated at the lower of cost and net realisable value which is determined by reference to prevailing market prices, on an individual property basis.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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

(q) Revenue recognition

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

(i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

(ii) income from the sale of completed properties, on the exchange of legally binding unconditional sales contracts;

(iii) sales from food businesses, on dispatch of goods to customers;

(iv) dealings in securities and sale of investments, on the transaction dates when the relevant contract notes are exchanged, or the settlement dates when the securities are delivered;

(v) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial assets;

(vi) dividend income, when the shareholders' right to receive payment has been established; and

(vii) commission income is accounted for, in the period when receivable, unless it is charged to cover the costs of a continuing service to, or risk borne for, customers, or is interest income in nature. In this case, commission income is recognised on a prorata basis over the relevant period.

(r) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements

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

(r) Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if legally enforceable right exists to set off current assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

(s) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

(t) Employee benefits

Paid leave entitlement

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward at the balance sheet date.

Retirement benefits costs

Employer's contributions made by the Group to the Mandatory Provident Funds operated for the benefits of employees of the Group as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred. The assets of the schemes are held separately from those of the Group in independently administrated funds.

Post-employment benefits

A subsidiary of the Group is required by the law of the country in which it has operations to operate a defined benefit pension plan which is based on the years of service and salaries of the employees at the time of pension. These benefits are unfunded. The actuarial valuation method used to determine the present value of the defined benefit reserve, current service costs and past service costs is the Projected Unit Credit Method. Current services cost, interest cost and effect of curtailment and settlements are recognised as an expense immediately. Past service costs, which are already vested, are recognised as an expense on a straight-line basis over the current year's operation. Cumulative actuarial gains or losses in excess of 10% of the present value of the defined-benefit obligation are amortised on a straight-line basis over the expected average remaining years of service of the employees participating in the plan.

Notes to the Financial Statements

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

(t) Employee benefits *(Continued)*

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any preference conditions, other than conditions linked to the price of the shares of the Company ("market condition"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled awards, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of HKFRS 2 as all the share options were granted before 7th November, 2002 and vested before 1st January, 2005.

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

(u) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Prepaid lease payments for land under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the economic useful life. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in fixed assets.

(v) Foreign currencies

The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated at the functional currency rates of exchange ruling at that balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly controlled entities and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their profit and loss accounts are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange equalisation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in exchange equalisation reserve relating to that particular foreign operation is recognised in the profit and loss account.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows or at an approximation thereto, the weighted average exchange rates for the year. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to the Financial Statements

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

(w) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents represent cash on hand, cash at bank, demand deposits, treasury bills, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand, cash at banks, term deposits and treasury bills which are not restricted as to use.

(x) Related parties

A parties is considered to be related to the Group if:

(a) directly or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under the common control with, the Group; (ii) has an interest in the Group that it gives significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly controlled entity;

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

(e) the party is a close member of the family of any individual referred to in (a) to (d); or

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

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

(y) Dividends and distributions

Final dividends and distributions proposed by the Directors are classified as a separate allocation of distributable reserves within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends and distributions have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends and distributions are simultaneously proposed and declared because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividends and distributions. Consequently, interim dividends and distributions are recognised immediately as a liability when they are proposed and declared.

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

(z) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

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 could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an 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 made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(aa) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31st December, 2005 was HK$72,692,000 (2004 – HK$79,262,000) . More details are given in Note 17.

Notes to the Financial Statements

4. SEGMENT INFORMATION

Segment information is presented by way of business segment as the primary segment reporting format and geographical segment as the secondary segment reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of their operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from those of the other business segments. In respect of geographical segment reporting, revenue is based on the location of customers, and assets and capital expenditure are based on the location of the assets.

Descriptions of the business segments are as follows:

(a) the treasury investment segment includes investments in cash and bond markets;

(b) the property investment and development segment includes letting, resale and development of properties;

(c) the securities investment segment includes dealings in securities and disposals of investments;

(d) the food businesses segment engages in food manufacturing, wholesale distribution of food and allied fast-moving consumer goods;

(e) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;

(f) the banking business segment engages in the provision of commercial and retail banking services; and

(g) the "other" segment comprises principally the development of computer hardware and software, money lending and the provision of property and fund management services.

An analysis of the Group's segment information by business segment is set out as follows:

Group

	2005								
	Treasury investment HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Food businesses HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue									
External	38,152	195,474	1,280,826	871,016	59,391	18,076	22,996	–	2,485,931
Inter-segment	970	9,110	–	–	999	–	2,898	(13,977)	–
Total	39,122	204,584	1,280,826	871,016	60,390	18,076	25,894	(13,977)	2,485,931
Segment results	34,845	461,883	128,333	11,654	(25,646)	6,638	(1,973)	(8,783)	606,951
Unallocated corporate expenses									(142,090)
Finance costs									(47,399)
Share of results of associates	–	(6,469)	(32)	–	–	(88,220)	50,113	–	(44,608)
Share of results of jointly controlled entities	–	(313)	–	–	–	–	(110)	–	(423)
Profit before tax									372,431
Tax									(94,832)
Profit for the year									277,599

Notes to the Financial Statements

4. SEGMENT INFORMATION *(Continued)*

An analysis of the Group's segment information by business segment is set out as follows: *(Continued)*

Group

2005	Treasury investment HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Food businesses HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Assets and liabilities									
Segment assets	1,229,618	3,845,238	1,771,662	467,730	663,002	372,452	39,948	–	8,389,650
Interests in associates	–	163,125	–	–	814	–	488,036	–	651,975
Interests in jointly controlled entities	–	7,000	–	–	–	–	5,615	–	12,615
Unallocated assets									395,458
Total assets									9,449,698
Segment liabilities	–	1,561,336	184,233	207,364	625,899	120,071	302,537	(1,857,703)	1,143,737
Unallocated liabilities									1,549,649
Total liabilities									2,693,386
Other segment information:									
Capital expenditure	–	3,889	13,928	12,593	801	8,123	1,193	–	40,527
Depreciation and amortisation	–	(3,951)	(1,403)	(13,130)	(633)	(890)	(637)	–	(20,644)
Write-back of allowance/ (Allowance) for bad and doubtful debts relating to:									
Banking operation	–	–	–	–	–	2,140	–	–	2,140
Non-banking operations	–	79	–	(294)	(30,272)	–	(2,728)	–	(33,215)
Provisions for impairment losses:									
Fixed assets	–	–	–	(1,528)	–	–	–	–	(1,528)
Associates	–	(41)	–	–	–	–	(10,546)	–	(10,587)
Available-for-sale financial assets	–	–	(63,016)	–	–	–	–	–	(63,016)
Properties held for sale	–	(8,276)	–	–	–	–	–	–	(8,276)
Goodwill	–	–	–	(3,343)	–	–	(412)	–	(3,755)
Excess over cost of a business combination	–	36,854	–	–	–	–	–	–	36,854
Net fair value gain on financial assets at fair value through profit or loss	–	–	77,108	–	–	–	–	–	77,108
Fair value gains on investment properties	–	300,710	–	–	–	–	–	–	300,710
Unallocated:									
Capital expenditure									6,255
Depreciation									(7,550)

Notes to the Financial Statements

4. SEGMENT INFORMATION *(Continued)*

An analysis of the Group's segment information by business segment is set out as follows: *(Continued)*

Group

2004 (restated)

	Treasury investment HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Food businesses HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue									
External	28,418	252,043	1,719,004	870,448	63,372	17,975	23,264	–	2,974,524
Inter-segment	9,504	6,895	–	–	3,126	–	–	(19,525)	–
Total	37,922	258,938	1,719,004	870,448	66,498	17,975	23,264	(19,525)	2,974,524
Segment results	24,849	350,225	38,405	31,845	4,077	3,972	(23,519)	(6,895)	422,959
Unallocated corporate expenses									(112,233)
Finance costs									(27,871)
Share of results of associates	–	389	–	–	–	(39,395)	61,937	–	22,931
Profit before tax									305,786
Tax									(58,914)
Profit for the year									246,872

Notes to the Financial Statements

4. SEGMENT INFORMATION *(Continued)*

An analysis of the Group's segment information by business segment is set out as follows: *(Continued)*

Group

2004 (restated)

	Treasury investment HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Food businesses HK$'000	Corporate finance and securities broking HK$'000	Banking business HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Assets and liabilities									
Segment assets	1,899,191	2,584,108	1,966,774	440,494	721,143	353,908	63,664	–	8,029,282
Interests in associates	–	11,802	–	–	1,334	84,121	434,419	–	531,676
Interests in jointly controlled entities	–	7,393	–	–	–	–	–	–	7,393
Unallocated assets									165,029
Total assets									8,733,380
Segment liabilities	–	1,462,911	301,661	195,299	622,890	120,118	438,303	(2,006,726)	1,134,456
Unallocated liabilities									1,453,065
Total liabilities									2,587,521
Other segment information:									
Capital expenditure	–	5,820	62	7,826	781	–	1,113	–	15,602
Depreciation and amortisation	–	(2,922)	(1,417)	(10,927)	(681)	(785)	(508)	–	(17,240)
Write-back of allowance/ (Allowances) for bad and doubtful debts relating to:									
Banking operation	–	–	–	–	–	666	–	–	666
Non-banking operations	–	–	–	(1,827)	(1,203)	–	(3,484)	–	(6,514)
Write-back of deficit on revaluation of investment properties	–	221,329	–	–	–	–	–	–	221,329
Write-back of provisions/(Provisions) for impairment losses:									
Associates	–	4,736	–	–	–	–	(21,103)	–	(16,367)
Investment securities	–	–	47,569	–	–	–	–	–	47,569
Amortisation of goodwill arising from acquisition of subsidiaries	–	–	–	(4,511)	–	(3,356)	(888)	–	(8,755)
Negative goodwill recognised as income	–	–	–	–	–	–	229	–	229
Net unrealised holding loss on other investments in securities	–	–	(78,902)	–	–	–	–	–	(78,902)
Unallocated:									
Capital expenditure									1,806
Depreciation									(8,118)
Negative goodwill recognised as income									4,663

Notes to the Financial Statements

4. SEGMENT INFORMATION *(Continued)*

An analysis of the Group's segment information by geographical segment is set out as follows:

