(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

The Company is a public listed company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information on page 2 to the annual report.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the following activities:

– property investment

– provision of property management and agency services

– provision of design, decoration services and electrical and mechanical works

There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, as at 31 December 2005, the Company's immediate holding company is Prime Century Investments Limited ("PCI") and the Company's ultimate holding company is Junefield (Holdings) Limited ("JHL"), a company incorporated in Hong Kong. Particulars of the Company's subsidiaries are set out in Note 17 to the financial statements.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance. The financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments which are measured at fair values, as explained in the accounting policies set out in Note 4 to the financial statements.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, as disclosed in Note 6 to the financial statements.

Going concern

The Group had net current liabilities of HK$45,037,000 and deficiencies in assets of approximately HK$49,131,000 at the balance sheet date. Notwithstanding the above, the directors have prepared the financial statements on the going concern basis on the assumption that the Group will continue to operate as a going concern for the foreseeable future.

2. BASIS OF PRESENTATION (Continued)

Going concern (Continued)

During the year ended 31 December 2005 and subsequently, the directors have taken active measures to improve the liquidity and financial position of the Group as follows:

(a) Subsequent to the balance sheet date, on 20 April 2006, the directors of the Group's jointly-controlled entity, Wuhan Plaza Management Co., Ltd. ("WPM"), declared a dividend of RMB94,091,869 (equivalent to approximately HK$90,473,000) to the equity holders of the jointly-controlled entity in accordance with their profit sharing ratio. The Group is entitled to its share of the dividend declared by WPM amounting to approximately HK$44,332,000. The directors of the Company expect that the receipt of such dividend income from WPM will significantly improve the working capital and cash flow position of the Group.

(b) The directors of the Company are in active negotiations with the Group's lender of a short-term other loan to seek their ongoing support to the Group. Subsequent to the balance sheet date, on 21 March 2006, the Group entered into a supplemental loan agreement with the lender in respect of the short-term other loan to roll over the loan of HK$35 million granted to the Group upon maturity in February 2006 for another six months up to August 2006. The lender has further advised that the loan agreement might be extended upon maturity in August 2006 subject to terms and conditions mutually acceptable to both parties.

(c) JHL has confirmed to provide necessary funds to the Group so as to enable the Group to discharge its obligations as and when they fall due, including the short-term other loan of HK$35 million as mentioned in point (b) above.

(d) The directors have taken action to tighten cost controls over various operating and general and administrative expenses.

(e) The Group's capital commitment was kept at a minimal level.

In the opinion of the directors, in light of the various measures/arrangements implemented to date and the ongoing support from the Group's ultimate holding company, related companies and creditors, the Group will have sufficient working capital for its present requirements and to continue its operations as a going concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on the going concern basis notwithstanding the Group's financial position and tight liquidity as at 31 December 2005. However, if these measures were not to be successful or insufficient, or if the going concern basis were not be appropriate, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

2. BASIS OF PRESENTATION (Continued)

Prior year adjustments

The Group's financial statements should be prepared using uniform accounting policies for like transactions and events in similar circumstances. However, in prior years, the Group's leasehold improvements were depreciated on the straight-line basis over the shorter of the lease terms or six years, whilst the Group's jointly-controlled entity's leasehold improvements included in its financial statements were depreciated on the straight-line basis over the estimated useful lives of 10 years. No adjustments have been made in the preparation of the Group's financial statements in prior years. Accordingly, the following prior year adjustments have been made to the Group's consolidated financial statements to bring the accounting policies adopted by the jointly-controlled entity in its financial statements in line with those used by other members of the Group.

(i) Included in the financial statements of the joint-controlled entity as at 31 December 2003 were leasehold improvements with net book value of RMB51,449,000 (equivalent to approximately HK$48,083,000) which were depreciated in accordance with the accounting policy adopted by the jointly-controlled entity as stated above. These leasehold improvements should be fully depreciated if adjustments had been made in that year. Prior year adjustment has been made accordingly to bring the accounting policy adopted by the jointly-controlled entity in line with those used by the Group, resulted in an increase in accumulated losses of the Group as at 1 January 2004 of approximately HK$23,561,000, representing a decrease in the Group's share of the accumulated profits of the jointly-controlled entity for the years up to 31 December 2003, and a corresponding decrease in the Group's investment in a jointly-controlled entity.

(ii) During the year ended 31 December 2004, depreciation of leasehold improvements of approximately RMB17,924,000 (equivalent to approximately HK$16,751,000) has been provided for by the jointly-controlled entity in its financial statements for the year ended 31 December 2004 which were depreciated in accordance with the accounting policy adopted by the jointly-controlled entity as stated above. These leasehold improvements should be fully depreciated if adjustments had been made in the year ended 31 December 2003. Prior year adjustment has been made accordingly to bring the accounting policy of the jointly-controlled entity in line with those used by the Group, resulted in an increase in the Group's share of profit of the jointly-controlled entity for the year ended 31 December 2004 of approximately HK$8,208,000 and a corresponding increase in investment in a jointly-controlled entity for that year.

The following table disclose the adjustments that have been made in the consolidated income statement and balance sheet as previously reported for the year ended 31 December 2004.

Effect of prior year adjustments		Prior year adjustments	
Increase/(decrease)	(i)	(ii)	Total
	HK$'000	HK$'000	HK$'000
Accumulated losses as at 1 January 2004	23,561	–	23,561
Investment in a jointly-controlled entity	(23,561)	8,208	(15,353)
Share of profit of a jointly-controlled entity	–	8,208	8,208
Basic loss per share (in cents)	–	(1.97)	(1.97)

(Expressed in Hong Kong dollars)

3. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied a number of new/revised 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 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet, Company's balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively.

(a) The adoption of new/revised HKFRSs

The Group has adopted the new/revised HKFRSs below, which are relevant to its operations, in the preparation of the consolidated financial statements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
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 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS – Int 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders

The adoption of new/revised HKASs 1, 7, 8, 10, 11, 12, 14, 16, 17, 19, 21, 24, 27, 31, 33, 36, 37, HKFRS 3 and HKAS – Int 25 did not result in substantial changes to the Group's accounting policies. The effect of the adoption of certain new and revised HKFRSs, which results in substantial changes to the accounting policies, is set out below:

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) The adoption of new/revised HKFRSs (Continued)

(i) *Changes in presentation (HKAS 1)*

HKAS 1 has affected the presentation of share of net after-tax results of a jointly-controlled entity and minority interests.

Presentation of share of taxation of a jointly-controlled entity

In prior years, the Group's share of taxation of a jointly-controlled entity accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. With effect from 1 January 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of a jointly-controlled entity accounted for under equity method in the shares of results of a jointly-controlled entity reported in the consolidated income statement before arriving at the Group's profit or loss before income tax.

Minority interests

In prior years, minority interests in the results of the Group for the year were separately presented in the consolidated income statement as a deduction before arriving at profit/(loss) attributable to shareholders (the equity holders of the Company). With effect from 1 January 2005, in order to comply with HKAS 1, the Group has changed its accounting policy relating to the presentation of minority interests. Under the new policy, minority interests are presented in the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and equity holders of the Company, and are presented as part of equity, separately from interests attributable to the equity holders of the Company on the consolidated balance sheet.

These changes in presentation have been applied retrospectively with comparatives restated.

(ii) *HKAS 24 has affected the identification of related parties and some other related party disclosures.*

(iii) *Equity-settled share-based payments (HKFRS 2)*

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to those share options granted after 7 November 2002 but were vested before 1 January 2005. The new accounting policy has also been applied retrospectively with comparatives restated as shown in Notes 3(b) and 3(c) below.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) The adoption of new/revised HKFRSs (Continued)

(iv) Financial instruments (HKAS 32 and HKAS 39)

In prior years, the Group classified its investments in equity securities as long term investments, which were non-trading investments in unlisted equity securities intended to be held on a long-term basis and were stated at their estimated fair values on an individual basis. Upon the adoption of HKAS 39, these securities held by the Group as at 1 January 2005 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. Comparative amounts have been reclassified for presentation purposes.

