1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

The consolidated financial statements of Great China Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets and liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 3	Business Combinations

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

a. Basis of preparation *(Cont'd)*

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33, 36 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 33, 36 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment and properties held for sale to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32, 39 and 39 Amendment has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and loans and receivables. Please refer to Note 1(h) for details of the changes in accounting policies. It has also resulted in the recognition of derivative financial instruments at fair value.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other gains, net. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

a. Basis of preparation *(Cont'd)*

The adoption of HKAS 38 and HKFRS 3 results in a change in the accounting policy for negative goodwill.

From 1st January, 2005 onwards, in accordance with the provisions of HKFRS 3:

– the carrying amount of negative goodwill as at 1st January, 2005 has been derecognised at 1st January, 2005 with a corresponding adjustment to the opening balance of retained earnings.

Prior to 1st January, 2005:

– For acquisitions after 1st January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

– For acquisitions prior to 1st January, 2001, negative goodwill was taken directly to reserves on acquisition.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, whenever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations.

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st January, 2005.

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January, 2005, including the reclassification of any amount held in revaluation surplus for investment property.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

a. Basis of preparation *(Cont'd)*

– HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st January, 2005

– HKFRS 3 – prospectively after 1st January, 2005.

(i) **The adoption of revised HKAS 17 resulted in** an increase in retained earnings at 1st January, 2004 by HK$37,392 and the details of the adjustments to the balance sheet at 31st December, 2004 and 31st December, 2005 and for the year then ended are as follows:

	As at	
	31st December, 2005	31st December, 2004
	HK$	*HK$*
Decrease in property, plant and equipment	**10,399,777**	11,576,821
Increase in leasehold land and land use rights	**10,856,207**	11,990,074
Decrease in properties held for sale-buildings	**5,517,629**	1,717,421
Increase in properties held for sale-leasehold land and land use rights	**5,397,280**	1,659,871
Increase in deferred income tax liabilities	**91,014**	76,766
Increase in retained earnings	**245,067**	278,937

	For the year ended	
	31st December, 2005	31st December, 2004
	HK$	*HK$*
Increase in income tax expense	**14,248**	41,576
Increase/(decrease) in administrative expenses	**19,622**	(283,121)
(Decrease)/increase in basic and diluted earnings per share	**(0.00013)**	0.00092

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

a. Basis of preparation *(Cont'd)*

(ii) **The adoption of HKAS 39 resulted in** a decrease in retained earnings at 1st January, 2005 by HK$2,007,696 and the details of the adjustments to the balance sheet at 31st December, 2005 and for the year then ended are as follows:

	As at 31st December, 2005
	HK$
Decrease in non-trading securities	**2,870,056**
Increase in financial assets at fair value through profit or loss	**894,360**
Increase in trade and bills receivables	**16,473,600**
Increase in borrowings, secured, current portion	**16,473,600**
Decrease in retained earnings	**1,975,696**

	For the year ended 31st December, 2005
	HK$
Increase in fair value gains on financial assets at fair value through profit or loss	**32,000**
Increase in basic and diluted earnings per share	**0.00012**

(iii) **The adoption of HKAS 40 resulted in** an increase in retained earnings and a decrease in investment properties revaluation reserve at 1st January, 2005 by HK$332,008,633 and the details of the adjustments to the balance sheet at 31st December, 2005 are as follows:

	As at 31st December, 2005
	HK$
Decrease in investment properties revaluation reserve	**(363,123,131)**
Increase in retained earnings	**363,123,131**

	For the year ended 31st December, 2005
	HK$
Increase in other gains, net	**31,824,000**
Decrease in income tax expense	**2,805,338**
Increase in share of loss of associates	**3,514,840**
Increase in basic and diluted earnings per share	**0.11890**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

a. Basis of preparation *(Cont'd)*

(iv) **The adoption of HKAS-Int 21 resulted in** a decrease in investment properties revaluation reserve at 1st January, 2004 by HK$8,120,601 and the details of the adjustments to the balance sheet at 31st December, 2004 and 31st December, 2005 and for the year then ended are as follows:

	As at	
	31st December, 2005	31st December, 2004
	HK$	*HK$*
Increase in interests in associates	**8,877,435**	10,146,227
Increase in deferred income tax liabilities	**34,975,928**	25,003,195
Decrease in investment properties revaluation reserve	**14,856,968**	14,856,968
Decrease in retained earnings	**11,241,525**	–

	For the year ended	
	31st December, 2005	31st December, 2004
	HK$	*HK$*
Increase in income tax expense	**9,972,733**	–
Increase in share of loss of associates	**1,268,792**	–
Decrease in basic and diluted earnings per share	**0.04296**	–

(v) **The adoption of HKFRS 3 resulted in** the following adjustments to the balance sheet at 31st December, 2005:

	As at 31st December, 2005
	HK$
Decrease in reserve arising on consolidation	**(1,441,177)**
Increase in retained earnings at 1st January, 2005	**1,441,177**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

a. Basis of preparation *(Cont'd)*

(vi) Standards, interpretations and amendments to published standards that are not yet effective

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

- HKAS 19 (Amendment), Employee Benefits (effective from 1st January, 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. These amendments are not relevant to the Group's operations as the Group does not maintain any defined benefit plan during the year.

- HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1st January, 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of 31st December, 2005 and 2004.

- HKAS 39 (Amendment), The Fair Value Option (effective from 1st January, 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. Management is currently assessing the impact of HKAS 39 (Amendment) on the Group's operations.

- HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1st January, 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management is currently assessing the impact of HKAS 39 and HKFRS 4 (Amendment) on the Group's operations.

