1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8th August, 2002 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15th July, 2004. In the opinion of the directors, the ultimate holding company of the Company is Fu's Family Limited, incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

Under a group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company became the holding company of the Group on 24th June, 2004. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated 30th June, 2004.

The group comprising the Company and its subsidiaries (the "Group") resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group for the year ended 31st December, 2004 have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with the Statement of Standard Accounting Practice ("SSAP") 27 Accounting for Group Reconstructions issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of the Group are the provision of real estate agency services and estate management services in the PRC. The principal activities of the Company's subsidiaries are set out in note 35.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Business Combinations *(Continued)*

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. With respect to goodwill arising on acquisition of a jointly controlled entity previously capitalised on the balance sheet, the Group on 1st January, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$172,000 with a corresponding decrease in the cost of goodwill (see Note 19). The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisition after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see Note 3 for the financial impact). The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill arising on acquisition after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

Financial Instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible loan notes

The principal impact of HKAS 32 on the Group is in relation to convertible loan notes issued by a wholly-owned subsidiary of the Company that contain both liability and equity components. Previously, convertible loan notes were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated in order to reflect the increase in effective interest on the liability component (see Note 3 for the financial impact). The convertible loan notes were fully converted into ordinary shares of the Company during 2004.

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. However, there has been no material effect on results for the current year.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Cost of equity transactions

Under HKAS 32, the Company records transaction costs of any equity transaction as a deduction from equity. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Transaction costs that relate jointly to more than one transaction (for example, costs of a concurrent offering of some shares and a stock exchange listing of other shares) are allocated to these transactions using a basis of allocation that is rational and consistent with similar transactions.

On applying HKAS 32, an adjustment of approximately HK$10,260,000 relating to listing expenses has been reversed from share premium and included in the profit for the year ended 31st December, 2004.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current years, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. Since the allocation between the land and buildings elements cannot be made reliably, the Group has continuously accounted for the leasehold interests in land as property, plant and equipment. There has been no material effect on results for the current year and prior accounting years.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. This change in accounting policy has had no material effect on results for the current year and prior accounting years.

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. The application of the interpretation has had no major impact on current year and prior year figures.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the year are as follows:

	2005	2004
	HK$'000	HK$'000
Listing expenses	**–**	(10,260)
Increase in effective interest expense on the liability component of convertible loan notes	**–**	(349)
Decrease in share of results of jointly controlled entities	**(101)**	(125)
Increase in income tax expenses	**101**	125
Non-amortisation of goodwill	**109**	–
Increase (decrease) in profit for the year	**109**	(10,609)

The cumulative effects of the application of the new HKFRSs on 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (originally stated)	**Adjustments**	**As at 31st December, 2004 (restated)**	**Adjustments**	**As at 1st January, 2005 (restated)**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Impact of HKAS 1:					
Minority interests	–	13,929	13,929	–	13,929
Impact of HKAS 32:					
Share premium	63,494	11,570	75,064	–	75,064
Retained profits	91,595	(11,570)	80,025	–	80,025
Total effects on equity	155,089	13,929	169,018	–	169,018
Minority interests	13,929	(13,929)	–	–	–

The financial effects of the application of the new HKFRSs to the Group's equity and other balance sheet items on 1st January, 2004 are summarised below:

	As originally stated	**Adjustments**	**As restated**
	HK$'000	HK$'000	HK$'000
Impact of HKAS 1:			
Minority interests	–	7,594	7,594
Impact of HKAS 32:			
Convertible notes reserve	–	1,310	1,310
Retained profits	47,984	(961)	47,023
Total effects on equity	47,984	7,943	55,927
Minority interests	7,594	(7,594)	–

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.

[2] Effective for annual periods beginning on or after 1st January, 2006.

[3] Effective for annual periods beginning on or after 1st December, 2005.

[4] Effective for annual periods beginning on or after 1st March, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment properties which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary and jointly controlled entity at the date of acquisition.

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of a jointly controlled entity (which is accounted for using the equity method) is included in the cost of the investment of the relevant jointly controlled entity.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interest in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of a jointly controlled entity is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in a jointly controlled entity are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entity, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in jointly controlled entities *(Continued)*

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Agency commission and conveyancing services income from property brokering is recognised when a buyer and seller execute a legally binding sale agreement and when the relevant agreement becomes unconditional and irrevocable.