(b) Restatement of prior years

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective new and revised HKFRSs or the provisions of HKAS 8 to the affected items in the consolidated income statement and balance sheet as previously reported for the year ended 31 December 2004 as a result of the changes in accounting policies.

(i) Effect on the consolidated income statement for the year ended 31 December 2004

	HKAS 1 HK$'000	HKFRS 2 HK$'000	Total HK$'000
Increase in staff costs	–	247	247
Increase in directors' remuneration	–	400	400
Decrease in share of profit of a jointly-controlled entity	(18,383)	–	(18,383)
Decrease in income tax expense	(18,383)	–	(18,383)
Increase in loss for the year	–	647	647
Increase in basic loss per share (in cents)	–	0.16	0.16

(ii) Effect on the consolidated balance sheet as at 31 December 2004

	HKAS 39 HK$'000	HKFRS 2 HK$'000	Total HK$'000
Increase in available-for-sale investments	33,072	–	33,072
Increase in provision for impairment of available-for-sale investments	33,072	–	33,072
Decrease in long-term investments	(33,072)	–	(33,072)
Decrease in provision for impairment of long-term investments	(33,072)	–	(33,072)
Increase in share based compensation reserve	–	647	647
Increase in accumulated losses	–	647	647

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(c) Estimated effect of changes in accounting policies for the current year

The following tables provide estimates of the extent to which the affected items in the consolidated income statement and balance sheet for the year ended 31 December 2005 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates. In addition, the adjustments that have been made to the opening balances as at 1 January 2005, which are the aggregate effect of retrospective adjustments as at 31 December 2004, the opening balance adjustments made as at 1 January 2005 to each of the line items in the consolidated balance sheet are also included.

(i) Estimated effect on the consolidated income statement for the year ended 31 December 2005

	HKAS 1 HK$'000
Decrease in share of profit of a jointly-controlled entity	(20,648)
Decrease in income tax expense	(20,648)
Effect on profit for the year	–
Effect on basic earnings per share (in cents)	–

(ii) Estimated effect on the consolidated balance sheet as at 31 December 2005

	HKAS 39 HK$'000	HKFRS 2 HK$'000	Total HK$'000
Increase in available-for-sale investments	31,642	–	31,642
Increase in provision for impairment of available-for-sale investments	31,642	–	31,642
Decrease in long-term investments	(31,642)	–	(31,642)
Decrease in provision for impairment of long-term investments	(31,642)	–	(31,642)
Increase in share based compensation reserve	–	647	647
Increase in accumulated losses	–	647	647

(Expressed in Hong Kong dollars)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

The HKICPA has issued the following standards and interpretations that are not yet effective. The Group has considered the following standards and interpretations but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

		Notes
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 and HKFRS 4 (Amendments)	Financial Guarantee Contracts	2
HKFRS 6	Exploration for and Evaluation of Mineral Resources	2
HKFRS 7	Financial Instruments: Disclosures	1
HKFRS – Int 4	Determining whether an Arrangement contains a Lease	2
HKFRS – 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

Notes:

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 January 2006.
3. Effective for annual periods beginning on or after 1 December 2005.
4. Effective for annual periods beginning on or after 1 March 2006.

4. PRINCIPAL ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year and include the Group's interest in a jointly-controlled entity on the basis set out below.

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 and jointly-controlled entity to bring their accounting policies in line with those used by other members of the Group. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

(a) **Subsidiaries**

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries are carried on the balance sheet of the Company at cost together with advances from the Company which are neither planned nor likely to be settled in the foreseeable future, less provision for impairment. Provision for impairment in a subsidiary is made when the recoverable amount of the subsidiary is lower than the Company's respective cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

(b) Jointly-controlled entity

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

Investments in a jointly-controlled entity in the consolidated financial statements is accounted for by the equity method of accounting. The Group's share of its jointly-controlled entity's post-acquisition results is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. In the consolidated balance sheet, investment in a jointly-controlled entity comprises the Group's share of the net assets of and its net advances made to the jointly-controlled entity (where the advances are neither planned nor likely to be settled in the foreseeable future), plus goodwill identified on acquisition and net of accumulated impairment losses.

Property, plant and equipment

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

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

Leasehold improvements	The shorter of the lease terms and 6 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	3 to 6 years

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

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

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment properties

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

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

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

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

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

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

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

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

Changes in fair values are recognised in the consolidated income statement.

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

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

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed to the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as expense immediately.

Impairment of assets

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

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 instruments. 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

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 trade and other payables, bank and other borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial liabilities and equity (Continued)

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 expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Operating lease

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

Taxation

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

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

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 difference arises 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, 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 profits will be available to allow all or part of the asset to be recovered.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 consolidated 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.

Provisions

Provisions for liabilities of uncertain timing or amount are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

Foreign currency translation

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 Group's net investment in a foreign operation in which case, such exchange differences are recognised in equity in the consolidated financial 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

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 Company (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.

Equity settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share based compensation reserve).

At the time when the share options are exercised, the amount previously recognised in share based compensation reserve will be transferred to share premium account. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share based compensation reserve will be transferred to accumulated losses.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefits schemes are charged as expenses as they fall due. The Group's obligations under state-managed retirement benefits schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

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) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(ii) rental income, on a time proportion basis over the lease terms;

(iii) from the rendering of property management and agency services, when such services are rendered;

(iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

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

(vi) other income is recognised when received.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Related party translations

A party is related to the Group if:

a. directly, or indirectly through one or more intermediaries, the party:

   (i) controls, is controlled by, or is under common control with the Group;

   (ii) has an interest in the Group that gives it significant influence over the Group; or

   (iii) has joint control over the Group;

b. the party is a joint venture in which the Group is a venturer;

c. the party is an associate;

d. the party is a member of the key management personnel of the Group;

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

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.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

5. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include borrowings, accounts receivable, other receivables, accounts payable and other payables. Details of these financial instruments are disclosed in 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.

Currency risk

Certain accounts receivable and accounts payable of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets 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 to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual accounts receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow and fair value interest-rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to cash flow and fair value interest-rate risk is mainly attributable to its borrowings issued at both fixed and variable rates. The Group has not hedged its exposure to cash flow and fair value interest-rate risk. However, the management considers the risk is insignificant to the Group.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 4 to the financial statements, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. 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 also discussed below.

(a) Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Impairment of available-for-sale investments

For those unlisted equity investments, the Group determines their fair values by using appropriate valuation techniques and making assumptions that are based on market conditions existing at each balance sheet date. The Group also takes into account other factors, such as industry and sector performance and financial information regarding the investee.

(c) Impairment of accounts and other receivables

The management regularly reviews the recoverability and aging of the accounts and other receivables. Impairment losses are made based on the estimation of the future cash flow discounted at an effective interest rate to calculate the present value.

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

7. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenue is attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's revenue is derived from customers based in the PRC, and over 90% of the Group's assets are located in the PRC.

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

(a) the property investment segment engages in property leasing;

(b) the property management and agency services segment provides property management and agency services; and

(c) the construction segment engages in construction contract works as a main contractor or sub-contractor, primarily in respect of design, decoration, electrical and mechanical works.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

7. SEGMENT INFORMATION (Continued)

Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments.