Group

	2005							
	Hong Kong HK$'000	Macau HK$'000	Republic of Singapore HK$'000	Malaysia HK$'000	Japan HK$'000	Mainland China HK$'000	Other HK$'000	Consolidated HK$'000
Revenue	328,917	18,076	1,138,488	207,210	278,135	107,732	407,373	2,485,931
Segment assets	2,881,150	645,969	1,831,156	163,889	150,219	1,854,668	1,258,057	8,785,108
Interests in associates	30,450	–	152,104	2,161	–	453,454	13,806	651,975
Interests in jointly controlled entities	–	–	–	–	–	5,615	7,000	12,615
Total assets								9,449,698
Capital expenditure	2,970	8,123	21,336	1,469	–	1,487	11,397	46,782

	2004 (restated)							
	Hong Kong HK$'000	Macau HK$'000	Republic of Singapore HK$'000	Malaysia HK$'000	Japan HK$'000	Mainland China HK$'000	Other HK$'000	Consolidated HK$'000
Revenue	820,690	18,875	1,243,369	174,883	323,672	97,858	295,177	2,974,524
Segment assets	3,155,615	353,908	1,614,470	157,420	223,216	1,694,329	991,238	8,190,196
Interests in associates	25,825	–	918	7,168	–	406,092	91,673	531,676
Interests in jointly controlled entities	80	–	–	–	–	–	7,313	7,393
Unallocated assets								4,115
Total assets								8,733,380
Capital expenditure	3,468	–	7,517	647	–	821	4,955	17,408

Notes to the Financial Statements

5. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of gross income on treasury investment which includes interest income on bank deposits and debt securities, gross rental income, gross proceeds from sales of properties, gross income from securities investment which includes gross proceeds from sales of investments, dividend income and related interest income, gross income from underwriting and securities broking, sales income from food businesses, interest and other income from money lending business, gross income from property management and gross interest income, commissions, dealing income and other revenues from a banking subsidiary, after eliminations of all significant intra-group transactions.

An analysis of the revenue of the Group by principal activity is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
		(restated)
Treasury investment	**38,152**	28,418
Property investment and development	**195,474**	252,043
Securities investment	**1,280,826**	1,719,004
Food businesses	**871,016**	870,448
Corporate finance and securities broking	**59,391**	63,372
Banking business	**18,076**	17,975
Other	**22,996**	23,264
	2,485,931	2,974,524

Revenue attributable to banking business represents revenue generated from The Macau Chinese Bank Limited ("MCB"), a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People's Republic of China. Revenue attributable to banking business is analysed as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
		(restated)
Interest income	**15,722**	11,247
Commission income	**2,180**	5,793
Other revenues	**174**	935
	18,076	17,975

Notes to the Financial Statements

6. ALLOWANCE FOR BAD AND DOUBTFUL DEBTS RELATING TO NON-BANKING OPERATIONS

The allowance for the year includes an individual provision of HK$29,883,000 made for a loan advanced to a margin client, which has been secured by certain shares in a listed company and a guarantee provided by a director of the client. Currently, both the client and the listed company are under provisional liquidation and in the opinion of Directors, the probability for recovery of the loan is uncertain.

7. NET UNREALISED LOSS ON TRANSFER OF INVESTMENT SECURITIES AND HELD-TO-MATURITY SECURITIES TO OTHER INVESTMENTS IN SECURITIES

During the year ended 31st December, 2004, investment securities of a total cost of HK$19,019,000 were transferred to other investments in securities at market value or fair value to reflect the Group's the then intention to sell the investments in response to changes in market conditions, resulting in a loss at the date of transfer of HK$7,856,000.

Notes to the Financial Statements

8. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging):

	Group	
	2005	2004
	HK$'000	HK$'000
		(restated)
Gross rental income	**188,503**	124,174
Less: Outgoings	**(20,531)**	(18,024)
Net rental income	**167,972**	106,150
Employee benefits expense – *Note (a)*:		
Wages and salaries	**(200,126)**	(197,114)
Retirement benefits costs	**(12,670)**	(13,221)
Less: Forfeited contributions	**389**	421
Net retirement benefits costs	**(12,281)**	(12,800)
Total staff costs	**(212,407)**	(209,914)
Interest income:		
Listed investments	**20,465**	21,609
Unlisted investments	**4,377**	4,901
Banking operation	**15,722**	11,247
Other	**38,428**	23,323
Dividend income:		
Listed investments	**24,109**	20,703
Unlisted investments	**3,146**	2,029
Write-back of provisions/(Provisions) for impairment losses on:		
Unlisted available-for-sale financial assets	**(63,016)**	–
Listed investment securities	**–**	53,336
Unlisted investment securities	**–**	(5,767)
Other investment income:		
Listed	**–**	446
Unlisted	**1,036**	6,032

Notes to the Financial Statements

8. PROFIT BEFORE TAX *(Continued)*

Profit before tax is arrived at after crediting/(charging): *(Continued)*

	Group	
	2005	2004
	HK$'000	HK$'000 (restated)
Net realised gain/(loss) on disposal of:		
Listed financial assets at fair value through profit or loss	**81,430**	–
Unlisted financial assets at fair value through profit or loss	**(3,301)**	–
Listed available-for-sale financial assets	**5,259**	–
Unlisted available-for-sale financial assets	**9,898**	–
Unlisted investment securities	**–**	(708)
Net realised and unrealised holding gain/(loss) on other investments in securities:		
Listed	**–**	(28,672)
Unlisted	**–**	17,031
Net unrealised loss on transfer of investment securities and held-to-maturity securities to other investments in securities:		
Listed	**–**	(3,766)
Unlisted	**–**	(4,090)
Net fair value gains/(losses) on financial assets at fair value through profit or loss:		
Listed	**(1,256)**	–
Unlisted	**78,364**	–
Depreciation	**(28,035)**	(25,287)
Amortisation of prepaid lease payments for land	**(159)**	(71)
Gain on disposal of fixed assets	**167**	212
Gain/(Loss) on disposal of properties	**(1,017)**	35,042
Loss on disposal of prepaid lease payments for land	**(6,126)**	–
Foreign exchange gains – net	**1,532**	6,792
Cost of inventories sold	**(670,110)**	(665,760)
Auditors' remuneration	**(5,154)**	(4,096)
Minimum lease payments under operating lease rentals in respect of land and buildings	**(15,941)**	(14,953)
Amortisation of goodwill arising from acquisition of subsidiaries – *(Note (b))*	**–**	(8,755)

Note:

(a) The amounts include the Directors' emoluments disclosed in Note 9 to the financial statements.

(b) The amortisation of goodwill arising from acquisition of subsidiaries for the year ended 31st December, 2004 was included under "Other operating expenses" on the face of the consolidated profit and loss account.

Notes to the Financial Statements

9. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Companies Ordinance, are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Directors' fees	**1,969**	1,428
Basic salaries, housing and other allowances and benefits in kind	**13,598**	13,305
Discretionary bonuses paid and payable	**5,500**	7,400
Retirement benefits costs	**111**	114
	21,178	22,247

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2005	2004
	HK$'000	HK$'000
Mr. Edwin Neo	**200**	200
Mr. King Fai Tsui	**302**	82
Mr. Victor Ha Kuk Yung	**302**	82
	804	364

There were no other emoluments payable to the independent non-executive directors during the year (2004 – Nil).

Notes to the Financial Statements

9. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Basic salaries, housing and other allowances and benefits in kind HK$'000	Discretionary bonuses paid and payable HK$'000	Retirement benefits costs HK$'000	Total remuneration HK$'000
2005					
Executive directors:					
Mr. Stephen Riady	**–**	**8,446**	**4,000**	**–**	**12,446**
Mr. John Luen Wai Lee	**239**	**1,965**	**1,500**	**21**	**3,725**
Mr. Jark Pui Lee	**–**	**1,041**	**–**	**78**	**1,119**
Mr. David T. Yeh	**–**	**2,146**	**–**	**12**	**2,158**
	239	**13,598**	**5,500**	**111**	**19,448**
Non-executive director:					
Mr. Leon Nim Leung Chan	**926**	**–**	**–**	**–**	**926**
	1,165	**13,598**	**5,500**	**111**	**20,374**
2004					
Executive directors:					
Mr. Stephen Riady	–	8,219	5,200	–	13,419
Mr. John Luen Wai Lee	185	1,957	2,200	24	4,366
Mr. Jark Pui Lee	15	1,037	–	78	1,130
Mr. David T. Yeh	15	2,092	–	12	2,119
	215	13,305	7,400	114	21,034
Non-executive director:					
Mr. Leon Nim Leung Chan	849	–	–	–	849
	1,064	13,305	7,400	114	21,883

There were no arrangements under which a Director waived or agreed to waive any emoluments during the year.

Details of share options granted to the Directors are set out in Note 38 to the financial statements.

10. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year included two Directors (2004 – two), details of whose emoluments are set out in Note 9 to the financial statements. Details of the emoluments of the remaining three (2004 – three) non-directors, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Basic salaries, housing and other allowances and benefits in kind	**3,406**	14,435
Bonuses paid and payable	**8,600**	4,637
Retirement benefits costs	**130**	305
	12,136	19,377

The number of non-director highest paid employees whose emoluments fell within the following bands is as follows:

	Group	
	2005	2004
Emoluments bands *(HK$)*	**Number of individuals**	Number of individuals
2,500,001 – 3,000,000	**1**	–
3,000,001 – 3,500,000	**1**	–
5,500,001 – 6,000,000	**–**	2
6,000,001 – 6,500,000	**1**	–
7,500,001 – 8,000,000	**–**	1
	3	3

Notes to the Financial Statements

11. RETIREMENT BENEFITS COSTS

The Group previously operated several defined contribution schemes pursuant to the Occupational Retirement Schemes Ordinance which were replaced by the Mandatory Provident Fund schemes (the "MPF schemes") in December 2000 when the Mandatory Provident Fund Schemes Ordinance became effective. The assets of the schemes are held separately from those of the Group in independently administered funds.

Contributions made to the MPF schemes are based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The Group's employer contributions vest fully with the employees when contributed into the schemes except for the Group's employer voluntary contributions forfeited when the employees leave employment prior to fully vesting in such contributions, which can be used to reduce the amount of future employer contributions or to offset against future administrative expenses, in accordance with the rules of the schemes.

During the year, the amounts of forfeited employer contributions under the MPF schemes utilised to reduce the amount of employer contributions or for payments of administrative expenses amounted to HK$389,000 (2004 – HK$421,000). The amounts of forfeited voluntary contributions available to offset future employer contributions against the above schemes were not material at the year end.

A subsidiary acquired by the Group during the financial year operated a defined benefit retirement scheme and has provided for certain post-employment benefits to its employees in Indonesia. Details are set out in Note 36 to the financial statements.