Development, marketing, planning consultancy and property management services income is recognised when the services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rates applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the period of the relevant leases.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Deferred tax assets and liabilities are offset when they related to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Retirement benefit costs

The retirement benefit costs charged to the income statement represent the contribution payable in respect of the Group's defined contribution scheme.

Payments to the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Trade receivables and other receivables

Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value. Bank deposits are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including bank and other borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Convertible loan notes

Convertible loan notes issued by New Ideas Holdings Limited ("New Ideas") that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the loan notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to value assigned to these components. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the financial statements are disclosed below:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation.

The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year in which the estimate is changed and the future period.

Estimated impairment on trade and other receivables and prepayment

Management regularly reviews the recoverability and/or aging of trade receivables, other receivables and prepayment. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment is required, the Group takes into consideration the aging status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised based on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, bank balances, trade receivables and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 is the carrying amount of trade receivables as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures of each customer to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings.

Foreign exchange risk

The Group mainly operates in the People's Republic of China (the "PRC") with most of the transactions denominated and settled in Renminbi ("RMB"). Hence, the Group considers it has no material foreign exchange risk. However, RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

Interest rate risk

The Group's interest rate risk relates to its short-term bank deposits and fixed-rate borrowings. However, the management considered the risk is insignificant to the Group.

7. TURNOVER

Turnover represents agency commission and services income received and receivable from outsider customers for the sales of properties in the PRC less business tax and surcharges and is analysed as follows:

	2005 **HK$'000**	2004 HK$'000
Agency commission and service income	**326,816**	170,540
Less: Business tax and surcharges	**(16,621)**	(8,297)
	310,195	162,243

8. SEGMENT INFORMATION

No analysis of the Group's segmental information by business or geographical segments is presented as less than 10% of the Group's activities and operations are contributable by activities other than property brokering services or from markets outside the PRC.

9. FINANCE COSTS

	2005 **HK$'000**	2004 HK$'000 (restated)
Interest on bank borrowing wholly repayable within five years	**549**	500
Effective interest on convertible notes	**–**	634
	549	1,134

10. INCOME TAX EXPENSE

	2005 **HK$'000**	2004 HK$'000 (restated)
The expense comprises:		
PRC income tax	**18,620**	10,524
Deferred taxation (note 26)	**778**	3,316
	19,398	13,840

Enterprises Income Tax ("EIT") is provided on the estimated assessable profits of the Group's subsidiaries in the PRC in accordance with the laws and regulations in the PRC at 33%.

Certain of the Group's subsidiaries in the PRC are only required to pay the PRC income tax on predetermined tax rate at 2% to 6.8% on turnover during the year (2004: 2% to 4%). The predetermined tax rate is agreed and determined between such enterprises and the PRC tax bureau of local government and is subject to annual review and renewal.

In addition, pursuant to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are entitled to exemption from PRC enterprise income tax for the first one to two years commencing from their incorporation while subject to annual review and renewal by the PRC tax bureau of local government.

No provision for Hong Kong Profits Tax has been made in the financial statements as the subsidiaries have no assessable profit for both years.

10. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit per the income statement as follows:

	2005 HK$'000	2004 HK$'000 (restated)
Profit before taxation	**88,303**	59,296
Tax at the applicable rate of 33%	**29,140**	19,568
Tax effect of share of results of jointly controlled entities	**(238)**	(161)
Tax effect of expenses not deductible for tax purpose	**696**	3,385
Tax effect of incomes not taxable for tax purpose	**(153)**	–
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	**(9,426)**	(11,556)
Effect of tax concessions granted to certain PRC subsidiaries	**(981)**	–
Tax effect of loss not recognised	**199**	1,641
Tax effect of different tax rate operating in different jurisdiction	**124**	–
Others	**37**	963
Income tax expense	**19,398**	13,840

Details of deferred taxation are set out in note 26.