	Property investment		Property management and agency services		Construction		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (As restated)
Segment revenue:										
Sales to/revenue from external customers	520	2,005	1,216	7,310	34,469	34,853	–	–	36,205	44,168
Intersegment sales	–	–	–	–	–	–	–	–	–	–
Total	520	2,005	1,216	7,310	34,469	34,853	–	–	36,205	44,168
Segment results	(925)	19,919	(490)	1,213	(17,337)	(3,369)	–	–	(18,752)	17,763
Interest income									6	66
Other unallocated revenue									39	1,346
Unallocated expenses									(13,083)	(28,486)
Operating loss									(31,790)	(9,311)
Finance costs									(11,959)	(11,669)
Share of profit of unallocatd amount of a jointly-controlled entity									44,626	25,063
Profit before income tax									877	4,083
Income tax expense									(119)	(8,688)
Profit/(loss) for the year									758	(4,605)
Representing:										
Profit/(loss) attributable to equity holders of the Company									2,873	(3,119)
Minority Interests									(2,115)	(1,486)
Profit/(loss) for the year									758	(4,605)

7. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Property investment		Property management and agency services		Construction		Eliminations		Consolidated	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000 (As restated)
Segment assets	32,759	38,679	6,149	–	6,574	17,654	–	–	45,482	56,333
Unallocated assets									384	2,577
Unallocated amount on investment in a jointly-controlled entity									84,366	55,131
Total assets									130,232	114,041
Segment liabilities	2,646	1,146	5,726	–	21,526	17,278	–	–	29,898	18,424
Unallocated liabilities									149,465	145,506
Total liabilities									179,363	163,930
Other segment information:										
Depreciation	–	–	20	39	367	81	–	–	387	120
Unallocated amounts									19	212
									406	332
Provision for impairment losses of accounts receivable, other receivables, amounts due from contract customers and a joint venturer	–	–	1,788	–	11,927	–	–	–	13,715	–
Unallocated amounts									21	111
									13,736	111
Revaluation surplus of investment properties	(159)	(18,072)	–	–	–	–	–	–	(159)	(18,072)
Net loss on reclassification of subsidiaries to available-for-sale investments – unallocated									–	3,352
Net gain on resumption of control over a subsidiary									(1,117)	–
Capital expenditure	–	–	5	60	18	–	–	–	23	60
Unallocated amount									62	207
									85	267

8. TURNOVER AND OTHER REVENUE

An analysis of the Group's turnover and other revenue is as follows:

	2005 HK$'000	2004 HK$'000
Turnover:		
Construction contract revenue	34,469	34,853
Gross rental income	520	2,005
Property management and agency fees	1,216	7,310
	36,205	44,168
Other revenue:		
Interest income	6	66
Others	39	1,346
	45	1,412
Total revenue	36,250	45,580

9. OPERATING LOSS

The Group's operating loss is arrived at after charging/(crediting):

	2005 HK$'000	2004 HK$'000 (As restated)
Staff costs (excluding directors' remuneration – Note 11)		
Wages and salaries	4,422	6,334
Equity-settled share-based payments	–	247
Pension scheme contributions	252	54
	4,674	6,635
Depreciation	406	332
Minimum lease payments under operating leases in respect of land and buildings	18	63
Auditors' remuneration	500	800
Exchange losses	2,598	–
Gain on disposal of property, plant and equipment	–	(30)
Gain on disposal of investment properties	(585)	–
Write-off of property, plant and equipment	–	746
Write-off of investment properties	–	470
Write-off of other receivables	–	111
Provision for impairment losses of accounts receivable	4,145	–
Provision for impairment losses of amounts due from contract customers	4,411	–
Provision for impairment loss of amount due from a joint venturer	3,702	–
Provision for impairment losses of other receivables	1,478	–
Revaluation surplus on investment properties *(Note 16)*	(159)	(18,072)
Net loss on reclassification of subsidiaries to available-for-sale investments *(Note 23)*	–	3,352
Net gain on resumption of control over a subsidiary *(Note 35(b))*	(1,117)	–
Net rental income	(460)	(1,735)

10. FINANCE COSTS

	Group 2005 HK$'000	Group 2004 HK$'000
Interest expenses on:		
Short-term borrowings wholly repayable within five years	7,221	6,083
Loan from a jointly-controlled entity	4,738	5,586
	11,959	11,669

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

For the year ended 31 December 2005	Fees HK$'000	Salaries and other benefits HK$'000	Share options granted HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Zhou Chu Jian He	–	180	–	9	189
Mr. Yiu Yu Keung, George	–	180	–	9	189
Mr. Li Jong Tong, Timothy	–	180	–	–	180
Mr. Zhang Xiao Bing, Adam	–	180	–	2	182
Independent non-executive directors					
Mr. Leung Man Kit	120	–	–	–	120
Mr. Chan Kwok Wai	120	–	–	–	120
Mr. Lam Man Sum, Albert	120	–	–	–	120
Total	360	720	–	20	1,100

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2004	Fees HK$'000	Salaries and other benefits HK$'000	Share options granted HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Zhou Chu Jian He	–	180	100	9	289
Mr. Yiu Yu Keung, George	–	180	100	9	289
Mr. Li Jong Tong, Timothy	–	180	100	9	289
Mr. Zhang Xiao Bing, Adam	–	152	100	8	260
Independent non-executive directors					
Mr. Leung Man Kit	120	–	–	–	120
Mr. Chan Kwok Wai	120	–	–	–	120
Mr. Lam Man Sum, Albert	32	–	–	–	32
Ms. An Li Yan (Resigned on 24 August 2004)	–	–	–	–	–
Total	272	692	400	35	1,399

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors 2005	Number of directors 2004
Nil – HK$1,000,000	7	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

No share options were granted during the year ended 31 December 2005. Certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company during the year ended 31 December 2004, further details of which are set out in Note 33 to the financial statements.

In accordance with HKFRS 2, the Group has recognised the fair value of such share options as an expense in the consolidated income statement and a corresponding increase is recognised in a share based compensation reserve within the equity of the Group and of the Company. The new accounting policy has been applied retrospectively with comparatives restated as shown above.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Employees' emoluments

All the five highest paid employees during the year are not directors (2004: including one director). Details of the remuneration of the five highest paid employees are as follows:

	Group	
	2005 HK$'000	2004 HK$'000 (As restated)
Salaries, allowances and benefits in kind	2,658	2,007
Share options granted to employees	–	247
Pension scheme contributions	45	45
	2,703	2,299

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees 2005	Number of employees 2004
Nil – HK$1,000,000	5	4

No share options were granted during the year ended 31 December 2005. In 2004, 10,544,000 share options were granted to three of the non-director, highest paid employees in respect of their services to the Group, further details of which are included in Note 33 to the financial statements.

In accordance with HKFRS 2, the Group has recognised the fair value of such share options as an expense in the consolidated income statement and a corresponding increase in recognised in a share based compensation reserve within the equity of the Group. The new accounting policy has been applied retrospectively with comparatives restated as shown above.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

During the year, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the year.

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	2005 HK$'000	2004 HK$'000 (As restated)
Group:		
Current tax charge for the year – Hong Kong	–	142
Current tax charge for the year – outside Hong Kong	67	785
Deferred tax charge *(Note 31)*	52	7,761
Tax charge for the year	119	8,688

A reconciliation of the income tax expense applicable to profit/(loss) before income tax using the statutory rates for the countries in which the Company, and its subsidiaries are domiciled to the income tax expense at the effective tax rates are as follows:

Group – 2005

	Hong Kong		the PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before income tax	(24,996)		25,873		877	
Tax at the statutory tax rates	(4,374)	17.5	8,538	33.0	4,164	474.8
Income not subject to tax	(18,538)	74.2	(15,466)	(59.8)	(34,004)	(3,877.3)
Expenses not deductible for tax	19,789	(79.2)	723	2.8	20,512	2,338.9
Tax losses not recognised	3,123	(12.5)	5,720	22.1	8,843	1,008.3
Others	–	–	604	2.3	604	68.9
Tax charge at the Group's effective rate	–	–	119	0.4	119	13.6

12. INCOME TAX EXPENSE (Continued)

Group – 2004

	Hong Kong		the PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
	(As restated)		(As restated)		(As restated)	
(Loss)/profit before income tax	(21,632)		25,715		4,083	
Tax at the statutory tax rate	(3,786)	17.5	8,486	33.0	4,700	115.1
Income not subject to tax	(30)	0.1	(25,963)	(101.0)	(25,993)	(636.6)
Expenses not deductible for tax	268	(1.2)	20,266	78.8	20,534	502.9
Tax losses not recognised	3,548	(16.4)	5,757	22.4	9,305	227.9
Others	142	(0.7)	–	–	142	3.5
Tax charge at the Group's effective rate	142	(0.7)	8,546	33.2	8,688	212.8

13. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to equity holders of the Company for the year ended 31 December 2005 dealt with in the financial statements of the Company was HK$26,305,000 (2004 (as restated): HK$12,994,000).

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK$2,873,000 (2004 (as restated): loss attributable to equity holders of the Company of HK$3,119,000) and the weighted average of 421,934,200 (2004: 415,840,184) ordinary shares in issue during the year.