The total retirement benefits scheme costs charged to the consolidated profit and loss account for the year amounted to HK$12,281,000 (2004 – HK$12,800,000).

12. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years *(Note)*	**43,696**	24,669
Interest on bank loans wholly repayable after five years *(Note)*	**17,403**	10,176
Total interest	**61,099**	34,845
Less: Interest capitalised	**(6,337)**	(2,101)
	54,762	32,744

Note: The amounts exclude interest expenses incurred by a banking subsidiary of the Group.

13. TAX

	Group 2005 HK$'000	Group 2004 HK$'000 (restated)
Hong Kong:		
Charge for the year	**1,170**	1,629
Underprovisions/(Overprovisions) in prior years	**(851)**	3,354
Deferred *(Note 29)*	**19,890**	1,920
	20,209	6,903
Overseas:		
Charge for the year	**31,149**	20,891
Underprovisions in prior years	**1,052**	1,673
Deferred *(Note 29)*	**42,422**	29,447
	74,623	52,011
Total charge for the year	**94,832**	58,914

Hong Kong profits tax has been provided for at the rate of 17.5 per cent. (2004 – 17.5 per cent.) on the estimated assessable profits arising in Hong Kong for the year. Overseas taxes have been calculated on the estimated assessable profits for the year at the tax rates prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax charge applicable to profit before tax using the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax charge is as follows:

	Group 2005 HK$'000	Group 2004 HK$'000 (restated)
Profit before tax	**372,431**	305,786
Tax at the statutory tax rate of 17.5 per cent. (2004 – 17.5 per cent.)	**65,175**	53,512
Effect of different tax rates in other jurisdictions	**20,644**	6,100
Effect on opening deferred tax of increase in tax rates	**–**	133
Adjustments in respect of current tax of previous years	**201**	5,027
Income not subject to tax	**(46,407)**	(75,883)
Expenses not deductible for tax	**36,066**	29,241
Profits and losses attributable to jointly controlled entities and associates	**7,880**	(4,013)
Tax losses utilised from previous years	**(6,352)**	(1,281)
Tax losses not recognised	**17,625**	16,105
Others	**–**	29,973
Tax charge at the Group's effective rate of 25.46 per cent. (2004 – 19.27 per cent.)	**94,832**	58,914

For the companies operated in Republic of Singapore, Mainland China and Republic of the Philippines, corporate taxes have been calculated on the estimated assessable profits for the year at the rate of 20 per cent., 33 per cent. and 32 per cent. (2004 – 20 per cent., 33 per cent. and 32 per cent.), respectively.

Share of tax attributable to associates amounting to HK$3,098,000 (2004 – HK$37,748,000) is included in "Share of results of associates" on the face of the consolidated profit and loss account.

Notes to the Financial Statements

14. PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit from ordinary activities attributable to equity holders of the Company includes loss for the year ended 31st December, 2005 dealt with in the financial statements of the Company amounting to HK$7,740,000 (2004 – HK$13,879,000) as set out in Note 39 to the financial statements.

15. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit attributable to equity holders of the Company of HK$121,403,000 (2004 – HK$157,222,000, as restated); and (ii) the weighted average number of 433,735,000 ordinary shares (2004 – 435,202,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share is presented for the years ended 31st December, 2005 and 2004 as there were no dilutive potential ordinary shares during these years.

16. DIVIDEND

	Group and Company	
	2005	2004
	HK$'000	HK$'000
Final dividend, proposed, of HK2 cents (2004 – HK2 cents) per ordinary share	**8,675**	8,675

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

17. GOODWILL/NEGATIVE GOODWILL

Group

	Goodwill HK$'000	**2005 Negative goodwill HK$'000**	**Total HK$'000**
At 1st January, 2005:			
Cost as previously reported	177,409	(315,480)	(138,071)
Effect of adopting HKFRS 3 *(Note 2.2(e))*	(14,954)	315,480	300,526
Cost as restated	162,455	–	162,455
Accumulated amortisation and impairment losses as previously reported	(98,147)	203,877	105,730
Effect of adopting HKFRS 3 *(Note 2.2(e))*	14,954	(203,877)	(188,923)
Accumulated impairment losses as restated	(83,193)	–	(83,193)
Net carrying amount	79,262	–	79,262
Cost at 1st January, 2005, net of accumulated impairment losses	79,262	–	79,262
Attributable to disposal of prepaid lease payments for land and fixed assets	(2,914)	–	(2,914)
Impairment during the year	(3,755)	–	(3,755)
Exchange adjustments	99	–	99
Cost and carrying amount at 31st December, 2005	**72,692**	**–**	**72,692**
At 31st December, 2005:			
Cost	**159,638**	**–**	**159,638**
Accumulated impairment losses	**(86,946)**	**–**	**(86,946)**
Net carrying amount	**72,692**	**–**	**72,692**

Notes to the Financial Statements

17. GOODWILL/NEGATIVE GOODWILL *(Continued)*

Group

		2004	
	Goodwill HK$'000	Negative goodwill HK$'000	Total HK$'000
At 1st January, 2004:			
Cost	169,388	(310,270)	(140,882)
Accumulated amortisation and impairment losses	(89,233)	198,985	109,752
Net carrying amount	80,155	(111,285)	(31,130)
Cost at 1st January, 2004, net of accumulated amortisation and impairment losses	80,155	(111,285)	(31,130)
Additions during the year	8,366	(5,210)	3,156
Amortisation recognised as income/(provided) for the year	(8,755)	4,892	(3,863)
Exchange adjustments	(504)	–	(504)
Cost and carrying amount at 31st December, 2004	79,262	(111,603)	(32,341)
At 31st December, 2004:			
Cost	177,409	(315,480)	(138,071)
Accumulated amortisation and impairment losses	(98,147)	203,877	105,730
Net carrying amount	79,262	(111,603)	(32,341)

For the year ended 31st December, 2004, goodwill not previously eliminated against reserves was amortised on the straight-line basis over its estimate useful life of 3 to 20 years.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- Banking business cash-generating unit;
- Food wholesale and distribution cash-generating unit;
- Food manufacturing cash-generating unit; and
- Other business cash-generating unit.

Banking business cash-generating unit

The recoverable amount of the banking business cash-generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projection is 4.4 per cent. The growth rate used to extrapolate the cash flows of the banking business beyond the five-year period is assumed to be nil.

17. GOODWILL/NEGATIVE GOODWILL *(Continued)*

Food wholesale and distribution cash-generating unit

The recoverable amount allocated to the Food Wholesale and Distribution cash-generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. Management have considered and determined the factors applied in these financial budgets included budgeted gross margins and the target growth rates. The discount rate is assumed to be 14.4 per cent. for the value-in-use calculation, which is the target weighted average cost of capital of the business unit.

Food manufacturing cash-generating unit

The recoverable value of goodwill allocated to the Food Manufacturing cash-generating unit was fully written down due to the sale of prepaid lease payments for land and plant and machinery attributable to the dairy production business and closure of the dairy production business of Foshan Ausoon Dairy Company., Ltd.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Banking business HK$'000	Food wholesale and distribution HK$'000	Food manufacturing HK$'000	Other business HK$'000	Total HK$'000
2005					
Carrying amount of goodwill	**57,285**	**15,407**	**–**	**–**	**72,692**
2004					
Carrying amount of goodwill	57,285	15,367	6,198	412	79,262

Notes to the Financial Statements

18. PREPAID LEASE PAYMENTS FOR LAND

	Group	
	2005	2004
	HK$'000	HK$'000
		(restated)
Carrying amount at 1 January		
As previously reported	**–**	–
Effect of adopting HKAS 17 *(Note 2.2(a))*	**5,399**	–
As restated	**5,399**	–
Acquisition of a subsidiary	**–**	5,470
Amortisation provided for the year	**(159)**	(71)
Disposal	**(5,136)**	–
Exchange adjustments	**(104)**	–
Carrying amount at 31 December	**–**	5,399

The leasehold land is held under a medium term lease and is situated outside Hong Kong.

During the previous financial year, the leasehold land was pledged as a collateral for a bank loan undertaken by a subsidiary as set out in Note 33 to the financial statements.

19. FIXED ASSETS

Group

2005

	Leasehold land and buildings HK$'000	Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles HK$'000	Total HK$'000
Cost:			
At 1st January, 2005, as restated	478,155	202,639	680,794
Additions during the year	9,325	37,457	46,782
Acquisition of a subsidiary	–	1,055	1,055
Disposal of subsidiaries	–	(603)	(603)
Disposals during the year	(7,235)	(7,481)	(14,716)
Exchange adjustments	(1,906)	(1,551)	(3,457)
At 31st December, 2005	**478,339**	**231,516**	**709,855**
Accumulated depreciation and impairment losses:			
At 1st January, 2005, as restated	192,409	142,280	334,689
Provided for the year	10,465	17,570	28,035
Disposal of subsidiaries	–	(561)	(561)
Disposals during the year	(480)	(3,757)	(4,237)
Impairment during the year	1,293	235	1,528
Exchange adjustments	(1,178)	(710)	(1,888)
At 31st December, 2005	**202,509**	**155,057**	**357,566**
Net book value:			
At 31st December, 2005	**275,830**	**76,459**	**352,289**

Notes to the Financial Statements

19. FIXED ASSETS *(Continued)*

Group

2004 (restated)

	Leasehold land and buildings HK$'000	Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles HK$'000	Total HK$'000
Cost:			
At 1st January, 2004	458,074	188,914	646,988
Additions during the year	176	17,232	17,408
Acquisition of subsidiaries	15,691	12,809	28,500
Disposal of a subsidiary	–	(1,181)	(1,181)
Disposals during the year	–	(16,963)	(16,963)
Exchange adjustments	4,214	1,828	6,042
At 31st December, 2004	478,155	202,639	680,794
Accumulated depreciation and impairment losses:			
At 1st January, 2004	178,936	142,277	321,213
Provided for the year	10,918	14,369	25,287
Acquisition of subsidiaries	–	333	333
Disposal of a subsidiary	–	(1,175)	(1,175)
Disposals during the year	–	(14,681)	(14,681)
Exchange adjustments	2,555	1,157	3,712
At 31st December, 2004,	192,409	142,280	334,689
Net book value:			
At 31st December, 2004	285,746	60,359	346,105

Certain leasehold land and buildings have been mortgaged to secure banking facilities made available to the Group as set out in Note 33 to the financial statements.