- HKFRS 1 (Amendment), First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1st January, 2006). These amendments are not relevant to the Group's operations, as the Group is not a first-time adopter and does not carry out exploration for and evaluation of mineral resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

a. Basis of preparation *(Cont'd)*

(vi) Standards, interpretations and amendments to published standards that are not yet effective *(Cont'd)*

- HKFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1st January, 2006). HKFRS 6 is not relevant to the Group's operations.

- HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1st January, 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1st January, 2007.

- HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1st January, 2006). HKFRS-Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS-Int 4 on the Group's operations.

- HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1st January, 2006). HKFRS-Int 5 is not relevant to the Group's operations.

- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1st December, 2005). HK(IFRIC)-Int 6 is not relevant to the Group's operations.

b. Consolidation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

b. Consolidation *(Cont'd)*

(i) Subsidiaries

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

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

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

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

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

b. Consolidation *(Cont'd)*

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

c. Segment reporting

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

d. Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

d. Foreign currency translation *(Cont'd)*

(iii) Group companies (Cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

e. Property, plant and equipment

Buildings comprise mainly factories and offices. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the 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 over their estimated useful lives, as follows:

Buildings	2.5%
Leasehold improvement	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	25%

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

f. 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 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 income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement as part of "other gains, net"

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 complete, at which time it is reclassified and subsequently accounted for as investment property.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

f. Investment properties *(Cont'd)*

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 income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

g. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization, 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

h. Financial Assets

From 1st January, 2004 to 31st December, 2004:

The Group classified its investments in securities, other than subsidiaries and associates, as non-trading securities and trading securities.

(i) Non-trading securities

Non-trading securities held for long term basis are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. This impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

h. Financial Assets *(Cont'd)*

(ii) Trading securities

Trading securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the income statment. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual investment or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the income statement as an expense immediately.

From 1st January, 2005 onwards:

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables' in the balance sheet (Note 1(l)).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

h. Financial Assets *(Cont'd)*

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for loans and receivables. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' category including interest and dividend income, are presented in the income statement within "other gains, net", in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in Note 1(l).

i. Accounting for derivative financial instruments and hedging activities

From 1st January, 2004 to 31st December, 2004:

All derivative financial instruments are designated as trading. The Group records derivative financial instruments at cost. The gains and losses on derivative financial instruments are included in the income statement on maturity to match the underlying hedged transactions where relevant.

Derivative financial instruments designated as trading instruments are valued at year-end market value, and the difference between the nominal contract value and fair value is recorded in the income statement under financial income and expenses. During 2004, the Group did not hold any derivative financial instruments designated as trading instruments.

From 1st January, 2005 onwards:

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

All derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within "other gains, net".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

j. Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs attributable to the unsold units. Net realisable value is determined on the basis of anticipated sales proceeds, or management estimates based on the prevailing market conditions, less all estimated costs to completion and selling expenses.

k. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out (FIFO) method, represents invoiced price from suppliers. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

l. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within "selling expenses".

m. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

n. Share capital

Ordinary shares are classified as equity.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

o. Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

p. Deferred income tax

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

q. Employee benefits

(i) Retirement benefit costs

The Group operates a defined contribution retirement scheme which is available to all employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' relevant income. The retirements benefit scheme cost charged to the income statement represents contributions paid/payable by the Group to the fund. The Group's contribution to the scheme are expenses as incurred.

(ii) Bonus plans

The Group recognises a provision when management has discretionarily decided on a concrete bonus plan.

r. Provisions

Provisions 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. Provisions are not recognised for future operating losses.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

s. Revenue recognition

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

(i) sale of goods – when risks and rewards of ownership have been transferred to buyers, which generally coincides with the time of the delivery of goods;

(ii) sale of properties – when the sale agreement is completed;

(iii) rental income from letting of investment properties – on a straight line basis over respective periods of the leases;

(iv) interest income – on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(v) agency fee income – when services are rendered.

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

u. Dividend distribution

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

v. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2. FINANCIAL RISK MANAGEMENT

a. Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk.

(i) Foreign exchange risk

The Group mainly operates in the Asia Pacific Region with most of its sales and purchases traded in foreign currencies, mostly US dollar and Renminbi ("RMB"). HK dollar is pegged to US dollar at an exchange rate of around 7.8, the foreign exchange exposure between US dollar and HK dollar is therefore limited. For the assets and transactions denominated in RMB, the Group is exposed to foreign exchange risk arising from the exposure of RMB against HK dollars. The Group manages its foreign exchange risk by performing regular review and using the foreign exchange forward contracts whenever necessary.

(ii) Credit risk

The Group has policies in place to manage its credit risk by using letter of credit or documents against payment for the majority of the Group's sales.

(iii) Liquidity risk

The Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

(iv) Cash flow interest-rate risk

The Group's exposure to cash flow interest-rate risk is mainly attributable to its borrowings issued at variable rates. The Group has not hedged its exposure to cash flow interest-rate risk.

b. Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, club debentures) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used. The fair value of foreign exchange forward contracts is determined using quoted forward exchange rates at the balance sheet date.

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the income tax liabilities as at 31st December, 2005 was HK$1,204,070.

b. Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

(ii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from the external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Cont'd)*

b. Estimate of fair value of investment properties *(Cont'd)*

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The carrying amount of the investment properties as at 31st December, 2005 was HK$565,473,500.

c. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, club debentures) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

The carrying amount of financial assets which are not traded in an active market as at 31st December, 2005 was HK$894,360.

4. SALES AND SEGMENT INFORMATION

The Group is principally engaged in general trading and property investment.