No diluted earnings/(loss) per share for each of the years ended 31 December 2005 and 2004 has been disclosed as the share options outstanding during the years had an anti-dilutive effect on the respective basic earnings/(loss) per share for the years ended 31 December 2005 and 2004.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
As at 1 January 2004	7,570	2,729	1,446	3,427	519	15,691
Additions	–	–	18	156	93	267
Disposals	–	–	–	(360)	–	(360)
Write-off	–	(2,444)	(1,282)	(1,960)	–	(5,686)
Transfer for settlement of a loan *(Note 23)*	(7,570)	–	–	–	–	(7,570)
Reclassification of subsidiaries to available-for-sale investments *(Note 23)*	–	–	(182)	(1,058)	–	(1,240)
As at 31 December 2004 and 1 January 2005	–	285	–	205	612	1,102
Additions	–	–	–	85	–	85
Resumption of control over a subsidiary *(Note 35)*	–	166	–	878	172	1,216
Disposals	–	–	–	(73)	–	(73)
As at 31 December 2005	–	451	–	1,095	784	2,330
Accumulated depreciation:						
As at 1 January 2004	–	2,412	1,329	2,499	178	6,418
Charge for the year	151	–	8	126	47	332
Written back on disposals	–	–	–	(30)	–	(30)
Write-off	–	(2,127)	(1,186)	(1,627)	–	(4,940)
Transfer for settlement of a loan *(Note 23)*	(151)	–	–	–	–	(151)
Reclassification of subsidiaries to available-for-sale investments *(Note 23)*	–	–	(151)	(863)	–	(1,014)
As at 31 December 2004 and 1 January 2005	–	285	–	105	225	615
Charge for the year	–	5	–	54	347	406
Resumption of control over a subsidiary *(Note 35)*	–	14	–	751	14	779
Written back on disposal	–	–	–	(73)	–	(73)
As at 31 December 2005	–	304	–	837	586	1,727
Net book value:						
As at 31 December 2005	–	147	–	258	198	603
As at 31 December 2004	–	–	–	100	387	487

The Group's property, plant and equipment are all carried at cost less accumulated depreciation as at 31 December 2005 and 2004.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Office equipment HK$'000
Cost:	
As at 1 January 2004	–
Additions	21
As at 31 December 2004 and 1 January 2005	21
Additions	34
As at 31 December 2005	55
Accumulated depreciation:	
As at 1 January 2004	–
Charge for the year	4
As at 31 December 2004 and 1 January 2005	4
Charge for the year	11
As at 31 December 2005	15
Net book value:	
As at 31 December 2005	40
As at 31 December 2004	17

16. INVESTMENT PROPERTIES

	Group HK$'000
Investment properties situated in Wuhan	
As at 1 January 2004	250,436
Additions	658
Write-off	(470)
Transfer for settlement of loan *(Note 23)*	(249,966)
Reclassification of subsidiaries to available-for-sale investments *(Note 23)*	(658)
As at 31 December 2004 and as at 31 December 2005	–

	Group HK$'000
Investment properties situated in Beijing	
As at 1 January 2004	–
Additions	20,607
Revaluation surplus recognised in the consolidated income statement	18,072
As at 31 December 2004 and as at 1 January 2005	38,679
Disposals *(Note 40)*	(24,828)
Revaluation surplus recognised in the consolidated income statement	159
As at 31 December 2005	14,010

On 26 April 2005, the Group entered into a disposal and underwriting agreement with a related company, Beijing Junefield Real Estate Development Co., Ltd. ("Beijing Junefield"), a limited company established under the laws of the PRC and Mr. Zhou Chu Jian He ("Mr. Zhou"), the Chairman, executive director and a major shareholder of the Company, is entitled to exercise more than 30% of the voting power at its general meetings, to dispose of certain of its investment properties situated in Beijing, the PRC on a fully underwritten basis. Details of which are set out in Note 40 to the financial statements.

The Group's investment properties as at 31 December 2005 are situated in Beijing, the PRC and are held under medium term leases. The investment properties were revalued on 31 December 2005 by RHL Appraisal Limited, independent professional qualified valuers, at approximately HK$14,010,000, on an open market value basis.

The Group's investment properties were revalued on 31 December 2004 by RHL Appraisal Limited, independent professional qualified valuers, at HK$38,679,000 on an open market, existing use basis.

A revaluation surplus of HK$159,000 (2004: HK$18,072,000) arising therefrom has been credited to the consolidated income statement.

The investment properties were pledged to secure a loan facility granted to the Group *(Note 29)*.

Further particulars of the Group's investment properties are included on page 82.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	182,079	182,079
Provision for impairment losses	(182,079)	(171,405)
	–	10,674

As at 31 December 2005, provision for impairment losses amounting to approximately HK$182,079,000 (2004: approximately HK$171,405,000) have been made against the Company's investment costs in certain of its subsidiaries which had deficiencies in assets as at 31 December 2005 as the directors consider that the recoverable amounts are lower than the Company's respective cost of investments in these subsidiaries.

The amounts due to subsidiaries as shown on the Company's balance sheet are unsecured, interest-free and are not repayable within one year.

Particulars of the Company's principal subsidiaries as at 31 December 2005 are as follows:

Name	Place of Incorporation/ registration and operations	Nominal value of issued share capital/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Huaxia Group Limited	British Virgin Islands/ Hong Kong	US$50,000	100	Investment holding
Indirectly held				
Beijing Urban Construction Hudson Decoration Engineering Co., Ltd. (note (a))	PRC	RMB8,000,000	51	Provision of decoration services and electrical and mechanical works
Huaxia Construction Limited	Hong Kong	HK$13,000,000	100	Investment holding
Huaxia Development Worldwide Limited	Hong Kong	HK$100	100	Investment holding
Hudson Development (H.K.) Limited ("HDHK") (note (c))	Hong Kong	HK$10 ordinary shares; HK$1,000,000 non-voting deferred shares (note (b))	100	Investment holding

(Expressed in Hong Kong dollars)

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of Incorporation/ registration and operations	Nominal value of issued share capital/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (Continued)				
Hudson Finance Company Limited	Hong Kong	HK$30,000,000	100	Provision of financial services
Hudson International Hong Kong Limited	Hong Kong	HK$2	100	Investment holding
Huaxia Investment Worldwide Limited	Hong Kong	HK$100	100	Investment holding
International Management Company Limited ("IMC") (note (c))	Hong Kong	HK$1,500,000	100	Investment holding
Ever Park Development Limited ("EPD") (note (c))	Hong Kong	HK$2	100	Property investment
Wuhan Huaxin Management Limited ("WHM") (note (a))	PRC	RMB3,000,000	51	Property management

Notes:

(a) The subsidiaries are registered as a contractual joint ventures under the PRC law.

(b) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of HDHK by virtue or in respect of their holdings of such non-voting deferred shares, except at a general meeting convened for any resolution varying or abrogating any of the rights or privileges of the said non-voting deferred shares, or when the resolution to be submitted at a general meeting directly affects the rights and privileges of such holders, or is for the purpose of reducing share capital. The holders of the non-voting deferred shares are not entitled to any dividends of HDHK unless the profit available for distribution for the financial year exceeds HK$100,000,000,000,000 and are not entitled to any participation in the profits or assets of HDHK. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of HDHK, to a return of the capital paid-up on the non-voting deferred shares held by them after a total sum of HK$500,000,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of HDHK.

(c) As at 31 December 2005, the entire issued share capital and the assets of HDHK, IMC and EPD were pledged for a loan of HK$35 million granted to the Group and the Company (Note 29).

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

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2005	2004
	HK$'000	HK$'000
		(As restated)
Share of net assets	84,366	55,131
Loan from a jointly-controlled entity	(95,260)	(95,532)

Particulars of the Group's jointly-controlled entity as at 31 December 2005 are as follows:

Name	Business structure	Place of registration and operations	Percentage of equity interest and profit sharing attributable to the Group	Principal activities
Wuhan Plaza Management Co., Ltd. ("WPM")	Corporate	PRC	49	Operation and management of a department store

WPM is an equity joint venture company established by IMC, an indirectly held subsidiary of the Company, and the PRC Partner (as defined in Note 23) for a period of 20 years commencing from 29 December 1993. The registered capital of WPM amounted to US$21,000,000.