19. FIXED ASSETS *(Continued)*

The net book value of the leasehold land and buildings comprises:

	Group	
	2005	2004
	HK$'000	HK$'000
		(restated)
Long term leasehold land and buildings situated in Hong Kong	**193,211**	197,813
Leasehold land and buildings situated outside Hong Kong under:		
Short term lease	**13,234**	17,144
Medium term leases	**51,515**	51,121
Long term leases	**17,870**	19,668
	82,619	87,933
Total	**275,830**	285,746

Company

	Leasehold improvements, furniture, fixtures, equipment and motor vehicles	
	2005	2004
	HK$'000	HK$'000
Cost:		
At 1st January	**1,625**	1,620
Additions during the year	**–**	5
At 31st December	**1,625**	1,625
Accumulated depreciation:		
At 1st January	**1,620**	1,620
Provided for the year	**2**	–
At 31st December	**1,622**	1,620
Net book value:		
At 31st December	**3**	5

Notes to the Financial Statements

20. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	HK$'000
Leasehold land and buildings situated in Hong Kong *(Note)*:		
Balance at beginning of year	**938,992**	516,246
Additions during the year	**–**	71,682
Fair value adjustments	**123,802**	351,064
Balance at end of year	**1,062,794**	938,992
Long term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	**–**	–
Additions during the year	**36,109**	–
Fair value adjustments	**3,891**	–
Balance at end of year	**40,000**	–
Medium term leasehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	**1,416,284**	1,388,183
Additions during the year	**250,172**	–
Acquisition of a subsidiary	**336,182**	–
Disposals during the year	**–**	(1,449)
Fair value adjustments	**172,336**	27,768
Exchange adjustments	**(21,112)**	1,782
Balance at end of year	**2,153,862**	1,416,284
Freehold land and buildings situated outside Hong Kong:		
Balance at beginning of year	**7,501**	7,050
Fair value adjustments	**681**	516
Exchange adjustments	**423**	(65)
Balance at end of year	**8,605**	7,501
Total	**3,265,261**	2,362,777

Based on professional valuations as at 31st December, 2005 made by Mr. Jonathan Miles Foxall, a chartered surveyor and a director of certain subsidiaries of the Company, the investment properties in Hong Kong were valued on an open market, existing use basis at HK$1,062,794,000 (2004 – HK$938,992,000).

Based on professional valuations as at 31st December, 2005 made by Zhonghe Appraisal Co., Ltd., 廈門同建土地房地產評估諮詢有限公司, PT Penilai, Jones Lang LaSalle Limited, RHL Appraisal Ltd., Savills Consultancy Limited and Professional Asset Valuers, Incorporated, the investment properties situated outside Hong Kong were valued on an open market, existing use basis at HK$2,202,467,000 (2004 – HK$1,423,785,000).

20. INVESTMENT PROPERTIES *(Continued)*

Certain investment properties have been mortgaged to secure banking facilities made available to the Group as set out in Note 33 to the financial statements.

During the year, the Group acquired an investment property of HK$36,109,000 in Beijing from an independent third party. The application for the real estate title certificate has commenced, however the real estate title certificate had not yet been issued by the relevant Beijing authority as at the balance sheet date. Notwithstanding this, the Directors are of the opinion that the Group has obtained beneficial ownership to this investment property as at 31st December 2005. It is expected that the real estate title certificate will be issued in due course.

Note: At the balance sheet date, investment properties situated in Hong Kong of HK$1,045,994,000 (2004 – HK$924,192,000) and HK$16,800,000 (2004 – HK$14,800,000) were held under long term and medium term leases, respectively.

21. PROPERTIES UNDER DEVELOPMENT

	Group	
	2005	2004
	HK$'000	HK$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	**288,137**	167,167
Additions during the year	**310,548**	115,558
Interest capitalised during the year	**6,337**	2,101
Reclassification to properties held for sale	**(58,920)**	–
Exchange adjustments	**(4,169)**	3,311
Balance at end of year	**541,933**	288,137
Provisions for impairment losses:		
Balance at beginning of year and at end of year	**(107,563)**	(107,563)
Total	**434,370**	180,574
Land and buildings held under the following lease terms:		
Leasehold *(Note)*	**119,273**	91,000
Freehold	**315,097**	89,574
Total	**434,370**	180,574

Note: The lease terms of the properties under development situated outside Hong Kong of HK$86,989,000 (2004 – HK$62,367,000) are 99 years and those of HK$32,284,000 (2004 – HK$28,633,000) are determined by their final intended use upon completion and vary from 40 to 70 years.

Notes to the Financial Statements

22. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets in a listed company	**12,004**	85,704
Share of net assets in unlisted companies	**636,116**	430,220
Goodwill from acquisition less amortisation and impairment losses	**4,114**	4,660
Due from associates	**52,916**	47,566
Due to associates	**(2,213)**	(2,988)
	702,937	565,162
Provisions for impairment losses	**(50,962)**	(33,486)
	651,975	531,676
Market value of a listed company at 31st December	**19,805**	47,410

The balances with the associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances are approximate to their fair values.

22. INTERESTS IN ASSOCIATES *(Continued)*

The amount of goodwill arising from the acquisition of associates are as follows:

2005	**Group** HK$'000
Cost:	
Cost as previously reported at 1st January, 2005	22,664
Effect of adoption HKFRS 3 *(Note 2.2(e))*	(11,114)
	11,550
Accumulated amortisation:	
As previously reported at 1st January, 2005	(11,114)
Effect of adoption HKFRS 3 *(Note 2.2(e))*	11,114
	–
Cost as restated at 1st January, 2005 and at 31st December, 2005	**11,550**
Accumulated impairment losses:	
At 1st January, 2005	6,890
Impairment during the year	546
At 31st December, 2005	**7,436**
Net carrying amount at 31st December, 2005	**4,114**
2004	
Cost:	
Cost at 1st January, 2004	15,445
Additions during the year	7,219
At 31st December, 2004	22,664
Accumulated amortisation and impairment losses:	
At 1st January, 2004	5,005
Amortisation provided for the year	6,109
Impairment provided for the year	6,890
At 31st December, 2004	18,004
Net carrying amount at 31st December, 2004	4,660

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

	Group	
	2005	2004
	HK$'000	HK$'000
Assets	**5,800,748**	5,778,422
Liabilities	**3,838,936**	4,170,170
Revenues	**1,745,531**	1,777,493
Profit	**143,863**	248,814

Details of the principal associates are set out on pages 147 to 148.

Notes to the Financial Statements

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets in unlisted companies	**3,974**	–
Goodwill from acquisition	**1,324**	–
Due from jointly controlled entities	**7,317**	7,393
	12,615	7,393

The balances with the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances are approximate to their fair values.

The following table illustrates the summarised financial information of the Group's jointly controlled entities as extracted from their management accounts:

	Group	
	2005	2004
	HK$'000	HK$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	**5,043**	62
Non-current assets	**8,654**	9,552
Current liabilities	**(1,111)**	(419)
Non-current liabilities	**(1,936)**	(2,050)
Net assets	**10,650**	7,145
Share of the jointly controlled entities' result:		
Total expenses and loss after tax	**(423)**	–
Share of the jointly controlled entities' capital commitment:	**2,042**	813

Details of principal jointly controlled entities are set out on page 149.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets stated at fair value:				
Equity securities listed in Hong Kong	**262,666**	–	**–**	–
Equity securities listed overseas	**182,796**	–	**–**	–
Unlisted equity securities	**43,854**	–	**–**	–
	489,316	–	**–**	–
Unlisted debt securities	**18,205**	–	**–**	–
Unlisted investment funds	**85,963**	–	**–**	–
	593,484	–	**–**	–
Financial assets stated at cost:				
Unlisted equity securities	**160,995**	–	**8,920**	–
Unlisted debt securities	**39,619**	–	**1,200**	–
Unlisted investment funds	**15,461**	–	**–**	–
	216,075	–	**10,120**	–
Provisions for impairment losses	**(154,286)**	–	**(8,920)**	–
	61,789	–	**1,200**	–
	655,273	–	**1,200**	–
Less: Amount classified under current portion	**(217,019)**	–	**–**	–
Non-current portion	**438,254**	–	**1,200**	–

The debt securities have effective interest rates ranging from Nil to 8 per cent. per annum.

An analysis of the issuers of available-for-sale financial assets is as follows:

Equity securities:				
Corporate entities	**650,311**	–	**8,920**	–
Debt securities:				
Club debentures	**12,175**	–	**1,200**	–
Corporate entities	**45,649**	–	**–**	–
	57,824	–	**1,200**	–

Notes to the Financial Statements

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

During the year, the gross gain of the Group's available-for-sale financial assets recognised directly in equity amounted to HK$105,626,000.

The above financial assets consist of investments in equity securities and investment funds which were designated as available-for-sale financial assets on 1st January, 2005 and have no fixed maturity date or coupon rate.

The fair values of listed equity securities are based on quoted market prices. The fair values of certain unlisted available-for-sale financial assets have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated balance sheet, and the related changes in fair values, which are recorded in the investment revaluation reserve, are reasonable, and that they are the most appropriate values at the balance sheet.

Apart from the above, certain unlisted equity securities and debt securities issued by private entities are measured at cost less impairment at each balance sheet date. The Directors consider that information to be applied in the valuation techniques cannot be reliably obtained on a continuous basis. The fair value of these unlisted equity securities and debt securities cannot be reliably measured.

During the year, the Directors reviewed the carrying amount of certain unlisted available-for-sale financial assets in light of their business performances and with reference to the profit projections prepared by the investees' management. An impairment loss of HK$63,016,000 has been charged to the consolidated profit and loss account.

As at 31st December, 2005, particulars of the Group's available-for-sale financial assets which exceed 20 per cents. of the nominal value of the investee company's issued shares disclosed pursuant to Section 129(1) of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of incorporation	Class of shares	Percentage of issued share capital held by the Group
Vigor Online Offshore Limited	British Virgin Islands	Ordinary shares	32.3

The above company is not regarded as an associate of the Group in accordance with HKAS 28 as the Group has no significant influence over its financing and operating policies.