Analysis of sales by category is as follows:

	GROUP	
	2005	2004
	HK$	*HK$*
Sales		
Sales of goods	**1,541,815,786**	1,254,694,113
Sales of properties	**14,042,954**	69,347,673
Rental income from investment properties	**24,028,944**	20,725,916
Agency fee income	**506,334**	407,163
	1,580,394,018	1,345,174,865

4. SALES AND SEGMENT INFORMATION *(Cont'd)*

Primary reporting format – business segments

At 31st December, 2005, the Group is organised on a worldwide basis into two main business segments:

(1) General trading – trading of animal feed (mainly fishmeal and tapioca chips)

(2) Property investment – rental income from investment properties, sale proceeds of properties held for sale and provision of real estate agency services

There are no sales or other transactions between the business segments.

Unallocated costs represent corporate expenses, including gains and losses of derivative financial instruments held for trading.

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, investment properties, properties held for sale, inventories, receivables and operating cash. They exclude investments.

Segment liabilities comprise operating liabilities. They exclude items such as income tax liabilities, deferred income tax liabilities and corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 13), investment properties (Note 14) and leasehold land and land use rights (Note 15).

Secondary reporting format – geographical segments

The Group operates in three main geographical areas:

Hong Kong	–	rental income from investment properties
Mainland China	–	trading of animal feed, rental income from investment properties, sale of properties held for sale and provision of real estate agency services
Other countries	–	trading of animal feed and sale of properties held for sale

There are no sales or other transactions between the geographical segments.

Sales are allocated based on the countries in which customers are located.

Total assets are allocated based on where the assets are located.

Capital expenditure is allocated based on where the assets are located.

4. SALES AND SEGMENT INFORMATION *(Cont'd)*

Primary reporting format – business segments

	General trading 2005 *HK$*	Property investment 2005 *HK$*	GROUP 2005 *HK$*
The segment results for the year ended 31st December, 2005 are as follows:			
Sales	1,541,815,786	38,578,232	1,580,394,018
Segment results	23,159,942	44,886,479	68,046,421
Unallocated corporate expenses			(19,468,378)
Operating profit			48,578,043
Finance costs *(Note 7)*			(7,002,661)
Share of loss of associates *(Note 17)*		(4,481,624)	(4,481,624)
Profit before income tax			37,093,758
Income tax expense *(Note 8)*			(7,638,323)
Profit for the year			29,455,435
Other segment terms included in the income statements are as follows:			
Depreciation of property, plant and equipment *(Note 5)*	126,783	1,003,693	1,130,476
Amortisation of leasehold land and land use rights *(Note 5)*	–	27,243	27,243
Amortisation of properties held for sale – leasehold land and land use rights *(Note 5)*	–	81,414	81,414
Impairment charge of leasehold land and land use rights *(Note 5)*	–	102,211	102,211
Impairment charge of properties held for sale – buildings *(Note 5)*	–	799,500	799,500
Impairment of trade receivables *(Note 5)*	–	2,034,348	2,034,348
The segment assets and liabilities at 31st December 2005 and capital expenditure for the year then ended are as follows:			
Segment assets	170,245,232	691,287,496	861,532,728
Interests in associates		48,759,030	48,759,030
Unallocated assets			19,922,562
Total assets			930,214,320
Segment liabilities	145,858,684	122,188,657	268,047,341
Unallocated liabilities			162,901,769
Total liabilities			430,949,110
Capital expenditure *(Note 13, 14 and 15)*	–	757,796	757,796

4. SALES AND SEGMENT INFORMATION *(Cont'd)*

Primary reporting format – business segments

	General trading 2004 *Restated* *HK$*	Property investment 2004 *Restated* *HK$*	GROUP 2004 *Restated* *HK$*
The segment results for the year ended 31st December, 2004 are as follows:			
Sales	1,254,694,113	90,480,752	1,345,174,865
Segment results	23,464,755	19,874,488	43,339,243
Write-back of provision upon disposal of non-trading securities			11,756,250
Gain on disposal of subsidiaries			1,167,846
Unallocated corporate expenses			(10,193,065)
Operating profit			46,070,274
Finance costs *(Note 7)*			(8,254,804)
Share of profit of associates *(Note 17)*		1,456,039	1,456,039
Profit before income tax			39,271,509
Income tax expense *(Note 8)*			(5,069,797)
Profit for the year			34,201,712
Other segment terms included in the income statements are as follows:			
Depreciation of property, plant and equipment *(Note 5)*	196,388	1,156,905	1,353,293
Amortisation of leasehold land and land use rights *(Note 5)*	–	42,147	42,147
Amortisation of properties held for sale – leasehold land and land use rights *(Note 5)*	–	39,657	39,657
Impairment charge of leasehold land and land use rights *(Note 5)*	–	592,216	592,216
Impairment charge of properties held for sale – leasehold land and land use rights *(Note 5)*	–	608,032	608,032
Impairment/(write-back of impairment) of trade receivables *(Note 5)*	426,972	(20,426)	406,546
The segment assets and liabilities at 31st December, 2004 and capital expenditure for the year then ended are as follows:			
Segment assets	93,789,378	670,911,778	764,701,156
Interests in associates		53,068,492	53,068,492
Unallocated assets			50,668,939
Total assets			868,438,587
Segment liabilities	124,913,298	92,516,946	217,430,244
Unallocated liabilities			174,599,548
Total liabilities			392,029,792
Capital expenditure *(Note 13, 14 and 15)*	12,316	15,775,390	15,787,706

4. SALES AND SEGMENT INFORMATION *(Cont'd)*

Secondary reporting format – geographical segments

	GROUP			
	Sales	**Segment results**	**Total assets**	**Capital expenditure**
	2005	**2005**	**2005**	**2005**
	HK$	***HK$***	***HK$***	***HK$***
Hong Kong	**13,625,693**	**49,981,517**	**414,758,292**	**35,583**
Mainland China	**1,535,498,475**	**17,636,823**	**457,889,916**	**722,213**
Other countries	**31,269,850**	**428,081**	**8,807,082**	**–**
	1,580,394,018	**68,046,421**	**881,455,290**	**757,796**
Unallocated corporate expenses		**(19,468,378)**		
Operating profit		**48,578,043**		
Interests in associates			**48,759,030**	
Total assets			**930,214,320**	