The amount due from WPM of approximately HK$521,000 included in "Amount due from a jointly-controlled entity" in current assets as at 31 December 2005 is unsecured, interest-free and has no fixed terms of repayment.

Pursuant to a debt settlement agreement on 13 February 2003, the loan from WPM was restructured into a term loan at an interest rate equivalent to that of a one-year term loan quoted by the People's Bank of China, and is repayable over five years through dividend distributions by WPM for the period up to December 2007.

As at 31 December 2005, a first legal charge on its 49% shareholding in WPM and a first legal charge on the 49% joint venture rights in WPM including all cash, dividends, distribution, bonuses, interests or other monies derived from the rights in WPM were pledged for a loan of HK$35 million granted to the Group and the Company (Note 29).

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (Continued)

Extracts of the results and financial position of WPM, which are based on WPM's unaudited management accounts prepared under accounting principles generally accepted in Hong Kong, are as follows:

	2005 HK$'000	2004 HK$'000 (As restated)
Turnover	1,104,837	983,720
Profit for the year	91,073	43,150
Property, plant and equipment	7,733	146,450
Other non-current assets	95,171	95,532
Current assets	414,630	241,232
Current liabilities	313,948	313,614

19. PROPERTIES CONTRACTED FOR SALE

	Group HK$'000
As at 1 January 2004	43,590
Transfer for settlement of litigation (Note 23)	(21,714)
Transfer for settlement of loan (Note 23)	(7,590)
Reclassification of subsidiaries to available-for-sale investments (Note 23)	(14,286)
As at 31 December 2004 and 2005	–

20. PROPERTIES HELD FOR SALE

	Group HK$'000
As at 1 January 2004	12,258
Transfer for settlement of loan (Note 23)	(12,258)
As at 31 December 2004 and 2005	–

21. ACCOUNTS RECEIVABLE

Included in the accounts receivable are the amounts due from contract customers of approximately HK$1,706,000 and other accounts receivable of approximately HK$2,413,000.

(i) The amounts due from contract customers represent the excess of contract costs incurred to date by the Group plus recognised profits, over recognised losses and progress billings raised by the Group for respective contracts at the balance sheet date:

	Group	
	2005 HK$'000	2004 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	28,938	–
Less: Progress billings	(22,821)	–
	6,117	–
Less: Provision for impairment losses	(4,411)	–
Amounts due from contract customers	1,706	–

As at 31 December 2005, there was no retention monies held by customers for contract works (2004: HK$988,000). Receivables from construction contracts are predetermined in accordance with the provisions of relevant agreements and are contractually payable to the Group within a specified period.

(ii) An aged analysis of the Group's other accounts receivable as at the balance sheet date, based on invoice date and net of any provision, is as follows:

	Group	
	2005 HK$'000	2004 HK$'000
Less than one month	2,253	11,411
Two to three months	–	2
More than three months	4,305	2,042
	6,558	13,455
Less: Provision for impairment losses	(4,145)	–
	2,413	13,455

An impairment loss is made on accounts receivable based on a review of all outstanding amounts on regular basis when collection of the amount is in doubt. Bad debts are written off when identified.

The directors consider that the carrying amount of the accounts receivable approximate their fair value.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Deposits paid for acquisition of leasehold land and buildings *(Note 40(a))*	2,293	–	–	–
Other receivables, prepayments and deposits	1,830	929	13	2
	4,123	929	13	2
Less: Provision for impairment losses	(1,478)	–	–	–
	2,645	929	13	2

An impairment loss is made on deposits and other receivables based on a review of all outstanding amounts on regular basis when collection of the amount is in doubt. Bad debts are written off when identified.

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2005	2004
	HK$'000	HK$'000
Unlisted investments, at cost	31,642	33,072
Less: Provision for impairment losses	(31,642)	(33,072)
	–	–

The amounts represent unquoted equity securities for which the fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

The Group owns a 51% equity interest in each of Wuhan Huaxin Real-Estate Development Co., Ltd. ("WHRED") and WHM, which were accounted for as subsidiaries of the Company in prior years up to 31 December 2003. WHRED and WHM, which are also owned as to 49% each by Wuhan Department Store Group Company Limited (the "PRC Partner"), are collectively referred to as the "Wuhan Companies".

As disclosed in the Group's financial statements for the year ended 31 December 2003, in October 2003, the Group informed the Wuhan Companies and the PRC Partner that the then existing directors nominated by the Group for the Wuhan Companies would be replaced by other persons nominated by the Group. However, as the request to nominate the directors had not been met, the Group accordingly commenced arbitration proceedings in Beijing, the PRC, in January 2004 against the PRC Partner relating to the above nomination of directors.

23. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

In addition, as disclosed in the Group's financial statements for the year ended 31 December 2003, on 19 December 2003, the Group received two arbitration awards issued by the Arbitration Commission of Wuhan (the "Arbitration Awards") from the PRC Partner. The PRC Partner also owns a 51% equity interest in WPM, a 49%-owned jointly-controlled entity of the Group. Based on the Arbitration Award made on 26 November 2003, WHRED was ordered to repay approximately HK$216 million together with the interest accrued and the relevant expenses (the "Loan") in respect of the arbitration to the PRC Partner, and WPM was found to be liable for certain amounts, under a guarantee agreement made by WPM in favour of the PRC Partner (the "Guarantee Agreement").

A further arbitration award was made on 10 December 2003 whereby WHRED, pursuant to an indemnity agreement made by the PRC Partner in favour of WPM relating to the obligations of WPM under the Guarantee Agreement (the "Indemnity Agreement"), was ordered to transfer certain properties in Wuhan, the PRC (the "Properties") to WPM in settlement of the amount ordered to be paid by WPM to the PRC Partner. The Properties were classified as "Property, plant and equipment,", "Investment properties", "Properties contracted for sale" and "Properties held for sale" in the financial statements and details are further analysed in the latter part of this note.

In the prior years, based on the legal opinion obtained from the Group's legal advisor, the directors considered the Guarantee Agreement, the Indemnity Agreement, and the related arbitrations to be invalid and accordingly took legal action to reverse the Arbitration Awards.

In 2004, as the Loan was repaid by WPM on behalf of WHRED, WPM applied to the court for enforcement of the transfer of the Properties to WPM for settlement of the outstanding balance thus arising. The court granted an order to WHRED during the year ended 31 December 2004 enforcing the transfer. In order to avoid any unnecessary costs in updating the title certificates, which the directors of WPM and WHRED consider would be very substantial, legal titles of the Properties were not transferred to WPM. Instead, WPM and WHRED mutually agreed to enter into an agreement (the "Settlement Agreement") to freeze the Properties. According to the Settlement Agreement, any sales proceeds and rental income arising from the Properties would be used to settle the amount due to WPM. In order to speed up the repayment process, WHRED further entered into underwriting agreements with an independent third party who has undertaken to sell, on behalf of WHRED, substantially all of its properties within a short period of time. In the opinion of the directors, according to the above arrangements, the Properties were in substance transferred to WPM as the risks and rewards of ownership of the Properties have been transferred.

23. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

In addition, during the year ended 31 December 2004, without informing the Group, WHRED settled the claims from its buyers, whereby certain properties were compensated to the claimants. Further details are set out in the latter part of this note.

In December 2004, the representatives nominated by the Group were successfully appointed as directors of the Wuhan Companies, at which time the directors first became aware of the above arrangements, whereby most of the assets of the Wuhan Companies had been seized by their management and the PRC Partner for settlement of liabilities. Since the Wuhan Companies have lost their status as subsidiaries of the Company in 2004, the investments were reclassified to available-for-sale investments accordingly and their results were consolidated up to the date of reclassification.

The directors of the Company also considered that these investments were fully impaired and, accordingly, no value has been ascribed to these investments.