Notes to the Financial Statements

25. INVESTMENT SECURITIES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities, at cost:				
Listed in Hong Kong	**–**	36,325	**–**	7,248
Listed outside Hong Kong	**–**	427,448	**–**	–
Unlisted	**–**	255,128	**–**	8,920
	–	718,901	**–**	16,168
Provisions for impairment losses	**–**	(453,583)	**–**	(15,352)
	–	265,318	**–**	816
Unlisted debt securities, at cost	**–**	35,732	**–**	1,200
Provisions for impairment losses	**–**	(2,776)	**–**	–
	–	32,956	**–**	1,200
Unlisted investment funds, at cost	**–**	292,711	**–**	7,487
Provisions for impairment losses	**–**	(36,875)	**–**	(7,487)
	–	255,836	**–**	–
	–	554,110	**–**	2,016
Market value of listed investments at the balance sheet date	**–**	241,261	**–**	1,294

An analysis of the issuers of investment securities is as follows:

Equity securities:				
Banks and other financial institutions	**–**	709	**–**	–
Corporate entities	**–**	264,609	**–**	816
	–	265,318	**–**	816
Debt securities:				
Club debentures	**–**	12,175	**–**	1,200
Corporate entities	**–**	20,781	**–**	–
	–	32,956	**–**	1,200

Notes to the Financial Statements

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held for trading:				
Equity securities				
Listed in Hong Kong	**78,480**	–	**–**	–
Listed overseas	**128,604**	–	**1,440**	–
	207,084	–	**1,440**	–
Debt securities				
Listed in Hong Kong	**1,967**	–	**–**	–
Listed overseas	**173,758**	–	**–**	–
Unlisted	**132,670**	–	**–**	–
	308,395	–	**–**	–
Investment funds				
Listed in Hong Kong	**25**	–	**–**	–
Listed overseas	**50,913**	–	**–**	–
Unlisted	**287,819**	–	**–**	–
	338,757	–	**–**	–
Others:				
Unlisted	**53,649**	–	**–**	–
	907,885	–	**1,440**	–
Designated as financial assets at fair value through profit or loss:				
Unlisted investment funds	**268,753**	–	**–**	–
	1,176,638	–	**1,440**	–
Less: Amount classified under current portion	**(802,442)**	–	**(1,440)**	–
Non-current portion	**374,196**	–	**–**	–

The debt securities have effective interest rates ranging from nil to 14.8 per cent. per annum.

An analysis of the issuers of financial assets at fair value through profit or loss is as follows:

	Group 2005	Group 2004	Company 2005	Company 2004
Equity securities:				
Banks and other financial institutions	**47,417**	–	**–**	–
Corporate entities	**159,667**	–	**1,440**	–
	207,084	–	**1,440**	–
Debt securities:				
Central governments and central banks	**9,289**	–	**–**	–
Public sector entities	**4,397**	–	**–**	–
Banks and other financial institutions	**97,308**	–	**–**	–
Corporate entities	**197,401**	–	**–**	–
	308,395	–	**–**	–

27. HELD-TO-MATURITY FINANCIAL ASSETS/SECURITIES

	Group	
	2005	2004
	HK$'000	HK$'000
		(restated)
Debt securities, at amortised cost:		
Listed overseas	**9,604**	60,581
Unlisted	**–**	94,094
	9,604	154,675
Less: Amount classified under current portion	**–**	(82,216)
Non-current portion	**9,604**	72,459
Market value of listed debt securities at the balance sheet date	**11,019**	50,938

The debt securities have effective interest rates of 9 per cent. per annum.

An analysis of the issuers of the held-to-maturity financial assets/securities is as follows:

Banks and other financial institutions	**9,604**	15,903
Corporate entities	**–**	138,772
	9,604	154,675

28. LOANS AND ADVANCES

The loans and advances to customers of the Group have effective interest rates ranging from 3 per cent. to 18 per cent. (2004 – 3 per cent. to 11.3 per cent.) per annum. The carrying amounts of loans and advances are approximate to their fair values.

Movements of allowance for bad and doubtful debts relating to banking operation during the year are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Balance at beginning of year	**5,140**	5,050
Allowance for bad and doubtful debts	**2,910**	90
Impairment allowance released	**(5,050)**	–
Balance at end of year	**3,000**	5,140

Notes to the Financial Statements

29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Group	
	2005	2004
	HK$'000	HK$'000
At 1st January	**4,115**	4,282
Credited/(Charged) to consolidated profit and loss account for the year	**397**	(190)
Disposal of a subsidiary	**(3,396)**	–
Exchange adjustments	**4**	23
At 31st December	**1,120**	4,115

Deferred tax liabilities

Group

	2005					
	Accelerated tax depreciation HK$'000	Revaluation, net of related depreciation HK$'000	Fair value gains on available-for-sale financial assets HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2005						
As previously reported	5,886	170,517	–	(1,789)	2,385	176,999
Prior period adjustment	–	90,511	–	(3,535)	–	86,976
Opening adjustment	–	–	2,898	–	–	2,898
As restated	5,886	261,028	2,898	(5,324)	2,385	266,873
Deferred tax charged/(credited) to profit and loss account during the year	902	64,280	(1,538)	(654)	(281)	62,709
Deferred tax debited to equity during the year	–	–	3,670	–	–	3,670
Acquisition of subsidiaries	–	–	–	–	24,224	24,224
Disposal of a subsidiary	–	–	–	–	(825)	(825)
Exchange adjustments	–	–	(4)	–	(1,751)	(1,755)
At 31st December, 2005	6,788	325,308	5,026	(5,978)	23,752	354,896

29. DEFERRED TAX *(Continued)*

2004 (as restated)

	Accelerated tax depreciation HK$'000	Revaluation, net of related depreciation HK$'000	Fair value gains on available-for-sale financial assets HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2004, as previously reported	5,142	155,358	–	(1,755)	2,165	160,910
Prior period adjustment	–	35,301	–	1,732	–	37,033
	5,142	190,659	–	(23)	2,165	197,943
Deferred tax charged/(credited) to profit and loss account during the year	744	30,297	–	(34)	170	31,177
Deferred tax charged/(credited) to investment property revaluation reserve during the year	–	40,147	–	(5,342)	–	34,805
Exchange adjustments	–	–	–	–	50	50
At 31st December, 2004	5,886	261,103	–	(5,399)	2,385	263,975

At 31st December, 2005, there was no significant unrecognised deferred tax liabilities (2004 – Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no liability to additional tax should such amounts be remitted.

The Group has deductible temporary differences and tax losses of HK$26,818,000 (2004 – HK$28,100,000) and HK$673,103,000 (2004 – HK$665,668,000), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these deductible temporary differences and tax losses at the balance sheet date due to the unpredictability of future profit streams.

There are no income tax consequences attaching to the payment of divdends by the Company to its shareholders.

30. INVENTORIES

	Group 2005 HK$'000	Group 2004 HK$'000
Raw materials	**3,317**	2,752
Finished goods and goods held for resale	**136,231**	103,028
	139,548	105,780

Inventories which were carried at net realisable value at the balance sheet date amounted to HK$7,034,000 (2004 – HK$6,808,000).

Notes to the Financial Statements

31. OTHER INVESTMENTS IN SECURITIES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		
Listed equity securities, at market value:				
Hong Kong	**–**	283,748	**–**	–
Overseas	**–**	138,705	**–**	1,433
	–	422,453	**–**	1,433
Debt securities:				
Listed overseas, at market value:	**–**	234,435	**–**	–
Unlisted, at fair value	**–**	171,644	**–**	–
	–	406,079	**–**	–
Investment funds:				
Listed overseas, at market value	**–**	229,252	**–**	–
Unlisted, at fair value	**–**	239,461	**–**	–
	–	468,713	**–**	–
	–	1,297,245	**–**	1,433

An analysis of the issuers of other investments in securities is as follows:

Equity securities:				
Public sector entities	**–**	493	**–**	–
Banks and other financial institutions	**–**	44,883	**–**	–
Corporate entities	**–**	377,077	**–**	1,433
	–	422,453	**–**	1,433
Debt securities:				
Central governments and central banks	**–**	13,869	**–**	–
Banks and other financial institutions	**–**	113,008	**–**	–
Corporate entities	**–**	230,069	**–**	–
Others	**–**	49,133	**–**	–
	–	406,079	**–**	–

32. DEBTORS, PREPAYMENTS AND DEPOSITS

Included in the balances are trade debtors with an aged analysis as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Outstanding balances with ages:		
Repayable on demand	**55,282**	32,959
Within 30 days	**160,921**	221,626
Between 31 and 60 days	**56,016**	59,767
Between 61 and 90 days	**42,269**	37,746
Between 91 and 180 days	**16,710**	18,157
Over 180 days	**2,280**	1,061
	333,478	371,316

Trading terms with customers are either on a cash basis or credit. For those customers who trade on credit, a credit period is allowed according to relevant business practice. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Except for receivables from certain securities brokers which are interest-bearing, the balances of trade debtors are generally non-interest-bearing. The carrying amounts of debtors and deposits are approximate to their fair values.

Notes to the Financial Statements

33. BANK LOANS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans:				
Secured *(Note)*	**1,172,720**	1,229,635	**78,000**	78,000
Unsecured	**40,700**	47,631	**–**	–
	1,213,420	1,277,266	**78,000**	78,000
Repayable within one year	**(251,233)**	(471,654)	**(78,000)**	–
Non-current portion	**962,187**	805,612	**–**	78,000
Bank loans repayable:				
Within one year	**251,233**	471,654	**78,000**	–
In the second year	**100,494**	246,741	**–**	78,000
In the third to fifth years, inclusive	**341,693**	38,871	**–**	–
After five years	**520,000**	520,000	**–**	–
	1,213,420	1,277,266	**78,000**	78,000

The carrying amounts of the Group's and Company's bank loans are approximate to their fair values and bear interest at 3.1 per cent. to 7.6 per cent. (2004 – 1.4 per cent. to 7.4 per cent.) per annum.

Note: The bank loans were secured by shares in certain listed subsidiaries of the Group, first legal mortgages over certain fixed assets, investment properties, leasehold land and buildings, properties under development, properties held for sale, certain securities of the Group and certain securities owned by margin clients of the Group.

34. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Included in the balances are trade creditors with an aged analysis as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Outstanding balances with ages:		
Repayable on demand	**495,639**	486,189
Within 30 days	**149,047**	76,645
Between 31 and 60 days	**21,603**	29,440
Between 61 and 90 days	**4,544**	5,571
Between 91 and 180 days	**6,744**	6,755
Over 180 days	**1,178**	563
	678,755	605,163

The outstanding balances that are repayable on demand include client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business. As at 31st December, 2005, total client trust bank balances amounted to HK$444,460,000 (2004 – HK$389,123,000). The balances of trade creditors are non-interest-bearing.