11. PROFIT FOR THE YEAR

	2005 **HK$'000**	2004 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration, including retirement benefits scheme contribution (note 12)	**6,173**	3,978
Other staff costs	**111,775**	47,020
Other retirement benefits scheme contributions	**2,827**	1,308
Total staff costs	**120,775**	52,306
Auditors' remuneration	**1,120**	880
Depreciation of property, plant and equipment	**17,977**	8,198
Impairment on trade receivables	**374**	86
Net loss on disposal of property, plant and equipment	**3**	61
Share of tax of jointly controlled entities	**101**	125
and after crediting:		
Bank interest income	**1,040**	52
Net rental income in respect of premises, net of outgoings of HK$20,000 (2004: HK$20,000)	**180**	305

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors were as follows:

For the year ended 31st December, 2005

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Tsao Kwong Yung, Peter HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Total HK$'000
Fees	**–**	**–**	**–**	**–**	**155**	**60**	**120**	**90**	**425**
Salaries and other benefits	**1,800**	**1,300**	**1,300**	**1,300**	**–**	**–**	**–**	**–**	**5,700**
Retirement benefit scheme contributions	**12**	**12**	**12**	**12**	**–**	**–**	**–**	**–**	**48**
Total emoluments	**1,812**	**1,312**	**1,312**	**1,312**	**155**	**60**	**120**	**90**	**6,173**

For the year ended 31st December, 2004

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Tsao Kwong Yung, Peter HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Total HK$'000
Fees	–	–	–	–	400	30	70	500
Salaries and other benefits	1,030	959	548	900	–	–	–	3,437
Retirement benefit scheme contributions	13	11	8	9	–	–	–	41
Total emoluments	1,043	970	556	909	400	30	70	3,978

The Group also provided rent-free accommodation to Mr. Fu Wai Chung, the executive director for the year ended 31st December, 2005. The annual rateable value of the properties involved, which are owned by the Group, are HK$678,000 (2004: HK$678,000) respectively.

For both years, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments for both years.

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four directors for the year ended 31st December, 2005 (2004: four), whose emoluments are included in the above. The emoluments of the remaining individual were as follows:

	2005 HK$'000	2004 HK$'000
Salaries and other benefits	**471**	609
Retirement benefits scheme contributions	**2**	2
	473	611

14. DIVIDENDS

On 19th April, 2006, the Directors have resolved to recommend to shareholders to declare a final dividend of HK6 cents per share for the year ended 31st December, 2005. The final dividend will be payable on or about 19th June, 2006 to shareholders whose names appear on the register of members of the Company on 1st June, 2006.

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following data:

	2005 **HK$'000**	2004 HK$'000 (restated)
Earnings:		
Net profit for the year attributable to equity holders of the Company and earnings for the purpose of basic earnings per share	**58,449**	37,985
Effect of dilutive potential ordinary shares: Interest on convertible notes	**–**	634
	58,449	38,619
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share (Note)	**198,494,795**	146,508,197
Effect of dilutive potential ordinary shares: Convertible notes	**–**	9,590,164
Weighted average number of shares for the purposes of diluted earnings per share	**198,494,795**	156,098,361

Note: The weighted average number of shares are computed assuming that the Group Reorganisation was effective on 1st January, 2004.

15. EARNINGS PER SHARE *(Continued)*

The adjustment to basic and diluted earnings per share, arising from the changes in accounting policies shown in note 3, is as follows:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2005	2004	**2005**	2004
Reconciliation of earnings per share:				
Reported figure before adjustment	**29.3**	33.2	**N/A**	31.3
Adjustment arising from the adoption of HKAS 32 and HKAS 39	**–**	(7.3)	**N/A**	(6.6)
Adjustment arising from the adoption of HKFRS 3	**0.1**	–	**N/A**	–
Restated	**29.4**	25.9	**N/A**	24.7

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2004 and 2005	1,564
Exchange adjustments	46
At 31st December, 2005	1,610

Investment properties were valued at their fair value at 31st December, 2005 on an open market value basis by BMI Appraisals Limited, an independent firm of professionally qualified valuers. BMI Appraisals Limited is a member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. No valuation surplus/deficit arises from the valuation as at 31st December, 2005.