In December 2004 and during the year, representatives nominated by the Group were successfully appointed as directors or key management personnel of WHM, the directors consider that the Group's representatives have been appointed to the respective boards of directors and management of WHM. Owing to the recent changes in operating circumstances, the directors consider the Group has resumed its control over WHM and is able to govern the financial and operating policies of WHM. Since WHM has resumed its status as a subsidiary of the Company in 2005, the investment was reclassified as a subsidiary and included in investments in subsidiaries accordingly and the results of WHM were consolidated from the date of resumption of control over WHM. Details of the net assets as at the date of resumption of control over WHM are set out in Note 35(b) to the financial statements.

23. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

The financial effects arising from the various events in relation to the lost of control over the subsidiaries during the year ended 31 December 2004 as aforesaid are analysed as follows:

	2004		
	Settlement of the loan (the Properties) and litigation HK$'000	Reclassification of subsidiaries to available-for-sale investments HK$'000	Note
Property, plant and equipment *(Note 15)*	7,419		
Investment properties *(Note 16)*	249,966		
Properties contracted for sale *(Note 19)*	7,590		
Properties held for sale *(Note 20)*	12,258		
	277,233		
Amount of loan settled	(216,912)		
Deemed loss on transfer of the Properties	60,321		(i)
Expenses in relation to the transfer of the Properties	11,684		(i)
Loss and compensation on settlement of litigation	15,975		(ii)
Provision for corporate guarantee crystallised	4,918		(iii)
Gain on waiver of a loan from a joint venturer	(22,972)		(iv)
	69,926	69,926	(v)
Assets/(liabilities) deconsolidated:			
Property, plant and equipment *(Note 15)*		226	
Investment properties *(Note 16)*		658	
Properties contracted for sale *(Note 19)*		14,286	
Investment securities		9,580	
Accounts receivable		3,626	
Tax recoverable		10,914	
Prepayments, deposits and other receivables		316	
Amount due from a joint venturer		312	
Restricted bank balance		1,402	
Cash and bank balances *(Note 35)*		12,318	
Tax payable		(617)	
Accounts payable		(4,166)	
Accruals and other payables		(45,013)	
Customer deposits received		(7,000)	
Loan from a jointly-controlled entity		(27,745)	
Loan from a joint venturer		(30,968)	
		(61,871)	
Exchange fluctuation reserve		(4,703)	
		3,352	
Reclassified as:			
Available-for-sale investments		–	
Net loss on reclassification of subsidiaries to available-for-sale investments		3,352	

23. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Note:

(i) In respect of the transfer of the Properties for settlement of a loan, as the carrying value of the Properties was in excess of the amount of the loan settled, the directors consider that a loss of approximately HK$60 million and other expenses in relation to the transfer should be recorded by the Group.

(ii) During 1997, buyers of certain pre-sold units of WHRED's properties under development alleged that WHRED had breached certain terms of the relevant property sale and purchase agreements and, as a result, claimed against WHRED for, inter alia, a refund of the pre-sale deposits paid, legal expenses incurred and any other resulting financial loss. Based on the legal advice from the Group's lawyer, the directors were then of the opinion that such claims were unfounded and the Group had strong grounds for defending the claims and had thus proceeded to defend them vigorously.

In prior years, the plaintiffs had filed applications to appeal to courts at different levels. During the year ended 31 December 2004, judgements have been awarded by the Final Court in Beijing in favour of certain buyers. Accordingly, WHRED has settled the cases with those buyers as well as other buyers with potential claims against it, whereby essentially both parties agreed that the deposits paid in prior years would not be refunded and WHRED would transfer its properties to the buyers as compensation. As a result during the year ended 31 December 2004, properties of HK$21,714,000 were transferred to the buyers (Note 19), and customer deposits received of HK$10,307,000 were recognised, resulting in a net loss of HK$11,407,000. In addition, additional compensation of HK$4,568,000 was made to the buyers.

(iii) Guarantees were given by WHRED to Industrial and Commercial Bank of China ("ICBC") for mortgage loan facilities granted by ICBC to the buyers of properties developed by WHRED. Due to the default in payments by certain buyers, ICBC commenced legal action against WHRED requesting WHRED to pay the guaranteed principal amounts and overdue interest. During the year ended 31 December 2004, court judgements were awarded in favour of ICBC. According to the judgements, WHRED should bear the amount of approximately HK$18.9 million owed to ICBC by the buyers. Based on the legal opinion from a PRC lawyer, the amount payable by the Group would be limited to the outstanding loans after the sales proceeds from the mortgaged properties. Accordingly, a provision for a corporate guarantee of HK$4,918,000 has been charged to the consolidated income statement during the year ended 31 December 2004, representing the excess of the claimed amounts over the expected net realisable values of the subject mortgaged properties and any attributable unrecognised deposits included in "Customer deposits received" in the consolidated balance sheet.

(iv) Following the transfer of the Properties to settle the Loan, the PRC Partner agreed to waive the remaining balance due to it to the extent of approximately HK$22,972,000.

(v) The directors consider that the reclassification of subsidiaries to available-for-sale investments and the various transactions in (i) to (iv) above are arose from the same event, and there would be no net effect on the Group's consolidated income statement. Accordingly, in the opinion of the directors, separate disclosure of such gains and losses in (i) to (iv) above on the Group's consolidated income statement is not appropriate.

23. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Particulars of the subsidiaries reclassified to available-for-sale investments during the year ended 31 December 2004 are as follows:

Name	Place of registration and operations	Paid-up capital	Percentage of equity attributable to the Company	Principal activities
WHRED	PRC	US$8,000,000	51	Property development and investment
WHM (control resumed during the current year) (note above)	PRC	RMB3,000,000	51	Property management

24. AMOUNTS DUE FROM JOINT VENTURERS

	Group	
	2005 HK$'000	2004 HK$'000
Balance as at 31 December 2005/ 2004	6,378	3,325
Less: Provision for impairment losses	(3,702)	–
Balance as at 31 December 2005/ 2004, net of impairment losses	2,676	3,325

The amounts due from joint venturers are unsecured, interest-free and have no fixed terms of repayments. An impairment loss of approximately HK$3,702,000 is made on an amount due from a joint venturer based on a review of the outstanding amount on regular basis and the directors of the Company consider that collection of the amount is in doubt.

25. AMOUNT DUE FROM A RELATED COMPANY

Group and Company

Name of company	Name of directors having interest	Highest balance outstanding during the year HK$'000	2005 HK$'000	2004 HK$'000
Beijing Junefield Real Estate Development Co., Ltd. ("Beijing Junefield")	Mr. Zhou Chu Jian He Mr. Yiu Yu Keung, George	25,413	18,798	–

The amount due from Beijing Junefield is unsecured, interest-free and has no fixed terms of repayment. The amount due represents the balance of net sale proceeds receivable from the disposal of the Beijing Property as set out in Note 16 to the financial statements.

26. ACCOUNTS PAYABLE

Included in accounts payable are the amounts due to contract customers of approximately HK$2,615,000 and other accounts payable of approximately HK$13,351,000.

(i) The amounts due to contract customers represent the excess of progress billings raised by the Group for the respective contracts over the contract costs incurred to date by the Group plus recognised profits less recognised losses as at the balance sheet date:

	Group 2005 HK$'000	Group 2004 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	35,380	39,487
Less: Progress billings	37,995	42,971
Amounts due to contract customers	2,615	3,484

(ii) An aged analysis of the Group's other accounts payable as at 31 December 2005, based on invoice date, is as follows:

	Group 2005 HK$'000	Group 2004 HK$'000
Less than one month	2,545	7,237
Two to three months	305	362
More than three months	10,501	1,281
	13,351	8,880

The directors consider that the carrying amount of the accounts payables approximate their fair value.

27. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Other payables	3,718	3,659	–	813
Deposit received and deferred income	3,190	743	–	–
Accruals	7,432	3,453	3,872	3,249
Business tax payable	4,382	3,235	–	–
	18,722	11,090	3,872	4,062

28. AMOUNTS DUE TO RELATED COMPANIES

The amounts due were unsecured, interest-free and have been fully settled during the year.

29. INTEREST-BEARING BORROWINGS

	Group		Company	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Other loans repayable within one year or on demand:				
Secured	35,000	20,000	35,000	20,000
Unsecured	4,630	4,630	4,630	4,630
	39,630	24,630	39,630	24,630

As at 31 December 2005, details of the Group's loan facilities were as follows:

(a) The Company's and the Group's unsecured other loan bears interest at a rate of 9.5% per annum.