35. CURRENT, FIXED, SAVINGS AND OTHER DEPOSITS OF CUSTOMERS

The current, fixed, savings and other deposits of customers attributable to banking operation have effective interest rates ranging from 0.25 per cent. to 4.18 per cent. (2004 – 0.1 per cent. to 3.75 per cent.) per annum.

Notes to the Financial Statements

36. DEFINED-BENEFIT PENSION OBLIGATION

A subsidiary acquired by the Group during the financial year has provided for certain post-employment benefits to its employees in Indonesia. These benefits are unfunded and are determined based on years of service and salaries of employees at the time of pension. The latest actuarial valuation of the defined post-employment benefits was from Prada Actuarial Consulting, an independent actuary, dated 5th January, 2006.

The following tables summarise the components of the amount recognised in the profit and loss account and in the balance sheet for the defined-benefit pension obligation.

The amounts recognised in the consolidated profit and loss account were as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current service cost	**(1,177)**	–
Interest cost on benefit obligation	**(518)**	–
Effect of curtailment	**4,613**	–
Net actuarial gain recognised	**943**	–
	3,861	–

The effect of curtailment for the financial year ended 31st December, 2005 was the result of a reduction in the defined-benefit pension obligation due to the reduction in the number of employees and changes in the employees covered by the plan.

A reconciliation of the amount of defined-benefit pension obligation presented in the balance sheet is as follows :

	Group	
	2005	2004
	HK$'000	HK$'000
Present value of unfunded defined-benefit pension obligation	**1,427**	–
Unrecognised net actuarial gain	**635**	–
Defined-benefit pension obligation	**2,062**	–

36. DEFINED-BENEFIT PENSION OBLIGATION *(Continued)*

Movement of the defined-benefit liability in the balance sheet are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Balance at 1st January	**–**	–
Arising from acquisition of a subsidiary company	**6,570**	–
Reduction in defined-benefit pension obligation	**(3,861)**	–
Benefits paid during the year	**(210)**	–
Exchange adjustments	**(437)**	–
Balance at 31st December	**2,062**	–

The principal actuarial assumptions used in valuation of the defined-benefit pension obligation are as follows:

	Group	
	2005	2004
Discount rate	**12.5 per cent.**	–
Future salary increases	**10.0 per cent.**	–
Turnover rate per annum [1]	**4 – 5 per cent.**	–
Mortality table [2]	**100 per cent.**	–
Mortality rate [2]	**5 per cent.**	–

(1) Based on 5 per cent. until age 30 then 4 per cent. for age 31 onwards.

(2) Based on 1999 Indonesian Mortality table.

The normal pension age is assumed to be 55 years for non-staff members and 60 years for staff members.

37. SHARE CAPITAL

	Group and Company	
	2005	2004
	HK$'000	HK$'000
Authorised:		
30,000,000,000 (2004 – 30,000,000,000) ordinary shares of HK$0.10 each	**3,000,000**	3,000,000
Issued and fully paid:		
433,735,010 (2004 – 433,735,010) ordinary shares of HK$0.10 each	**43,373**	43,373

Notes to the Financial Statements

38. SHARE OPTION SCHEME

Pursuant to the Share Option Scheme for Employees (the "LCR Share Option Scheme") of Lippo China Resources Limited ("LCR"), a listed subsidiary of the Company, approved and adopted by the shareholders of LCR on 2nd May, 1994 (the "LCR Adoption Date"), the directors of the LCR might, at their discretion, grant to any employees (including directors) of LCR and its subsidiaries options to subscribe for shares in LCR. The purpose of the adoption of the LCR Share Option Scheme was to provide an incentive scheme to the employees of LCR and its subsidiaries. Under the rules of the LCR Share Option Scheme, no more options could be granted from the tenth anniversary of the LCR Adoption Date. Accordingly, no more options can be granted under the LCR Share Option Scheme since May 2004. The options can be exercisable after two months from the date on which the options were deemed to be granted and accepted and prior to the expiry of ten years from that date.

The maximum number of shares in respect of which options might be granted under the LCR Share Option Scheme should not exceed 10 per cent. of the number of issued shares of LCR from time to time, excluding the aggregate number of shares issued on exercise of options, and the maximum number of shares in respect of which options might be granted under the LCR Share Option Scheme in any one financial year should not exceed 5 per cent. of the total number of issued shares of LCR from time to time. In addition, the maximum number of shares in respect of which options might be granted under the LCR Share Option Scheme to any grantee should not exceed 25 per cent. of the number of shares subject to the LCR Share Option Scheme at the time of grant. The exercise price for the shares under the LCR Share Option Scheme would be determined by the directors of LCR at their absolute discretion but in any event should not be less than 80 per cent. of the average of the closing price of the shares of LCR as stated on daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares of the LCR, whichever was the greater. The consideration for the grant was HK$1.00 per grantee which must be paid on acceptance to LCR by the grantee within 28 days after the date of offer of the option.

38. SHARE OPTION SCHEME *(Continued)*

The following is a summary of movement in share options of LCR during the year:

Date of grant	Exercise price per share	Exercise period of share options	Quantity of share options outstanding at 1st January, 2005	Quantity of share options exercised/lapsed during the year	Quantity of share options outstanding at 31st December, 2005
23rd June, 1997	HK$0.883	August 1997 to June 2007	5,800,000	Nil	5,800,000

Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each share option is entitled to subscribe for six ordinary shares of HK$0.10 each in LCR in cash at the above exercise price per share which is subject to adjustment.

As at 31st December, 2005, save for each of Messrs. John Luen Wai Lee and David Yeh, Directors of the Company, held 1,500,000 options, none of the Directors, chief executive or substantial shareholders of the Company or their respective associates had an interest in any options to subscribe for shares of LCR. The remaining 2,800,000 share options are held by directors of LCR's subsidiaries or employees of LCR or its subsidiaries.

As at the date of this report, the total number of shares available for issue under the LCR Share Option Scheme is 920,108,871 shares of HK$0.10 each, representing approximately 10 per cent. of the issued share capital of LCR. The exercise in full of 5,800,000 share options would, under the present capital structure of LCR, result in the issue of 34,800,000 shares of HK$0.10 each, representing approximately 0.38 per cent. of the issued share capital of LCR and cash proceeds, before expenses, of HK$30,728,000.

Since no share options were granted under the LCR Share Option Scheme during the year, no value of the share options granted has been disclosed.

Notes to the Financial Statements

39. RESERVES

Group

	Share premium account	Special capital reserve *(Note (a))*	Capital redemption reserve	Capital reserve	Legal reserve *(Note (b))*	Investment property revaluation reserve	Other asset revaluation reserve *(Note (c))*	Investment revaluation reserve	Exchange equalisation reserve	Regulatory reserve *(Note (d))*	Retained profits	Total	Minority interests
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2005													
As previously reported	**517,794**	**1,709,202**	**17,861**	**529,598**	**1,027**	**89,655**	**25,366**	**–**	**(92,511)**	**–**	**219,841**	**3,017,833**	**3,171,629**
Prior period adjustment: *(Note 2.4)* HK(SIC)-Int 21 Deferred tax arising from revaluation of investment properties	**–**	**–**	**–**	**–**	**–**	**(15,264)**	**–**	**–**	**–**	**–**	**(56,304)**	**(71,568)**	**(15,408)**
As restated before opening adjustments	**517,794**	**1,709,202**	**17,861**	**529,598**	**1,027**	**74,391**	**25,366**	**–**	**(92,511)**	**–**	**163,537**	**2,946,265**	**3,156,221**
Opening adjustments *(Note 2.4)*													
In respect of financial instruments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**79,690**	**79,690**	**30,745**
In respect of investment properties	**–**	**–**	**–**	**–**	**–**	**(74,391)**	**(25,366)**	**–**	**–**	**–**	**99,757**	**–**	**–**
In respect of negative goodwill	**–**	**–**	**–**	**(529,598)**	**–**	**–**	**–**	**–**	**–**	**–**	**640,182**	**110,584**	**1,019**
As restated after opening adjustments	**517,794**	**1,709,202**	**17,861**	**–**	**1,027**	**–**	**–**	**–**	**(92,511)**	**–**	**983,166**	**3,136,539**	**3,187,985**
Net fair value gains on available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**58,188**	**–**	**–**	**–**	**58,188**	**47,438**
Deferred tax arising from net fair value gains on available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,886)**	**–**	**–**	**–**	**(1,886)**	**(1,784)**
Transfer of reserve	**–**	**–**	**–**	**–**	**503**	**–**	**–**	**–**	**–**	**601**	**(1,104)**	**–**	**–**
Advance from minority shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**47,612**
Changes in interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,216)**
Issue of shares by subsidiaries to minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,128**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**77,188**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21,426**	**–**	**–**	**21,426**	**(64,612)**
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(826)**	**–**	**–**	**(826)**	**(23,379)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**121,403**	**121,403**	**156,196**
2004 final dividend, declared and paid to shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,675)**	**(8,675)**	**–**
2004 final dividend and distribution, declared and paid to minority shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,869)**
2005 interim dividend and distribution, declared and paid to minority shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,917)**
At 31st December, 2005	**517,794**	**1,709,202**	**17,861**	**–**	**1,530**	**–**	**–**	**56,302**	**(71,911)**	**601**	**1,094,790**	**3,326,169**	**3,386,770**