	GROUP			
	Sales	**Segment results**	**Total assets**	**Capital expenditure**
	2004	2004	2004	2004
	Restated	Restated	Restated	Restated
	HK$	*HK$*	*HK$*	*HK$*
Hong Kong	12,484,491	10,019,102	406,169,400	1,194,965
Mainland China	1,290,562,573	33,989,740	400,736,189	14,592,741
Other countries	42,127,801	(669,599)	8,464,506	–
	1,345,174,865	43,339,243	815,370,095	15,787,706
Write-back of provision upon disposal of non-trading securities		11,756,250		
Gain on disposal of subsidiaries		1,167,846		
Unallocated corporate expenses		(10,193,065)		
Operating profit		46,070,274		
Interests in associates			53,068,492	
Total assets			868,438,587	

5. EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and administrative expenses are analysed as follows:

	2005	2004 Restated
	HK$	*HK$*
Cost of inventories sold	**1,307,444,976**	1,113,174,952
Depreciation of property, plant and equipment *(Note 13)*	**1,130,476**	1,353,293
Amortisation of leasehold land and land use rights *(Note 15)*	**27,243**	42,147
Amortisation of properties held for sale – leasehold land and land use rights *(Note 21)*	**81,414**	39,657
Impairment charge of leasehold land and land use rights *(Note 15)*	**102,211**	592,216
Impairment charge of properties held for sale – leasehold land and land use rights *(Note 21)*	**–**	608,032
Impairment charge of properties held for sale – buildings	**799,500**	–
Employee benefit expense (excluding directors' emoluments)		
Wages and salaries	**8,510,432**	10,857,908
Retirement benefit costs – defined contribution plan	**108,836**	281,230
Operating lease rentals in respect of land and buildings	**906,977**	301,746
Direct operating expenses arising from investment properties that generate rental income	**2,277,670**	3,914,155
Auditors' remuneration	**798,371**	559,130
Impairment of trade receivables *(Note 22)*	**2,034,348**	406,546

6. OTHER GAINS, NET

	2005	2004 Restated
	HK$	*HK$*
Fair value gains on investment properties *(Note 14)*	**31,824,000**	–
Interest income	**997,640**	935,013
Loss on sale of investment properties	**–**	(2,351,848)
(Loss)/gain on foreign exchange forward contracts (transactions not qualifying as hedges)	**(11,355,856)**	243,868
Write-back of provision upon disposal of non-trading securities	**–**	11,756,250
Gain on disposal of subsidiaries	**–**	1,167,846
Impairment charge of non-trading securities	**–**	(351,000)
Other financial assets at fair value through profit or loss:		
– fair value losses (unrealised) – current assets	**(17,160)**	–
– fair value gains (realised)	**210,176**	–
– fair value gains (unrealised) – non-current assets	**32,000**	–
Losses (realised and unrealised) on trading securities	**–**	(232,630)
Net foreign exchange gains	**1,168,858**	1,070,632
(Loss)/gain on sale of property, plant and equipment	**(66,522)**	39,113
Others	**510,693**	1,931,992
	23,303,829	14,209,236

7. FINANCE COSTS

	2005	2004
	HK$	*HK$*
Interest expenses on bank borrowings:		
– wholly repayable within 5 years	**1,354,862**	6,250,019
– not wholly repayable within 5 years	**5,647,799**	2,004,785
	7,002,661	8,254,804

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the consolidated financial statements as companies within the Group have no assessable profit for both years. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2005	2004
		Restated
	HK$	*HK$*
Current overseas taxation	**708,839**	4,914,778
Deferred income tax *(Note 29)*	**6,929,484**	155,019
	7,638,323	5,069,797

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2005	2004
		Restated
	HK$	*HK$*
Profit before income tax	**37,093,758**	39,271,509
Calculated at a tax rate of 17.5% (2004: 17.5%)	**6,491,408**	6,872,514
Tax calculated at domestic tax rates appliable to profits in the respective countries	**1,325,542**	2,326,042
Income not subject to tax	**(136,594)**	(5,479,623)
Expenses not deductible for tax purposes	**2,656,712**	4,306,483
Tax losses for which no deferred income tax asset was recognised	**3,172,265**	1,192,236
Utilisation of previously unrecognised tax losses	**(5,871,010)**	(4,147,855)
Income tax expense	**7,638,323**	5,069,797

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$3,160,077 (2004: HK$14,019,418).

10. DIVIDENDS

	2005	2004
	HK$	*HK$*
Interim dividend paid of HK$0.01 (2004: HK$0.01) per ordinary share	**2,616,849**	2,616,849
Proposed final dividend of HK$0.01 (2004: HK$0.01) per ordinary share	**2,616,849**	2,616,849
	5,233,698	5,233,698

The dividend paid during the year ended 2005 and 2004 were HK$5,233,698 (HK$0.02 per share) and HK$2,616,849 (HK$0.01 per share) respectively. A final dividend in respect of 2005 of HK$0.01 per ordinary share, amounting to a total dividend of HK$2,616,849 will be proposed at the Annual General Meeting to be held on 19 May 2006. These financial statements do not reflect this dividend payable.

11. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005	2004
		Restated
	HK$	*HK$*
Profit attributable to equity holders of the Company	**30,182,799**	34,243,457
Weighted average number of ordinary shares in issue	**261,684,910**	261,684,910
Basic earnings per share	**0.1153**	0.1309

Diluted

Diluted earnings per share are the same as the basic earnings per share since the Company has no dilutive potential ordinary share.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

a. Directors' emoluments

The remuneration of each Director is set out below:

Name of Director	Fees	Salary	Discretionary Bonus	Benefits in Kind	Retirement Benefit Contribution	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31st December, 2005						
Mr John Ming Tak HO	–	**2,956,381**	**280,000**	**1,173,124**	**12,000**	**4,421,505**
Mr Rustom Ming Yu HO	–	**755,692**	**50,000**	–	–	**805,692**
Mr Chui Yi CHIU	–	–	–	–	–	–
Mr David Hon To YU	**240,000**	–	–	–	–	**240,000**
Mr Lawrence Kam Kee YU	**240,000**	–	–	–	–	**240,000**
Mr Hsu Chou WU	**60,000**	–	–	–	–	**60,000**
Year ended 31st December, 2004						
Mr John Ming Tak HO	–	780,000	1,200,000	2,464,415	12,000	4,456,415
Mr Rustom Ming Yu HO	–	155,568	600,000	–	–	755,568
Mr Chui Yi CHIU	–	–	–	–	–	–
Mr. David Hon To YU	120,000	–	–	–	–	120,000
Mr Lawrence Kam Kee YU	120,000	–	–	–	–	120,000
Mr Hsu Chou WU	16,833	–	–	–	–	16,833

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Cont'd)*

b. Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2004: two) directors whose emoluments are reflected in the analysis presented in the previous page. The emoluments payable to the remaining three (2004: three) individuals during the year are as follows:

	2005	2004
	HK$	*HK$*
Salaries and other benefits	**1,846,514**	1,497,500
Discretionary bonuses	**468,000**	537,000
Retirement benefit contribution	**43,500**	37,984
	2,358,014	2,072,484

The emoluments fell within the following band:

	Number of individuals	
	2005	2004
Nil to HK$1,000,000	**3**	3

13. PROPERTY, PLANT AND EQUIPMENT

a. GROUP

	Buildings	Leasehold Improvement	Furniture, Fixtures & Office Equipment	Motor Vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 1st January, 2005					
Cost:	**11,633,423**	**8,197,420**	**5,698,650**	**2,240,491**	**27,769,984**
Exchange differences	**–**	**501**	**14,520**	**12,875**	**27,896**
Additions	**–**	**85,675**	**136,503**	**535,618**	**757,796**
Transfer to investment properties	**(705,508)**	**–**	**–**	**–**	**(705,508)**
Disposals	**–**	**–**	**(434,567)**	**(423,940)**	**(858,507)**
At 31st December, 2005	**10,927,915**	**8,283,596**	**5,415,106**	**2,365,044**	**26,991,661**
Aggregate depreciation and impairment:					
At 1st January, 2005	**2,109,571**	**7,620,280**	**4,931,726**	**990,835**	**15,652,412**
Exchange differences	**–**	**184**	**8,467**	**4,468**	**13,119**
Charge for the year	**278,561**	**230,454**	**257,634**	**363,827**	**1,130,476**
Transfer to investment properties	**(158,921)**	**–**	**–**	**–**	**(158,921)**
Disposals	**–**	**–**	**(426,577)**	**(211,401)**	**(637,978)**
At 31st December, 2005	**2,229,211**	**7,850,918**	**4,771,250**	**1,147,729**	**15,999,108**
Net book value at 31st December, 2005	**8,698,704**	**432,678**	**643,856**	**1,217,315**	**10,992,553**
Net book value at 31st December, 2004 (Restated)	**9,523,852**	**577,140**	**766,924**	**1,249,656**	**12,117,572**

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

a. GROUP (Cont'd)

	Buildings	Leasehold Improvement	Furniture, Fixtures & Office Equipment	Motor Vehicles	Total
	HK$	HK$	HK$	HK$	HK$
At 1st January, 2004					
Cost:	8,964,358	8,080,535	6,117,380	2,827,890	25,990,163
Exchange differences	4,388	1,725	25,758	3,506	35,377
Additions	55,884	149,374	441,398	799,095	1,445,751
Transfer from properties held for sale	2,608,793	–	–	–	2,608,793
Disposals	–	(34,214)	(731,731)	(1,390,000)	(2,155,945)
Disposal of subsidiaries *(Note 30(c))*	–	–	(154,155)	–	(154,155)
At 31st December, 2004	11,633,423	8,197,420	5,698,650	2,240,491	27,769,984
Aggregate depreciation and impairment:					
At 1st January, 2004	1,855,352	7,138,527	5,268,485	2,139,996	16,402,360
Exchange differences	–	1,571	18,618	1,464	21,653
Charge for the year	254,219	499,720	359,979	239,375	1,353,293
Disposals	–	(19,538)	(614,317)	(1,390,000)	(2,023,855)
Disposal of subsidiaries *(Note 30(c))*	–	–	(101,039)	–	(101,039)
At 31st December, 2004	2,109,571	7,620,280	4,931,726	990,835	15,652,412
Net book value at 31st December, 2004 (Restated)	9,523,852	577,140	766,924	1,249,656	12,117,572
Net book value at 31st December, 2003 (Restated)	7,109,006	942,008	848,895	687,894	9,587,803

Bank borrowings are secured on certain buildings with an aggregate carrying amount of HK$6,187,742 (2004: HK$8,968,255).

13. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

b. COMPANY

	Furniture, Fixtures and Office Equipment	
	2005	2004
	HK$	*HK$*
Cost:		
At 1st January	**1,187,680**	1,187,152
Exchange differences	**–**	528
At 31st December	**1,187,680**	1,187,680
Aggregate depreciation:		
At 1st January	**1,182,647**	1,172,154
Exchange differences	**–**	520
Charge for the year	**3,746**	9,973
At 31st December	**1,186,393**	1,182,647
Net book value at 31st December	**1,287**	5,033

14. INVESTMENT PROPERTIES

	GROUP	
	2005	2004
	HK$	*HK$*
Beginning of the year	**531,266,400**	518,647,793
Additions	**–**	14,341,955
Exchange differences	**832,100**	955,698
Fair value gains (including in other gains – net) *(Note 6)*	**31,824,000**	44,802,432
Transfer from property, plant and equipment and leasehold land and land use rights	**1,551,000**	–
Transfer to properties held for sale	**–**	(29,052,299)
Disposals	**–**	(18,429,179)
End of the year	**565,473,500**	531,266,400

Investment properties were revalued at 31st December, 2005 by independent, professionally qualified valuers, A.G. Wilkinson & Associates. Valuation was determined using discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of the relevant existing lease.

The Group's interests in investment properties at their net book values are analysed as follows:

	2005			2004		
	Hong Kong	**Outside Hong Kong**	**Total**	Hong Kong	Outside Hong Kong	Total
	HK$	***HK$***	***HK$***	*HK$*	*HK$*	*HK$*
Held on:						
Leases of between 10 to 50 years	**62,000,000**	**–**	**62,000,000**	59,200,000	–	59,200,000
Leases of over 50 years	**330,200,000**	**173,273,500**	**503,473,500**	294,000,000	178,066,400	472,066,400
	392,200,000	**173,273,500**	**565,473,500**	353,200,000	178,066,400	531,266,400

Bank borrowings are secured on certain investment properties for the carrying amount of HK$563,906,000 (2004: HK$523,746,400).

15. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interest in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2005			2004		
	Hong Kong	**Outside Hong Kong**	**Total**	Hong Kong Restated	Outside Hong Kong Restated	Total Restated
	HK$	***HK$***	***HK$***	*HK$*	*HK$*	*HK$*
Held on leases of over 50 years	**10,551,600**	**304,607**	**10,856,207**	10,563,418	1,426,656	11,990,074

Bank borrowings are secured on leasehold land and land use rights for the carrying amount of HK$10,551,600 (2004: HK$10,872,471).

	GROUP	
	2005	2004 Restated
	HK$	*HK$*
Beginning of the year	**11,990,074**	12,313,161
Amortisation of prepaid operating lease payment	**(27,243)**	(42,147)
Impairment charge	**(102,211)**	(592,216)
Transfer from properties held for sale	**–**	311,276
Transfer to investment properties	**(1,004,413)**	–
End of the year	**10,856,207**	11,990,074

16. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

a. Interests in subsidiaries

	2005	2004
	HK$	*HK$*
Unlisted shares, at cost	**51,215,849**	51,215,849

16. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Cont'd)*

a. Interests in subsidiaries *(Cont'd)*

The following is a list of the principal subsidiaries at 31st December, 2005:

Name of company	Issued and fully paid share/registered capital		Effective percentage holding 2005	Effective percentage holding 2004	Principal activities
Incorporated in Hong Kong					
Alliance Pacific Investment Limited *	Ordinary	HK$2	**100%**	100%	Property investment in Beijing, China
Allon Trading Limited	Ordinary	HK$2	**100%**	100%	Securities trading
Capital Head Investment Limited *	Ordinary	HK$2	**100%**	100%	Property investment in Shanghai, China
Concord Trinity Development Limited *	Ordinary	HK$2	**100%**	100%	Property investment in Shanghai, China
	Non-voting deferred	HK$2			
G.C. Luckmate Trading Limited *	Ordinary	HK$4,000,000	**95%**	95%	General trading
G.C. Luckmate Trading (Asia) Limited *	Ordinary	HK$2	**100%**	100%	General trading
G.C. Luckmate Trading (International) Limited *	Ordinary	HK$2	**100%**	100%	General trading
Glory South Investment Limited *	Ordinary	HK$2	**100%**	100%	Property investment in Hainan, China
Halesite Limited	Ordinary	HK$4,000,000	**100%**	100%	Property investment
Honour Alliance Development Limited *	Ordinary	HK$2	**100%**	100%	Property investment
Jelson Enterprises Limited *	Ordinary	HK$2	**100%**	100%	Property investment in Shanghai, China
	Non-voting deferred	HK$2			
New Solution Consultants Limited	Ordinary	HK$2	**100%**	100%	Investment holding
Silver Regent Development Limited *	Ordinary	HK$2	**100%**	100%	Property investment
Star Talent Investment Limited *	Ordinary	HK$2	**100%**	100%	Property investment in Beijing, China
Sunison Development Limited	Ordinary	HK$2	**100%**	100%	Investment holding
Tai Loy Trading Company Limited	Ordinary	HK$43,440,000	**100%**	100%	Investment holding

16. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Cont'd)*

a. Interests in subsidiaries *(Cont'd)*

Name of company	Issued and fully paid share/registered capital		Effective percentage holding 2005	Effective percentage holding 2004	Principal activities
Incorporated in the British Virgin Islands					
Adamgate Limited *	Ordinary	US$1	**100%**	100%	Investment holding
Dajen Properties Limited	Ordinary	US$1	**100%**	100%	Investment holding
Fairlight Limited *	Ordinary	US$1	**100%**	100%	Investment holding
Great China Commodities Limited *	Ordinary	US$10,000	**95%**	95%	Investment holding
Great China Development (Shanghai) Limited	Ordinary	US$10	**100%**	100%	Investment holding
Pakka Properties Limited *(Note)*	Ordinary	US$1	**–**	100%	Investment holding
Poppins Properties Limited *	Ordinary	US$50,000	**100%**	100%	Investment holding
Incorporated in Canada					
549653 B. C. Limited	Common	CAD1	**100%**	100%	Property investment operates in Vancouver, Canada
Established in the People's Republic of China ("PRC")					
Haode Property Management (Shanghai) Company Limited *(a wholly foreign owned investment enterprise)*	Registered capital	US$500,000	**100%**	100%	Real estate agent in Shanghai, China
Qingdao Parada International Heating Company Limited * *(a foreign equity joint venture enterprise)*	Registered capital	US$360,000	**63%**	63%	Boiler trading in Qingdao, China
博平置業(上海)有限公司* *(a wholly foreign owned investment enterprise)*	Registered capital	US$8,460,000	**100%**	100%	Property investment in Shanghai, China

All subsidiaries operate in Hong Kong except otherwise stated.