(Expressed in Hong Kong dollars)

29. INTEREST-BEARING BORROWINGS (Continued)

(b) During the year, the Company's and the Group's other loan of HK$35,000,000 bears interest at the rates shown as follow:

Period	Interest rate
1 January 2005 to 7 February 2005	The highest of (i) 2% per month; (ii) the aggregate of the annual rate announced or applied by the Hongkong and Shanghai Banking Corporation Limited as its prime rate of interest in Hong Kong for lending of Hong Kong dollar(s) to its prime corporate customers plus 19% per annum; and (iii) 3-month HIBOR plus 23.7824% per annum
8 February 2005 to 27 February 2005	2% per month
28 February 2005 to 28 August 2005	1.5% per month
29 August 2005 to 31 December 2005	2% per month

The loan is secured by:

(i) a debenture incorporating a floating charge on all assets of the Company and a first legal charge on the entire issued capital of IMC and HDHK, subsidiaries of the Company;

(ii) a debenture incorporating a floating charge on all assets of IMC and a first legal charge on its 49% shareholding in WPM;

(iii) a first legal charge on the 49% joint venture rights in WPM including all cash, dividends, distribution, bonuses, interests or other monies derived from the rights in WPM;

(iv) a debenture incorporating a floating charge on all assets of HDHK and a first legal charge on its 51% shareholding in WHRED;

(v) a first legal charge on the 51% joint venture rights in WHRED, including all cash, dividends, distribution, bonuses, interests on other monies derived from the rights in WHRED;

(vi) a share mortgage in respect of the two issued ordinary shares of EPD, a subsidiary of the Company;

(vii) a debenture incorporating a first floating charge over the undertaking, investment properties (Note 16) and assets of EPD;

29. INTEREST-BEARING BORROWINGS (Continued)

(viii) a deed of guarantee signed by Mr. Zhou Chu Jian He, Chairman of the Company (Note 40);

(ix) a debenture incorporating a first floating charge over the undertaking, properties and assets of PCI;

(x) a share mortgage in respect of the one issued share of PCI; and

(xi) assignment of receivables of EPD.

The other loan of HK$35,000,000 was due for repayment on 28 February 2006. Subsequent to the balance sheet date, the Company signed a supplementary loan agreement on 21 March 2006 to extend the repayment date to 25 August 2006 (Note 41). The loan agreement (as supplemented) provides that the Company shall procure PCI to maintain its shareholding in the Company at not less than 51% during the term of the loan agreement and that PCI's shareholding in the Company shall not be reduced below 51% during such term without the prior consent of the lender. The loan agreement (as supplemented) also requires PCI to maintain a margin securities trading account ("Account") with Sun Hung Kai Investment Services Limited during the term of the loan agreement. The shares in the Company owned by PCI will be deposited into the Account and the lender is authorised to apply any credit balance in the Account to satisfy any sum due and payable but unpaid to the lender.

The directors consider that the carrying amount of borrowings approximate their fair value.

30. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company was unsecured, interest-free and has been fully settled during the year.

31. DEFERRED TAX LIABILITY

	Group	
	2005	2004
	HK$'000	HK$'000
At as 1 January 2005/2004	7,761	–
Deferred tax charged to the consolidated income statement during the year in respect of revaluation of investment properties *(Note 12)*	52	7,761
As at 31 December 2005/2004	7,813	7,761

The Group has tax losses arising in Hong Kong of HK$7,030,000 (2004: HK$6,674,000) that are available indefinitely for offsetting against future profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

As at 31 December 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and a jointly-controlled entity as the Group has no liability to additional tax should such amounts be remitted.

32. SHARE CAPITAL

	2005 HK$'000	2004 HK$'000
Authorised:		
25,000,000,000 ordinary shares of HK$0.10 each	2,500,000	2,500,000
Issued and fully paid:		
421,934,200 (2004: 421,934,200) ordinary shares of HK$0.10 each	42,193	42,193

On 4 February 2004, 63,726,000 new shares of HK$0.10 in the Company were issued at a price of HK$0.12 per share, for the purpose of satisfying part of the consideration (the "Consideration") for the acquisition of certain investment properties situated in Beijing, the PRC (Note 16). The excess of the Consideration over the nominal value of the shares issued, in the amount of HK$1,275,000, was credited to the share premium account.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 33 to the financial statements.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") with reference to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Rules") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include full-time employees of the Company or any of its subsidiaries, including any executive directors of the Company or any of its subsidiaries. The Scheme became effective on 10 November 1999 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Rules is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time.

(Expressed in Hong Kong dollars)

33. SHARE OPTION SCHEME (Continued)

The subscription price of the share options is determined by the directors and notified to each relevant director and employee. The subscription price must be at least the higher of: (i) the closing price of the securities 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 securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 10% of the aggregate number of shares issued and issuable under the Scheme for the time being.

Share options do not confer rights on the holders either to dividends or to vote at shareholders' meetings.

The fair value of share options granted was determined using the Black & Scholes Option Pricing Model. The inputs into the model were as follows:

Date of grant	12 March 2004
Closing share price at date of grant	HK$0.13
Expected volatility	27.47%
Risk free rate	0.941%
Expected life	2.5 years
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price. The Group recognised total expenses of approximately HK$647,000 related to equity-settled share-based payment transactions for the year ended 31 December 2004.

(Expressed in Hong Kong dollars)

33. SHARE OPTION SCHEME (Continued)

Details of the share options outstanding during the year are as follows:

Name or category of participant	Number of share options At 1 January 2005	Granted during the year	At 31 December 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of the Company's shares at grant date of options *** HK$
Directors							
Mr. Zhou Chu Jian He	4,218,000	–	4,218,000	12 March 2004	12 September 2004 to 11 September 2006	0.13	0.13
Mr. Yiu Yu Keung, George	4,218,000	–	4,218,000	12 March 2004	12 September 2004 to 11 September 2006	0.13	0.13
Mr. Li Jong Tong, Timothy	4,218,000	–	4,218,000	12 March 2004	12 September 2004 to 11 September 2006	0.13	0.13
Mr. Zhang Xiao Bing, Adam	4,218,000	–	4,218,000	12 March 2004	12 September 2004 to 11 September 2006	0.13	0.13
	16,872,000	–	16,872,000				
Other employees in aggregate	10,544,000	–	10,544,000	12 March 2004	12 September 2004 to 11 September 2006	0.13	0.13
	27,416,000	–	27,416,000				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is The Stock Exchange of Hong Kong Limited's closing price on the trading day of the grant of the share options.

As at the balance sheet date, the Company had 27,416,000 share options outstanding under the Scheme, which represented approximately 6.5% of the Company's shares in issue as at that date. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 27,416,000 additional ordinary shares of the Company and additional share capital of HK$2,741,600 and share premium of HK$822,480 (before issue expenses).

34. RESERVES

Group

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on page 23.

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation on 10 November 1999, over the nominal value of the Company's shares issued in exchange therefor.

Company

	Share premium HK$'000	Share based compensation reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2004	41,149	–	178,927	(284,812)	(64,736)
Issue of shares – *Note 32*	1,275	–	–	–	1,275
Loss for the year					
– As previously reported	–	–	–	(12,347)	(12,347)
– Effect of adopting HKFRS 2	–	647	–	(647)	–
– As restated	–	647	–	(12,994)	(12,347)
As at 31 December 2004 and as at 1 January 2005					
– As previously reported	42,424	–	178,927	(297,159)	(75,808)
– Effect of adopting HKFRS 2	–	647	–	(647)	–
– As restated	42,424	647	178,927	(297,806)	(75,808)
Loss for the year	–	–	–	(26,305)	(26,305)
As at 31 December 2005	42,424	647	178,927	(324,111)	(102,113)

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

Distributable reserves

As at 31 December 2005, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus is distributable in certain circumstances.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

(i) In 2004, two subsidiaries of the Group were reclassified to available-for-sale investments. The assets/(liabilities) deconsolidated from the reclassification are set out in Note 23 to the financial statements. An analysis of the net outflow of cash and cash equivalents in respect of the reclassification of subsidiaries to available-for-sale investments is as follows:

	2004 HK$'000
Cash and bank balances disposed of *(Note 23)*	(12,318)
Net outflow of cash and cash equivalents in respect of the reclassification of subsidiaries to available-for-sale investments	(12,318)

The subsidiaries reclassified to available-for-sale investments during the year ended 31 December 2004 contributed HK$9,315,000 to the Group's turnover and a net loss of HK$14,674,000 to the consolidated loss after tax for the year. The net loss on reclassification of subsidiaries to available-for-sale investments of HK$3,352,000 is included in the above-mentioned net loss.