All of the above Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises of leasehold land situated in the PRC under medium term land use rights.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st January, 2004	33,710	4,095	15,565	2,737	56,107
Additions	–	19,359	7,787	6,552	33,698
Disposals	–	–	(3)	(238)	(241)
Disposal of a subsidiary	–	–	(1,597)	(198)	(1,795)
At 31st December, 2004	33,710	23,454	21,752	8,853	87,769
Exchange adjustment	982	682	631	258	2,553
Additions	16,298	25,992	14,754	6,464	63,508
Disposals	–	–	(309)	–	(309)
Acquired on acquisition of subsidiaries	–	295	446	655	1,396
At 31st December, 2005	50,990	50,423	37,274	16,230	154,917
DEPRECIATION					
At 1st January, 2004	3,175	1,156	4,923	951	10,205
Provided for the year	758	2,718	3,750	972	8,198
Eliminated on disposals	–	–	(2)	(104)	(106)
Disposal of a subsidiary	–	–	(1,263)	(161)	(1,424)
At 31st December, 2004	3,933	3,874	7,408	1,658	16,873
Exchange adjustment	115	112	215	48	490
Provided for the year	1,650	8,115	6,010	2,202	17,977
Eliminated on disposals	–	–	(68)	–	(68)
At 31st December, 2005	5,698	12,101	13,565	3,908	35,272
CARRYING VALUES					
At 31st December, 2005	45,292	38,322	23,709	12,322	119,645
At 31st December, 2004	29,777	19,580	14,344	7,195	70,896

All of the Group's leasehold land and buildings are held under medium term land use rights in the PRC.

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold land and buildings	Over the term of the leases or 40 years
Leasehold improvements	20%
Office equipment, furniture and fixtures	20%
Motor vehicles	20%

The Group has acquired certain leasehold land and buildings and has paid the full consideration of purchase consideration, while the relevant government authorities have not issued certificates on formal title of these leasehold land and buildings to the Group. As at 31st December, 2005, the net book value of the leasehold land and buildings for which the certificate on the formal title had not been issued to the Group amounted to approximately HK$7,570,000 (2004: Nil). In the opinion of the directors, the absence of formal title to these leasehold land and buildings does not impair the value of the relevant properties to the Group. The directors also believe that formal title to these leasehold land and buildings will be granted to the Group in due course.

18. GOODWILL

	HK$'000
COST	
At 1st January, 2005	–
Arising on acquisition of subsidiaries (note 28)	668
Transfer upon acquisition of additional interest in jointly controlled entities (note 19)	1,703
At 31st December, 2005	2,371

For the purposes of impairment testing, goodwill have been allocated to the subsidiaries from which goodwill arose from as individual CGUs.

The recoverable amount of the CGUs has been determined on the basis of value in use calculations. The value in use calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 6.138%. The set of cash flows beyond the five-year period are extrapolated for further 5 years using a steady 5% growth rate, as determined by management.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2005 **HK$'000**	2004 HK$'000
Cost of unlisted investments in jointly controlled entities	–	3,828
Share of post-acquisition profits	–	487
	–	4,315

For the year ended 31st December, 2004, included in the cost of investment in jointly controlled entities is goodwill of HK$1,703,000 arising on the acquisitions of a 40% equity interest in Asia Asset Property Services Limited ("Asia Asset"), which is incorporated in Hong Kong. It is engaged in holding of two wholly-owned subsidiaries which are engaged in the provision of property management, consultancy, agency and other related services in the PRC. The movement of goodwill is set out below.

	HK$'000
COST	
At 1st January, 2004	–
Arising on acquisition of jointly controlled entities	1,875
At 31st December, 2004	1,875
Elimination of accumulated amortisation upon the application of HKFRS 3	(172)
Transfer upon acquisition of additional interest in jointly controlled entities to goodwill (note 18)	(1,703)
At 31st December, 2005	**–**
AMORTISATION	
At 1st January, 2004	–
Provided for the year	172
At 31st December, 2004	172
Elimination of accumulated amortisation upon the application of HKFRS 3	(172)
At 31st December, 2005	**–**
CARRYING VALUE	
At 31st December, 2005	**–**
At 31st December, 2004	1,703

Until 31st December, 2004, goodwill had been amortised over 5 years.

On 10th August, 2005, the Group entered into a sale and purchase agreement with Rich People Investments Limited, another shareholder of Asia Asset to acquire further 40% equity interest in Asia Asset and since then, Asia Asset became a subsidiary which is 80% owned by the Company. Details of the acquisition of this subsidiary are set out in note 28.

20. TRADE RECEIVABLES

The Group allows its trade customers with credit periods normally ranging from 30 to 120 days.

The aged analysis of trade receivables at the balance sheet date is as follows:

	2005	2004
	HK$'000	HK$'000
Trade receivables		
0 – 30 days	**51,539**	26,024
31 – 60 days	**14,392**	6,893
61 – 90 days	**12,733**	7,381
91 – 120 days	**10,049**	2,519
Over 120 days	**5,231**	2,547
	93,944	45,364

The directors consider that the fair values of the Group's trade and other receivables at 31st December, 2005 approximate their corresponding carrying amounts.