39. RESERVES *(Continued)*

Group

	Share premium account HK$'000	Special capital reserve *(Note (a))* HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Legal reserve *(Note (b))* HK$'000	Investment property revaluation reserve HK$'000	Other asset revaluation reserve *(Note (c))* HK$'000	Investment revaluation reserve HK$'000	Exchange equalisation reserve HK$'000	Regulatory reserve *(Note (d))* HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000
At 1st January, 2004													
As previously reported	517,794	1,709,202	17,431	529,598	413	–	25,892	–	(101,793)	–	58,132	2,756,669	3,019,006
Prior period adjustment: *(Note 2.4)* HK(SIC)-Int 21 Deferred tax arising from revaluation of investment properties	–	–	–	–	–	–	–	–	–	–	(35,088)	(35,088)	(1,945)
As restated	517,794	1,709,202	17,431	529,598	413	–	25,892	–	(101,793)	–	23,044	2,721,581	3,017,061
Repurchase of shares	–	–	430	–	–	–	–	–	–	–	(7,950)	(7,520)	–
Repayment to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(30,414)
Issue of shares by subsidiaries to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	4,398
Changes in interests in subsidiaries	–	–	–	–	(16)	3	–	–	102	–	–	89	20,713
Acquisition of interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	9,662
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(803)
Transfer of reserve	–	–	–	–	630	–	–	–	–	–	(630)	–	–
Transfer of portion of depreciation charge on leasehold properties attributable to the related revaluation surplus to retained profits	–	–	–	–	–	–	(526)	–	–	–	526	–	–
Surplus on revaluation of investment properties	–	–	–	–	–	96,584	–	–	–	–	–	96,584	61,435
Deferred tax arising from revaluation of investment property	–	–	–	–	–	(22,349)	–	–	–	–	–	(22,349)	(12,456)
Release upon disposal of investment property	–	–	–	–	–	153	–	–	–	–	–	153	61
Exchange realignment	–	–	–	–	–	–	–	–	9,180	–	–	9,180	32,712
Profit for the year (as restated)	–	–	–	–	–	–	–	–	–	–	157,222	157,222	89,650
2003 final dividend, declared and paid to shareholders of the Company	–	–	–	–	–	–	–	–	–	–	(8,675)	(8,675)	–
2003 final dividend and distribution, declared and paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(30,412)
2004 interim distribution, declared and paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(5,386)
At 31st December, 2004 (as restated)	517,794	1,709,202	17,861	529,598	1,027	74,391	25,366	–	(92,511)	–	163,537	2,946,265	3,156,221

Notes to the Financial Statements

39. RESERVES *(Continued)*

(a) Special capital reserve

Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 23rd December, 1998 and the subsequent confirmation by the court on 26th January, 1999, the then entire amount standing to the credit of the share capital account of the Company of approximately HK$1,709,202,000 was cancelled on 27th January, 1999 (the "Cancellation").

The credit arising from the Cancellation was transferred to a special capital reserve account. A summary of the terms of the undertaking given by the Company (the "Undertaking") in respect of the application of the special capital reserve is set out below:

(1) The reserve shall not be treated as realised profits; and

(2) The reserve shall be treated as an undistributable reserve for so long as there shall remain any outstanding debts or claims which was in existence on the date of the Cancellation provided that the amount of the reserve may be reduced by the amount of any future increase in the share capital and the share premium account. Any part of the reserve so reduced is released from the terms of the Undertaking.

As at 1st January, 2005, special capital reserve subject to the Undertaking amounted to HK$1,709,202,000. During the year, such Undertaking was released since no debt or claim which was in existence on the date of the Cancellation remained unsettled. As at 31st December, 2005, no special capital reserve remained subject to Undertaking (2004 – HK$1,709,202,000).

(b) Legal reserve

Legal reserve represents the part of reserve generated by a banking subsidiary of the Company which may only be distributable in accordance with certain limited circumstances prescribed by the statute of the country in which the subsidiary operates.

(c) Other asset revaluation reserve

The other asset revaluation reserve comprises revaluation surplus in respect of leasehold land and buildings which were reclassified from investment properties. On 1st January, 2005, the reserve was transferred to retained profits as referred to in Note 2.4 to the financial statements.

(d) Regulatory reserve

Regulatory reserve made under HKAS 30 represents the part of reserve generated by a banking subsidiary of the Company arising from the difference between the impairment allowance made under HKAS 39 and for regulatory purpose.

39. RESERVES *(Continued)*

Company

	Share premium account HK$'000	Special capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2004	515,637	1,709,202	17,431	286,971	2,529,241
Repurchase of shares	–	–	429	(7,949)	(7,520)
Loss for the year *(Note 14)*	–	–	–	(13,879)	(13,879)
2003 final dividend, declared	–	–	–	(8,675)	(8,675)
At 31st December, 2004	515,637	1,709,202	17,860	256,468	2,499,167
At 1st January, 2005					
As previously reported	515,637	1,709,202	17,860	256,468	2,499,167
Opening adjustment:					
In respect of financial instrument	–	–	–	487	487
As restated after opening adjustment	515,637	1,709,202	17,860	256,955	2,499,654
2004 final dividend, declared	–	–	–	(8,675)	(8,675)
Loss for the year *(Note 14)*	–	–	–	(7,740)	(7,740)
At 31st December, 2005	**515,637**	**1,709,202**	**17,860**	**240,540**	**2,483,239**

At 31st December, 2005, the Company's reserves available for distribution, calculated in accordance with Section 79B of the Companies Ordinance, amounted to HK$240,540,000 (2004 – HK$256,468,000). As at 31st December, 2005, other distributable reserve as arising from the release of the Undertaking amounted to HK$1,709,202,000 (2004 – Nil).

Included in the retained profits of the Group and the Company at 31st December, 2005 was an amount of a proposed final dividend for the year then ended of HK$8,675,000 (2004 – HK$8,675,000) declared after the balance sheet date.

40. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**5,000**	5,000
Due from subsidiaries	**3,112,752**	3,112,299
Due to subsidiaries	**(335,548)**	(309,360)
	2,782,204	2,807,939
Provisions for impairment losses	**(192,074)**	(192,074)
	2,590,130	2,615,865

The balances with subsidiaries are unsecured and have no fixed terms of repayment. Certain balances bear interest at rates reflecting the respective costs of funds within the Group. The carrying amounts of the balances are approximate to their fair values.

Details of the principal subsidiaries are set out on pages 133 to 146.

Notes to the Financial Statements

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to cash from operations

		Group	
	Note	**2005 HK$'000**	2004 HK$'000 (restated)
Profit before tax		**372,431**	305,786
Adjustments for:			
Share of results of associates		**44,608**	(22,931)
Share of results of jointly controlled entities		**423**	–
Loss/(Gain) on disposal of:			
Fixed assets	*8*	**(167)**	(212)
Prepaid lease payments for land	*8*	**6,126**	–
Investment properties		**–**	(898)
Interests in subsidiaries		**9,234**	7,497
Investment securities	*8*	**–**	708
Available-for-sale financial assets	*8*	**(15,157)**	–
Provisions/(Write-back of provisions) for impairment losses:			
Associates		**10,587**	16,367
Investment securities		**–**	(47,569)
Properties held for sale		**8,276**	–
Fixed assets		**1,528**	–
Available-for-sale financial assets	*8*	**63,016**	–
Goodwill		**3,755**	–
Net unrealised loss on transfer of investment securities and held-to-maturity securities to other investments in securities	*7*	**–**	7,856
Fair value gains/Write-back of deficit on revaluation of investment properties		**(300,710)**	(221,329)
Net fair value gain on financial assets at fair value through profit or loss		**(77,108)**	–
Amortisation of prepaid lease payments for land	*8*	**159**	71
Changes in interests in subsidiaries		**(4,216)**	–
Net allowance for bad and doubtful debts		**31,075**	5,848
Provision for inventories		**6,775**	–
Interest expenses		**54,762**	32,744
Interest income		**(78,992)**	(61,080)
Dividend income		**(27,255)**	(22,732)
Depreciation	*8*	**28,035**	25,287
Net gain on defined-benefit pension obligation	*8*	**(3,861)**	–
Amortisation of goodwill arising from acquisition of subsidiaries	*8*	**–**	8,755
Excess over cost of a business combination/ Negative goodwill recognised as income		**(36,854)**	(4,892)
Operating profit before working capital changes		**96,470**	29,276

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Reconciliation of profit before tax to cash from operations *(Continued)*

	Group	
	2005	2004
	HK$'000	HK$'000
		(restated)
Decrease in properties held for sale	**5,524**	78,894
Decrease/(Increase) in inventories	**(42,672)**	21,504
Decrease in held-to-maturity financial assets/securities	**39**	48,847
Decrease in other investments in securities	**–**	57,106
Decrease in financial assets at fair value through profit or loss	**353,292**	–
Decrease/(Increase) in loans and advances	**20,878**	(78,085)
Decrease/(Increase) in debtors, prepayments and deposits	**(35,088)**	102,426
Decrease/(Increase) in client trust bank balances	**(55,337)**	41,435
Increase/(Decrease) in creditors, accruals and deposits received	**50,231**	(263,316)
Decrease in defined-benefit pension obligation	**(210)**	–
Decrease in current, fixed, savings and other deposits of customers	**(898)**	(548,649)
Cash from/(used in) operations	**392,229**	(510,562)

(b) Major non-cash transactions

During the year ended 31st December, 2004, investment securities of a total cost of HK$19,019,000 were transferred to other investments in securities at their respective market values or fair values at the date of transfer.

Notes to the Financial Statements

42. DISPOSAL OF SUBSIDIARIES

	Group	
	2005	2004
	HK$'000	HK$'000
Net assets disposed of:		
Fixed assets	**42**	6
Loans and advances	**1,525**	–
Deferred tax assets	**3,396**	–
Available-for-sale financial assets	**4,575**	–
Financial asset at fair value through profit or loss	**42,431**	–
Cash and bank balances	**224,116**	1,964
Debtors, prepayment and deposits	**768**	40,069
Creditors, accruals and deposits received	**(12,670)**	(40,400)
Deferred tax liabilities	**(825)**	–
Release of exchange reserve	**21,426**	4
Minority interests	**(64,612)**	(803)
	220,172	840
Loss on disposal	**(9,234)**	(140)
	210,938	700
Satisfied by:		
Cash consideration received	**191,158**	700
Increase in interests in associates	**12,004**	–
Increase in available-for-sale financial assets	**7,776**	–
	210,938	700

An analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Cash consideration received	**191,158**	700
Cash and bank balances disposed of	**(224,116)**	(1,964)
Net outflow of cash and cash equivalents	**(32,958)**	(1,264)

43. BUSINESS COMBINATION

On 8th June, 2005, the Group, through non-wholly owned subsidiaries, acquired an 85.3 per cent. equity interest in PT Duta Wisata Loka ("DWL"), a company incorporated in Indonesia and holding a shopping mall known as Megamal Pluit in Jakarta, Indonesia for rental purpose. The Group's effective interest in DWL is 10.4 per cent.