(ii) During the year, the Company has received dividend from WPM of approximately HK$15,391,000 (2004: HK$27,973,000). The dividend distribution was used to settle the loan from WPM of approximately HK$12,307,000 (2004: HK$13,986,000) and the amount due to the ultimate holding company of approximately HK$3,084,000 (2004: HK$13,987,000).

(iii) During the year ended 31 December 2004, the consideration for the Group's investment properties acquired during the year ended 31 December 2004 of HK$20,607,000 was settled by the transfer of other receivable balances and new issue of shares as to HK$11,979,000 and HK$7,647,000, respectively. In addition, other capitalised costs of HK$981,000 remained unpaid and were included in accruals and other payables as at 31 December 2004.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Resumption of control over a subsidiary

On 4 November 2005, the Group resumed control over a previously deconsolidated subsidiary, namely, WHM, at nil consideration. Further details of the resumption of control over WHM are disclosed in Note 23 to the financial statements. The net gain of approximately HK$1,117,000 arising from the resumption of control over WHM, being the net asset value of WHM at the date of resumption of control, has been taken to the consolidated income statement. The aggregate carrying amounts of the assets and liabilities of WHM as at the date of resumption of control were as follow:

Net assets as at 4 November 2005, date of resumption of control

	HK$'000
Property, plant and equipment (Note 15)	437
Cash and bank balances	4,728
Accounts receivable	500
Prepayments, deposits and other receivables	190
Amount due from a joint venturer	539
Amount due from a related company	890
Accruals and other payables	(5,117)
Amount due to a jointly-controlled entity	(137)
Tax payable	(913)
Net assets	1,117
Net gain on resumption of control over WHM	1,117

Net cash inflow arising from resumption of control over WHM

Cash and bank balances from WHM	4,728

During the period from 4 November 2005 to 31 December 2005, WHM contributed HK$1,216,000 to the Group's turnover and a loss of HK$1,693,500 to the consolidated profit after tax for the year.

36. OPERATING LEASE COMMITMENTS

As at 31 December 2005, the Group had future minimum lease payment under non-cancellable operating lease commitments as follows:

	2005 HK$'000	2004 HK$'000
Within one year	126	–

The Group's share of a jointly-controlled entity's own total future minimum lease payment under non-cancellable operating lease commitments, payable to the PRC Partner, is as follows:

	2005 HK$'000	2004 HK$'000
Within one year	32,050	29,972
In the second to fifth years, inclusive	–	31,152
	32,050	61,124

37. COMMITMENTS

The Group and the Company did not have any significant commitments as at the balance sheet date (2004: Nil).

In addition to the operating lease commitments detailed in Note 36 above, the Group's share of a jointly-controlled entity's own capital commitments is as follows:

	2005 HK$'000	2004 HK$'000
Authorised, but not contracted for	–	3,572

38. CONTINGENT LIABILITIES

WHRED has given corporate guarantees to a bank (the "Bank") for mortgage loans granted to the buyers of its properties.

In September 2004, due to the default payments by certain borrowers, the Bank commenced legal action against WHRED requesting WHRED to repay the guaranteed amount of approximately HK$1 million. Based on the legal opinion from a PRC lawyer in Wuhan, the amount payable by WHRED would be limited to the outstanding balances after the sales proceeds from the mortgaged properties. As at 31 December 2004, the subject mortgaged properties had a current market value of approximately HK$1 million. As WHRED was reclassified as an available-for-sale investment during the year, and the Group has not provided any financial guarantee to WHRED, the directors do not expect the above claims to have any impact on the Group.

39. PENDING LITIGATION

In December 2002, a former director of a subsidiary which was disposed of in a prior year commenced litigation in the PRC against the Group, and claimed that an alleged bonus of RMB19 million was due to him, according to a supplementary agreement attached to the employment contract entered into with the Group in 1995. Currently, the litigation is still in progress and no conclusion has been drawn on the litigation. Based on the legal opinion from the Group's PRC lawyer, the directors are in the opinion that the court will ultimately decline such claim and, accordingly, no provision has been made.

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the year, the Group had entered into the following significant related party transactions which, the Directors consider that the consideration for these significant related party transactions were based on rates mutually agreed with reference to the then market conditions and in the ordinary course of the Group's business and these significant related party transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole:

(a) Significant transactions with related parties

	2005 HK$'000	2004 HK$'000
Interest expenses paid to a jointly-controlled entity (i)	4,728	5,586
Deposit paid for acquisition of leasehold land and buildings (ii)	2,293	–

(i) Interest was paid to WPM, a jointly-controlled entity of the Group, in respect of the loan granted to a subsidiary of the Company. Further details of the loan, including the terms thereof, are set out in Note 18 to the financial statements.

(ii) Included in the prepayments, deposits and other receivables are deposits of approximately HK$2,293,000 in aggregate paid to WHRED for the acquisition of leasehold land and buildings situated in Wuhan, the PRC.

(b) Compensation to key management personnel

	2005 HK$'000	2004 HK$'000
Short-term employee benefits	740	727
Equity-settled share-based payments	–	400
	740	1,127

40. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) The Group's other loan facilities were supported by a deed of guarantee executed by Mr. Zhou Chu Jian He, Chairman of the Company (Note 29).

(d) On 26 April 2005, Junefield Department Store (China) Limited ("Junefield China"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with Wuhan Junefield Sogo Department Store ("Wuhan Sogo"), a collective enterprise established under the laws of the PRC, of which Mr. Zhou has a control over its operation and financial activities, for the acquisition of a property comprising two floors of a shopping arcade situated in Wuhan City, Hubei Province, the PRC ("Wuhan Properties") at a consideration of approximately RMB27.348 million (equivalent to approximately HK$25.8 million). As certain conditions precedent to completion of the acquisition agreement have not been fulfilled, the acquisition agreement has lapsed in accordance with its terms and completion of the proposed acquisition by the Group of the Wuhan Property will not proceeded. Pursuant to the acquisition agreement, no deposit has been paid by Junefield China for the acquisition.

(e) On 26 April 2005, EPD entered into a disposal and underwriting agreement with Beijing Junefield for the disposal of certain of the Group's investment properties amounted to approximately HK$24,828,000 which comprise 15 office units situated in Beijing City, the PRC ("Beijing Property") on a fully underwritten basis. If any of the 15 office units of the Beijing Property remains unsold upon the expiry of the disposal agreement, Beijing Junefield as an underwriter shall purchase from Ever Park such unsold units and pay a sum equivalent to the minimum selling prices of those units stipulated in the disposal agreement to Ever Park on or before 30 December 2005, being 30 days from the expiry of the disposal agreement. The Beijing Property has been disposed during the year and accordingly, a gain on disposal of approximately HK$585,000 arising from the disposal of these investment properties has been recognised in the consolidated income statement for the year. Pursuant to the disposal agreement, Beijing Junefield is entitled to receive a selling commission of 2.5% of the total consideration for the disposal of Beijing Property. The selling commission paid to Beijing Junefield for the year amounted to approximately HK$635,000 which has been taken to the consolidated income statement.

41. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, on 21 March 2006, the Group entered into an agreement with the lender in respect of the other loan to roll over the loan of HK$35 million (Note 29) granted to the Group (which was originally due for repayment on 28 February 2006). The total loan of HK$35 million is repayable in August 2006.

Subsequent to the balance sheet date, on 20 April 2006, the directors of WPM, declared a dividend of RMB94,091,869 (equivalent to approximately HK$90,473,000) to the equity holders of WPM in accordance with their sharing ratio. The Group is entitled to its share of the dividend declared by WPM amounting to approximately HK$44,332,000.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 April 2006.