21. OTHER RECEIVABLES AND PREPAYMENT

The directors consider that the fair values of other receivables at 31st December, 2005 approximate their corresponding carrying amounts.

22. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing ranging from 0.30% to 3.44% and have original maturity of three months or less. The carrying amount of these assets approximates their fair value.

23. PAYABLES AND ACCRUALS

The directors consider that the fair values of payables at 31st December, 2005 approximate their corresponding carrying amounts.

24. SECURED BANK BORROWINGS

The secured bank borrowings are interest-bearing at fixed-rates ranging from of 6.1% to 6.9% (2004: 5.31% to 6.9%) per annum and are repayable as follows:

	2005 HK$'000	2004 HK$'000
Repayable within one year	**7,600**	7,385
Repayable within one to two years	**803**	781
Repayable within two to three years	**402**	781
Repayable within three to four years	**–**	390
	8,805	9,337
Less: Amounts repayable within one year and included in current liabilities	**(7,600)**	(7,385)
Amounts repayable after one year	**1,205**	1,952

The Group's borrowings as at 31st December, 2004 and 2005 are denominated in RMB.

The fair value of the Group's bank borrowings, estimated by discounting their future cash flows at prevailing market borrowing rates at the balance sheet date, approximates their carrying amounts.

25. SHARE CAPITAL

	Number of shares	**Nominal amounts** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st January, 2004	38,000,000	380
Increase on 24th June, 2004	7,962,000,000	79,620
At 31st December, 2004 and 31st December, 2005	8,000,000,000	80,000
Issued and fully paid:		
Allotted and issued nil paid on date of incorporation and at 1st January, 2003	10,000	–
Credited as fully paid for share premium under the Group Reorganisation	–	–
Issue of shares by capitalisation of share premium account	116,990,000	1,170
Issue of shares for placing and public offer	45,000,000	450
Issue of shares upon conversion of convertible notes	18,000,000	180
At 31st December, 2004	180,000,000	1,800
Issue of shares by private placement under general mandate	39,300,000	393
At 31st December, 2005	219,300,000	2,193

25. SHARE CAPITAL (Continued)

The Company was incorporated in the Cayman Islands on 8th August, 2002 with an authorised capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On 16th October, 2002 and 25th October, 2002, the Company issued and allotted, nil paid, 1 and 9,999 shares respectively.

Pursuant to the written resolutions passed by all the shareholders of the Company on 24th June, 2004 to effect the Group Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange, the following movements in the authorised and issued share capital of the Company took place:

(a) the authorised share capital of the Company was increased from HK$380,000 to HK$80,000,000 by the creation of additional 7,962,000,000 new shares of HK$0.01 each to rank pari passu with the then existing shares in issue in all respects;

(b) Conditional on the share premium account being credited as a result of the placing and public offer on 13th July, 2004, an amount of HK$100 standing to the credit to the share premium account was capitalised and applied to pay up in full at par the 10,000 shares of HK$0.01 each which were allotted and issued at nil paid in October 2002.

(c) Conditional on the share premium account being credited as a result of the placing and public offer on 13th July, 2004, an amount of HK$1,169,900 was capitalised and applied to pay up in full at par 116,990,000 shares of HK$0.01 each for allotment and issue to the then shareholders of New Ideas on 24th June, 2004. Since then, the Company became the holding company of New Ideas.

On 13th July, 2004, by means of placing and public offer, the Company issued a total of 45,000,000 new shares of HK$0.01 each at the price of HK$1.50 per share. The proceeds are to be used to expand primary and secondary real estate services in the PRC and to provide additional working capital for the Group.

On 15th July, 2004, 18,000,000 shares of HK$0.01 each were issued and allotted as a result of the conversion of convertible notes.

On 17th January, 2005, arrangements were made for private placing to an independent private investor of 14,000,000 of HK$0.01 each in the Company held by Fu's Family Limited, a substantial shareholder of the Company, at a price of HK$1.38 per share representing a discount of approximately 1.43% to the closing market price of the Company's share on 14th January, 2005. Pursuant to a subscription agreement signed on 17th January, 2005, Fu's Family Limited subscribed for 14,000,000 new shares of HK$0.01 each in the Company at a price of HK$1.38 per share on 31st January, 2005. The proceeds were used to provide additional working capital for the Company. These new shares were issued under general mandate granted to the directors at the annual general meeting of the Company held on 24th June, 2004.