The carrying amounts of the acquiree's assets and liabilities immediately before combination and recongised at the date of acquisition are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000 (restated)
Net assets acquired:		
Investment properties	**336,182**	–
Prepaid lease payments for land	**–**	5,470
Fixed assets	**1,055**	22,697
Inventories	**–**	1,238
Cash and bank balances	**16,631**	40,686
Bank loans	**(102,820)**	(10,397)
Debtors, prepayments and deposits	**11,202**	25,565
Creditors, accruals and deposits received	**(50,908)**	(15,072)
Tax payable	**(2,517)**	–
Defined-benefit pension obligation	**(6,570)**	–
Deferred tax liabilities	**(24,224)**	–
Minority interests	**(77,188)**	(9,662)
	100,843	60,525
Reclassification from interest in an associate	**–**	(17,891)
Goodwill arising from acquisition	**–**	7,317
Negative goodwill arising from acquisition	**(36,854)**	(878)
Deferred cash settlement	**–**	(21,223)
Cash consideration paid	**63,989**	27,850

Notes to the Financial Statements

43. BUSINESS COMBINATION *(Continued)*

An analysis of net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Cash consideration paid	**(63,989)**	(27,850)
Cash and bank balances acquired	**16,631**	40,686
Net inflow/(outflow) of cash and cash equivalents	**(47,358)**	12,836

The subsidiaries acquired during the year contributed turnover of HK$50,577,000 (2004 – HK$6,800,000) and a profit after tax of HK$18,855,000 (2004 – loss of HK$8,423,000) to the Group since the date of their respective acquisition. In the case of the associate which was reclassified to a subsidiary during the year ended 31st December, 2004, the revenue and profit after tax amounts exclude the former associate's contribution to the results prior to its becoming a subsidiary.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year have been HK$2,558,355,000 and HK$288,581,000.

Notes to the Financial Statements

44. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of assets and liabilities of the Group analysed by the remaining period at the balance sheet date to the contractual maturity date is as follows:

	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31st December, 2005							
Assets							
Debt securities:							
Held-to-maturity financial assets	–	–	–	–	9,604	–	9,604
Available-for-sale financial assets	–	3,123	–	7,697	15,082	31,922	57,824
Financial assets at fair value through profit or loss	–	4,665	39,393	180,823	75,372	8,142	308,395
Loans and advances	138,483	62,255	44,260	12,642	17,333	6,729	281,702
Client trust bank balances	21,150	423,310	–	–	–	–	444,460
Treasury bills	–	15,520	–	–	–	–	15,520
Cash and bank balances	529,828	773,017	–	–	–	–	1,302,845
	689,461	1,281,890	83,653	201,162	117,391	46,793	2,420,350
Liabilities							
Bank loans	–	65,700	185,533	442,187	520,000	–	1,213,420
Current, fixed, savings and other deposits of customers	43,601	71,643	1,499	–	–	–	116,743
	43,601	137,343	187,032	442,187	520,000	–	1,330,163

Notes to the Financial Statements

44. MATURITY PROFILE OF ASSETS AND LIABILITIES *(Continued)*

	Repayable on demand HK$'000	3 months or less HK$'000	1 year or less but over 3 months HK$'000	5 years or less but over 1 year HK$'000	After 5 years HK$'000	Undated HK$'000	Total HK$'000
At 31st December, 2004, as restated							
Assets							
Debt securities:							
Investment securities	–	–	–	20,782	–	12,174	32,956
Held-to-maturity securities	–	40,465	41,751	56,556	15,903	–	154,675
Other investments in securities	–	–	28,722	242,584	70,180	64,593	406,079
Loans and advances	194,851	62,086	25,796	34,913	35,008	–	352,654
Client trust bank balances	43,244	345,879	–	–	–	–	389,123
Treasury bills	–	23,765	–	–	–	–	23,765
Cash and bank balances	757,544	1,278,677	–	–	–	–	2,036,221
	995,639	1,750,872	96,269	354,835	121,091	76,767	3,395,473
Liabilities							
Bank loans	–	249,127	222,527	285,612	520,000	–	1,277,266
Current, fixed, savings and other deposits of customers	19,912	88,576	9,153	–	–	–	117,641
	19,912	337,703	231,680	285,612	520,000	–	1,394,907

45. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities:

(a) Guarantees in respect of banking facilities

	Group 2005 HK$'000	Group 2004 HK$'000
Guarantees provided in respect of banking facilities granted to:		
An associate	**977**	–
An investee company	**914**	2,915
	1,891	2,915

45. CONTINGENT LIABILITIES *(Continued)*

(b) Details of the off-balance sheet exposures relating to banking operation

As at 31st December, 2005, the Group had contingent liabilities relating to its banking subsidiary of HK$29,953,000 (2004 – HK$29,245,000), comprising guarantees and other endorsements of HK$11,785,000 (2004 – HK$15,528,000) and liabilities under letters of credit on behalf of customers of HK$18,168,000 (2004 – HK$13,717,000).

The Company did not have any material contingent liabilities at the balance sheet date (2004 – Nil).

46. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties and properties held for sale under operating lease arrangements with leases negotiated for terms ranging from one to fourteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market condition. At 31st December, 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**155,091**	91,961
In the second to fifth years, inclusive	**119,428**	48,835
After five years	**61,499**	–
	336,018	140,796

Notes to the Financial Statements

46. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain properties and motor vehicles under operating lease agreements that are non-cancellable. The leases expire on various dates until 15th December, 2032 and the leases for properties contain provision for rental adjustments. As at 31st December, 2005, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**19,931**	13,959	**2,977**	2,977
In the second to fifth years, inclusive	**29,248**	32,164	**–**	2,977
After five years	**43,415**	17,414	**–**	–
	92,594	63,537	**2,977**	5,954

47. CAPITAL COMMITMENTS

The Group had the following commitments at the balance sheet date:

	Group	
	2005	2004
	HK$'000	HK$'000
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**61,168**	4,699
Other capital commitments:		
Contracted, but not provided for *(Note)*	**1,944,869**	166,337
	2,006,037	171,036

Note: The balance as at 31st December, 2005 included the Group's commitment in Lippo ASM Asia Property LP ("LAAP"), a limited partnership established with an investment objective to invest in real estate in the East Asia region, of approximately HK$1,292,000,000 (2004 – Nil).

The Company did not have any material commitments at the balance sheet date (2004 – Nil).

48. RELATED PARTY TRANSACTIONS

Listed below are related party transactions disclosed in accordance with the HKAS 24 "Related party disclosures".

(a) As at 31st December, 2005, the Group had balances with its associates and jointly controlled entities, further details of which are set out in Notes 22 and 23 to the financial statements, respectively.

(b) During the year, ImPac Asset Management (HK) Limited, an indirect subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, being an associate of the Company, amounted to HK$4,112,000.

(c) During the year, PT Duta Wisata Loka ("DWL"), a then indirect subsidiary of the Company acquired during the year, received rental, service charges and outgoings from PT Matahari Putra Prima Tbk and PT Matahari Graha Fantasi, indirect subsidiaries of Lippo Cayman Limited ("Lippo Cayman"), amounted to HK$6,573,000 and HK$635,000, respectively. Subsequent to the balance sheet date, DWL ceased to be a subsidiary of the Company and becomes an associate of the Company in February 2006. Lippo Cayman is the ultimate holding company of the Company and the Directors' interest therein are separately reported.

The transactions referred to item (c) above were continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the transactions are disclosed in the section headed "Connected Transaction and Continuing Connected Transactions" in the Report of the Directors.

49. POST BALANCE SHEET EVENTS

(a) On 5th January, 2006, a then indirect subsidiary of the Company acquired 35,961,210 ordinary shares of S$0.08 each in, representing approximately 29.9 per cent. of the issued share capital of, Food Junction Holdings Limited ("Food Junction") for an aggregate consideration of approximately S$24,800,000. Food Junction is a company whose shares are listed on the Dealing and Automated Quotation System of Singapore Exchange Securities Trading Limited ("SGX-ST") and is principally engaged in managing the daily operational requirements of food courts and food stalls.

(b) On 18th January, 2006, indirect subsidiaries of the Company entered into a total of twenty two sale and purchase agreements to acquire strata interest in a commercial building located at 79 Anson Road in Singapore for an aggregate consideration of S$95,000,000 for property investment purpose. The acquisition was completed on 12th April, 2006.

(c) On 27th January, 2006, a then indirect subsidiary of the Company entered into an agreement to acquire the property at 329 Bukit Timah Road, Singapore for a total consideration of S$10,500,000. The acquisition is expected to be completed on 1st June, 2006.

Notes to the Financial Statements

49. POST BALANCE SHEET EVENTS *(Continued)*

(d) On 17th February, 2006, a then indirect subsidiary of the Company entered into an agreement to acquire the property known as One Phillip Street in Singapore for an aggregate consideration of S$37,600,000. The acquisition is expected to be completed on 5th May, 2006.

(e) On 23rd February, 2006, an indirect subsidiary of the Company executed a deed of gift in favour of Southeast University (the "University") in People's Republic of China (the "PRC") in relation of the donation of one share of US$1.00 (the "Gift Share") in, representing the entire issued share capital of, Gainston Limited ("Gainston") as a gift to the University. The sole asset of, Gainston is its holding of 2,380,000 ordinary shares of S$0.50 each in the capital of Auric Pacific Group Limited ("APG"), a company whose shares are listed on the Main Board of SGX-ST. APG ceased to be a subsidiary of the Company and becomes an associate of the Company from 23rd February, 2006.

(f) On 17th March, 2006 and 27th March, 2006, the Group entered into a subscription agreement and a shareholders' agreement respectively, in respect of investment in and formation of a joint venture (the "Joint Venture"). Pursuant to the subscription agreement, the Group has subscribed for 45 per cent. of the issued share capital of the Joint Venture for a consideration of US$4,500. Pursuant to the shareholders' agreement, the Joint Venture will acquire and hold 86.25 per cent. equity interest in Tongren Healthcare Management Group Co., Ltd. and its subsidiaries ("Tongren Healthcare Group"). The funding for the acquisition will be met by shareholders' loans in proportion to the respective equity interests of the shareholders in the Joint Venture. Tongren Healthcare Group is mainly engaged in medical and healthcare related business in the PRC. The completion of the acquisition will be subject to the fulfillments of certain conditions precedent as stipulated in the agreements.

(g) On 27th March, 2006, the Group entered into an agreement to dispose of its 26.3 per cent. equity interest in Fujian Electric (Hong Kong) LDC, the principal underlying asset of which is a power plant located at Putian City in the PRC at a consideration of US$55,300,000 (the "Disposal"). In consideration of the Group's granting consents and waivers to facilitate the Disposal, one of the joint venture partners of the power plant agreed to pay a sum of US$3 million to the Group upon the closing of the Disposal. The Disposal will be completed within six months from the date of the agreement.

50. COMPARATIVE AMOUNTS

As explained in Notes 2.2 and 2.4 to the financial statements, due to the adoption of the new and revised HKFRSs and HKASs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirement. Accordingly, certain comparative amounts have been restated to conform with current year's presentation.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21st April, 2006.