On 28th September, 2005, arrangements were made for private placing to independent private investors of 25,300,000 of HK$0.01 each in the Company held by Fu's Family Limited at a price of HK$2.15 per share representing a discount of approximately 7.53% to the closing market price of the Company's share on 27th September, 2005. Pursuant to another subscription agreement signed on 28th September, 2005, Fu's Family Limited subscribed for 25,300,000 new shares of HK$0.01 each in the Company at a price of HK$2.15 per share on 10th October, 2005. The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 25th May, 2005.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

26. DEFERRED TAX LIABILITIES

	Revenue recognised for accounting purpose but not for tax purpose HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January 2004	5,760	2,574	8,334
Charge for the year (note 10)	664	2,652	3,316
At 1st January, 2005	6,424	5,226	11,650
Charge for the year (note 10)	449	329	778
Exchange difference	164	77	241
At 31st December, 2005	7,037	5,632	12,669

At the balance sheet date, the Group has unused tax losses of HK$2,836,000 (2004: HK$1,699,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams.

27. DISPOSAL OF A SUBSIDIARY

During the year ended 31st December, 2004, the Group disposed of its entire equity interest in Guangzhou Bailai Properties Agency Limited. The net assets of the subsidiary at the date of the disposal are as follows:

	2004 HK$'000
Property, plant and equipment	371
Trade and other receivables	8,677
Bank balances and cash	92
Other payables and accruals	(7,696)
Tax liabilities	(1,269)
	175
Minority interest	(258)
	(83)
Gain on disposal	1,025
Total consideration	942

The consideration receivable was included in trade and other receivables in the balance sheet as at 31st December, 2004, which were fully settled in cash in 2005.

	2004 HK$'000
Net cash inflow arising on disposal:	
Bank balance and cash disposed of	(92)

The subsidiary disposed of contributed approximately HK$1,874,000 to the Group's turnover and approximately HK$3,720,000 to the Group's loss from operations for the year ended 31st December, 2004.

28. ACQUISITION OF SUBSIDIARIES PREVIOUSLY ACCOUNTED FOR AS JOINTLY CONTROLLED ENTITIES

On 10th August, 2005, the Group acquired an additional 40% of the issued share capital of Asia Asset for a consideration of HK$4,000,000 and thereafter, Asia Asset becomes a 80% owned subsidiary of the Group. The acquisition of the additional 40% interest is accounted for separately from the previously owned 40% interest in Asia Asset by the Group, using the cost of the transaction and fair value for the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition of the additional 40% interest was HK$668,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Fair value of acquiree's carrying amount before combination HK$'000
Net assets acquired:	
Property, plant and equipment	1,396
Trade and other receivables	9,971
Bank balances and cash	3,792
Other payables and accruals	(6,384)
Tax liability	(445)
	8,330
Minority interests	(1,665)
	6,665
Share of net assets of jointly controlled entities (excluding previously recognised goodwill of HK$1,703,000)	(3,333)
Goodwill arising from acquisition of additional interest in jointly controlled entities	668
Total consideration	4,000

The total consideration is satisfied by cash and the net cash outflow arising on acquisition are as follow:

	HK$'000
Cash consideration	4,000
Bank balances and cash acquired	(3,792)
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary	208

The goodwill arising on the acquisition of Asia Asset is attributable to the anticipated profitability of the cooperative relationship with property developer and the anticipated future operating synergies from the combination.

Asia Asset contributed HK$11,947,000 revenue and HK$201,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

28. ACQUISITION OF SUBSIDIARIES PREVIOUSLY ACCOUNTED FOR AS JOINTLY CONTROLLED ENTITIES (CONTINUED)

If the acquisition had been completed on 1st January, 2005, total contribution to group revenue for the year would have been HK$322,737,000, and to the profit for the year would have been HK$71,161,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2005, nor is it intended to be a projection of future results.

29. PLEDGE OF ASSETS

The Group had pledged the following assets for bank facilities granted to the Group:

	2005 **HK$'000**	2004 HK$'000
Investment properties	**1,610**	1,564
Leasehold land and buildings	**29,863**	29,777
	31,473	31,341

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises of approximately HK$15,167,000 (2004: HK$6,642,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2005 **HK$'000**	2004 HK$'000
Within one year	**20,591**	10,652
In the second to fifth year inclusive	**28,655**	16,152
After five years	**678**	–
	49,924	26,804

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated for an average term of three to five years and rentals are fixed for an average term of three to five years.

30. OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessor

Property rental income earned during the year was approximately HK$200,000 (2004: HK$325,000). All of the investment properties held have committed tenants for the next two years.

At the balance sheet dates, the Group had contracted with tenants for the following future minimum lease payments:

	2005 **HK$'000**	2004 HK$'000
Within one year	**128**	337
In the second to fifth years inclusive	**385**	306
After five years	**57**	–
	570	643

31. CAPITAL COMMITMENTS

	2005 **HK$'000**	2004 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**4,077**	–

32. SHARE OPTIONS SCHEME

The Company's share option scheme ("the Scheme"), was adopted on 24th June, 2004 for the primary purpose of providing incentives or rewards to directors, eligible employees and advisors and consultants of the Group for their contributions to the Group. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 15th July, 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 24th June, 2004.

The offer of the grant of share options may be accepted within 28 days from the date of the offer, at a consideration of HK$1, payable by the grantee upon the acceptance of the offer. The options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following 10 years from the date of acceptance of the grant of the options. Unless otherwise determined by the Directors, the Scheme does not require a minimum period for which the options must be held or a performance target which must be achieved before the options can be exercised.

The subscription price of the share options was determinable by the directors, but shall be the highest of (i) the closing price of the shares as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Exchange's daily quotation sheet for the five business days immediately preceding the date of grant and (iii) the nominal value of a share of the Company.

32. SHARE OPTIONS SCHEME (CONTINUED)

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is 18,000,000, which is not permitted to exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme and representing approximately 8.21% of the total number of issued shares of Company as at the date of this annual report. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million within any 12-month period must be approved in advance by the Company's shareholders.

No options were outstanding at 31st December 2004 and 31st December, 2005 under the Scheme. No options were granted, exercised, cancelled or lapsed during the year.

33. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of HK$1,000 or 5% of relevant payroll costs to the scheme, which contribution is matched by the employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the country. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

34. RELATED PARTY DISCLOSURE

Other than those disclosed above, during the year, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	2005 HK$'000	2004 HK$'000
Fair International Limited	Rental expenses paid by the Group (note a)	**240**	240

Notes:

(a) Mr. Fu Wai Chung has beneficial interests in this company.

Compensation of key management personnel

The remuneration of key management during the year are as follows:

	2005 HK$'000	2004 HK$'000
Short term benefits	**6,125**	3,937
Post-employment benefits	**48**	41
	6,173	3,978

The remuneration of directors and key executives was determined by the board of directors having regard to the performance of individuals and market trends.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up share capital	Attributable equity interest (note)	Principal activities	Place of operation
Guangdong Hope Real Properties Limited	13th February, 1996 The PRC	Registered	RMB2,000,000	95.23%	Provision of real estate agency services in the PRC	The PRC
Guangzhou New Profits Properties Agency Limited	12th May, 1998 The PRC	Registered	RMB1,000,000	95.23%	Provision of real estate agency services in the PRC	The PRC
Hopefluent (BVI) Limited	8th August, 2002 British Virgin Islands ("BVI")	N/A	US$100	100%	Investment holding	Hong Kong
Sino Estate Holdings Limited	6th November, 2003 BVI	N/A	US$100	100%	Investment holding	Hong Kong
Guangzhou Hope Profits Properties Agency Limited	16th March, 1998 The PRC	Registered	HK$16,000,000	95.23%	Provision of real estate agency services in the PRC	The PRC
Guangzhou Hopefluent Real Properties Consultancy Limited	31st July, 2001 The PRC	Registered	RMB7,800,000	92.05%	Provision of real estate agency services in the PRC	The PRC
Tianjin Hopefluent Real Properties Sales and Marketing Limited	14th March, 2002 The PRC	Registered	RMB1,000,000	64.44%	Provision of real estate agency services in the PRC	The PRC
Hopefluent Properties Limited	7th September, 2001 Hong Kong	Ordinary	HK$100	100%	Provision of real estate agency services in the PRC	The PRC
Hopefluent Promotion Limited	5th October, 2001 Hong Kong	Ordinary	HK$100	100%	Provision of advertising and marketing services in the PRC	The PRC
New Ideas Holdings Limited	11th May, 2001 Hong Kong	Ordinary	HK$100,000	100%	Investment holding	Hong Kong

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up share capital	Attributable equity interest (note)	Principal activities	Place of operation
Foshan Hopefluent Real Properties Consultancy Limited	1st September, 2003 The PRC	Registered	RMB1,000,000	80.08%	Provision of real estate agency services in the PRC	The PRC
Dongguan Hopefluent Real Properties Consultancy Limited	4th November, 2003 The PRC	Registered	RMB1,000,000	79.16%	Provision of real estate agency services in the PRC	The PRC
Hubei Hopefluent Real Properties Consultancy Limited	1st April, 2004 The PRC	Registered	RMB1,000,000	46.95%	Provision of real estate agency services in the PRC	The PRC
Shanghai Hope Realty Consultancy Limited	29th October, 2004 The PRC	Registered	RMB1,000,000	75.48%	Provision of real estate agency services in the PRC	The PRC
Shanghai Hopefluent Real Properties Consultancy Limited	19th October, 2004 The PRC	Registered	RMB1,000,000	78.24%	Provision of real estate agency services in the PRC	The PRC
Asia Asset Property Services Limited	27th February, 1998 Hong Kong	Ordinary	HK$5,323,000	80%	Investment holding	Hong Kong
Asia Asset Property Services (Shanghai) Co., Ltd	10th August, 1998 The PRC	Registered	US$400,000	80%	Provision of estate management services in the PRC	The PRC
Asia Asset Property Services (Guangzhou) Co., Ltd	5th August, 1999 The PRC	Registered	RMB2,000,000	80%	Provision of estate management services in the PRC	The PRC
Asia Asset Property Services (Wuhan) Co., Ltd	26th June, 1995 The PRC	Registered	HK$5,000,000	80%	Provision of estate management services in the PRC	The PRC
Beijing Hopefluent Real Properties Consultancy Limited	19th May, 1995 The PRC	Registered	RMB2,000,000	64.44%	Provision of real estate agency services in the PRC	The PRC
Bola Realty Financing (Guangzhou) Limited	7th August, 2002 The PRC	Registered	RMB3,000,000	64.44%	Provision of morgage referral services in the PRC	The PRC

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up share capital	Attributable equity interest (note)	Principal activities	Place of operation
Guangdong Hopefluent Real Properties Consultancy Limited	11th August, 2005 The PRC	Registered	RMB5,000,000	95.23%	Provision of real estate agency services in the PRC	The PRC
Guangzhou Bang Lin Real Estate Appraisal Limited	28th February, 2005 The PRC	Registered	RMB3,200,000	64.44%	Provision of property valuation services in the PRC	The PRC
Jinan Hopefluent Real Properties Consultancy Limited	8th April, 2005 The PRC	Registered	RMB2,010,000	84.52%	Provision of real estate agency services in the PRC	The PRC
Anhui Hopefluent Real Properties Consultancy Limited	9th September, 2005 The PRC	Registered	RMB1,000,000	73.64%	Provision of real estate agency services in the PRC	The PRC
Jun Hua Auction (Guangzhou) Limited	20th August, 2004 The PRC	Registered	RMB5,000,000	76.18%	Provision of property auciton services in the PRC	The PRC
Nanning Hopefluent Real Properties Consultancy Limited	3rd December, 2000 The PRC	Registered	RMB100,000	55.23%	Provision of real estate agency services in the PRC	The PRC
Hunan Hopefluent Real Properties Consultancy Limited	4th August, 2005 The PRC	Registered	RMB3,000,000	73.64%	Provision of real estate agency services in the PRC	The PRC

Note: The Company directly holds the equity interest in Hopefluent (BVI) Limited. All other interests shown above are indirectly held by the Company. All the companies are limited liabilities companies.

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Group as at 31st December, 2005 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

36. SUMMARISED BALANCE SHEET OF THE COMPANY

	2005 HK$'000	2004 HK$'000 (restated)
NON-CURRENT ASSET		
Investments in subsidiaries	**67,385**	67,385
CURRENT ASSET		
Amounts due from subsidiaries	**119,352**	53,908
Bank balances and cash	**19,185**	12,406
	138,537	66,314
CURRENT LIABILITY		
Other payable	**–**	(1,191)
NET CURRENT ASSETS	**138,537**	65,123
	205,922	132,508
Share capital (note 25)	**2,193**	1,800
Reserves	**203,729**	130,708
	205,922	132,508