Except for those subsidiaries marked with an asterisk "*", the above subsidiaries are all held directly by the Company.

Note: This subsidiary has been deregistered during the year ended 31st December, 2005.

b. Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts of amounts due from/(to) subsidiaries approximate their fair values.

17. INTERESTS IN, LOAN TO AND AMOUNT DUE FROM ASSOCIATES

a. Interests in associates

	GROUP	
	2005	2004 Restated
	HK$	*HK$*
Beginning of the year	**53,068,492**	51,801,121
Share of associates' results		
– (loss)/profit before income tax	**(6,405,991)**	1,456,039
– income tax expense	**1,924,367**	–
	(4,481,624)	1,456,039
Exchange differences *(Note 28)*	**172,162**	405,366
Other equity movements	**–**	(594,034)
End of the year	**48,759,030**	53,068,492

The Group's interests in its associates, all of which are unlisted, were as follows:

Name of company	**Place of incorporation/ establishment**	**Issued and fully paid shares/registered capital**	**Effective percentage holding 2005**	**2004**	**Principal activities**
Samstrong International Limited	British Virgin Islands	Ordinary US$100	**43%**	43%	Investment holding
Da Da Development (Shanghai) Corporation *(a wholly foreign owned investment enterprise)*	The PRC	Registered capital US$10,200,000	**43%**	43%	Property investment in Shanghai, China

Note: Da Da Development (Shanghai) Corporation is a wholly owned subsidiary of Samstrong International Limited.

b. Loan to an associate

The loan to an associate bears interest at rates determined by shareholders of the associate with reference to the prevailing market rates (Note 32(b)). The loan is unsecured and has no fixed term of repayment.

c. Amount due from an associate

The amount due from an associate is unsecured, interest free and repayable on demand (Note 32(b)). The carrying amount of amount due from an associate approximates its fair value.

17. INTERESTS IN, LOAN TO AND AMOUNT DUE FROM ASSOCIATES *(Cont'd)*

Consolidated financial information of the associates is as follows:

	2005	2004
	HK$	*HK$*
Turnover	**5,921,914**	6,290,091
(Loss)/profit for the year	**(10,422,382)**	3,386,137
Investment properties	**312,000,000**	327,600,000
Property, plant and equipment	**201,259**	204,289
Current assets	**7,465,425**	7,104,889
Current liabilities	**(16,464,471)**	(16,238,881)
Shareholders' loans	**(132,826,414)**	(131,114,022)
Bank borrowings, secured – non-current portion	**–**	(2,683,200)
Deferred income tax liabilities	**(56,982,706)**	(61,457,977)
Total equity	**113,393,093**	123,415,098

The investment properties were revalued at 31st December, 2005 by independent, professionally qualified valuers, A. G. Wilkinson & Associates. The investment properties were pledged to banks to secure the associates' banking facilities to the extent of approximately HK$13,304,200 (2004: HK$16,546,400).

18. NON-TRADING SECURITIES

	GROUP	
	2005	2004
	HK$	*HK$*
Club debentures, at cost	**–**	3,221,056
Less: Provision for impairment	**–**	(351,000)
	–	2,870,056

Securities under this category are classified as non-current financial assets at fair value through profit or loss (Note 19) in 2005 due to the adoption of HKAS 39.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2005	2004
	HK$	*HK$*
Current		
Market value of listed equity securities in United States of America	**762,840**	–
Non-current		
Market value of other financial assets designated as fair value through profit or loss on initial recognition	**894,360**	–
	1,657,200	–

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

	GROUP	
	2005	2004
	HK$	*HK$*
Held for trading	**762,840**	–
Designated as fair value through profit or loss on initial recognition	**894,360**	–
	1,657,200	–

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (Note 30(a)). Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains, net in the income statement (Note 6).

20. TRADING SECURITIES

	GROUP	
	2005	2004
	HK$	*HK$*
Debt securities, unlisted	**–**	3,498,998

Securities under this category are classified as current financial assets at fair value through profit or loss *(Note 19)* in 2005 due to the adoption of HKAS 39.

21. PROPERTIES HELD FOR SALE

	GROUP	
	2005	2004
		Restated
	HK$	*HK$*
Properties held for sale		
– Leasehold land and land use rights *(Note)*	**5,397,280**	1,659,871
– Buildings	**58,347,385**	40,067,877
	63,744,665	41,727,748

Note:

	GROUP	
	Outside Hong Kong	
	2005	2004
		Restated
	HK$	*HK$*
Held on leases of over 50 years	**5,397,280**	1,659,871

	GROUP	
	2005	2004
		Restated
	HK$	*HK$*
Beginning of the year	**1,659,871**	5,817,815
Exchange differences	–	18,214
Additions	**5,191,150**	1,221,411
Amortisation of leasehold land and land use rights	**(81,414)**	(39,657)
Disposals	**(1,372,327)**	(4,438,604)
Transfer to property, plant and equipment	–	(311,276)
Impairment charge	–	(608,032)
End of the year	**5,397,280**	1,659,871

Bank borrowings are secured on properties held for sale for the carrying amount of HK$54,632,103 (2004: HK$31,623,439).

22. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Trade receivables	**22,192,984**	5,562,734	**–**	–
Bills receivable	**60,236,486**	60,526,288	**–**	–
Trade and bills receivables *(Note)*	**82,429,470**	66,089,022	**–**	–
Provision for impairment of receivables	**(1,862,970)**	(1,854,517)	**–**	–
Trade and bills receivables, net	**80,566,500**	64,234,505	**–**	–
Prepayments and deposits	**17,762,530**	23,761,023	**308,940**	316,476
Other receivables	**588,622**	697,402	**–**	77,002
	98,917,652	88,692,930	**308,940**	393,478

The carrying amounts of trade and other receivables approximate their fair values.

Note: The majority of the Group's sales are on letter of credit or documents against payment. The credit terms given to the customers vary and are generally based on the financial strength of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

At 31st December, 2005 and 2004, the ageing analyses of the trade and bills receivables were as follows:

	GROUP	
	2005	2004
	HK$	*HK$*
Less than 30 days	**79,948,815**	62,996,468
30-60 days	**9,866**	15,593
61-90 days	**9,134**	–
Over 90 days	**598,685**	1,222,444
	80,566,500	64,234,505

Certain subsidiaries of the Group transferred receivable balances amounting to HK$16,473,600 to banks in exchange for cash as at 31st December, 2005. The transaction has been accounted for as a collateralised borrowings (Note 26).

The Group has recognised a loss of HK$2,034,348 (2004: HK$406,546) (Note 5) for the impairment of its trade receivables during the year ended 31st December 2005. The loss has been included in selling expenses in the income statement.

23. PLEDGED BANK DEPOSITS

As at 31st December, 2004, bank balances and cash amounting to HK$7,946,935 for the Group were pledged to banks to secure general banking facilities.

24. BANK BALANCES AND CASH

As at the balance sheet date, approximately HK$9,242,715 (2004: HK$25,771,807) of the Group's bank balances and cash were denominated in RMB and placed with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

25. TRADE AND OTHER PAYABLES

	GROUP		**COMPANY**	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Trade and bills payables	**74,824,483**	101,747,001	**–**	–
Other payables and accrued expenses	**85,453,869**	56,587,544	**2,573,027**	1,932,073
Rental deposits received	**4,588,534**	4,597,203	**–**	–
	164,866,886	162,931,748	**2,573,027**	1,932,073

The carrying amounts of trade and other payables approximate their fair values.

At 31st December, 2005 and 2004, the ageing analyses of the trade and bills payables were as follows:

	GROUP	
	2005	2004
	HK$	*HK$*
Less than 30 days	**74,398,503**	101,372,653
30-60 days	**28,034**	–
Over 90 days	**397,946**	374,348
	74,824,483	101,747,001

26. BORROWINGS, SECURED

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Non-current				
Bank borrowings	**153,468,878**	137,842,663	**84,699,901**	94,691,742
Current				
Collateralised borrowings *(Note 22)*	**16,473,600**	–	**–**	–
Bank borrowings	**26,620,369**	27,192,367	**6,097,607**	13,643,715
	43,093,969	27,192,367	**6,097,607**	13,643,715
Total borrowings	**196,562,847**	165,035,030	**90,797,508**	108,335,457

Bank borrowings were secured on certain buildings (Note 13), leasehold land and land use rights (Note 15), investment properties (Note 14), properties held for sale (Note 21), bank deposits (Note 23), issued shares of certain subsidiary companies and assignment of rental income. Guarantees were also given by the Company in respect of certain subsidiaries' borrowings (Note 31). Collateralised borrowings are secured by trade and bills receivables (Note 22)).

The maturity of borrowings is as follows:

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Within 1 year	**43,093,969**	27,192,367	**6,097,607**	13,643,715
Between 1 and 2 years	**12,818,115**	27,128,538	**6,200,187**	13,942,226
Between 2 and 5 years	**46,178,875**	41,254,736	**19,300,919**	27,069,516
Wholly repayable within 5 years	**102,090,959**	95,575,641	**31,598,713**	54,655,457
Over 5 year	**94,471,888**	69,459,389	**59,198,795**	53,680,000
	196,562,847	165,035,030	**90,797,508**	108,335,457

26. BORROWINGS, SECURED *(Cont'd)*

The effective interest rates at the balance sheet date were as follows:

	GROUP			COMPANY		
	HK$	***US$***	***RMB***	*HK$*	*US$*	*RMB*
2005	**5.49%**	**5.61%**	**5.87%**	**5.59%**	**5.99%**	**–**
2004	2.98%	5.25%	5.31%	2.02%	5.25%	–

The carrying amounts of borrowings approximate their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong dollar	**135,450,239**	150,436,573	**60,190,000**	94,630,000
US dollar	**47,081,108**	13,705,457	**30,607,508**	13,705,457
RMB	**14,031,500**	893,000	**–**	–
	196,562,847	165,035,030	**90,797,508**	108,335,457

The Group has the following undrawn borrowing facilities:

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Floating rate				
– expiring within one year	**238,714,985**	122,790,579	**181,466,488**	26,084,335

The facilities expiring within one year are annual facilities subject to review at various dates during 1st January, 2006 to 31st December, 2006.

27. SHARE CAPITAL

	2005	2004
	HK$	*HK$*
Authorised		
500,000,000 (2004: 500,000,000) ordinary shares of HK$0.20 each	**100,000,000**	100,000,000
Issued and fully paid		
261,684,910 (2004: 261,684,910) ordinary shares of HK$0.20 each	**52,336,982**	52,336,982

28. OTHER RESERVES

a. Group

	Note	Share premium HK$	Investment properties revaluation HK$	Exchange fluctuation reserve HK$	Reserve arising on consolidation HK$	Total HK$
Balance at 1st January, 2004, as previously reported as equity		19,516,419	310,104,897	3,220,245	1,441,177	334,282,738
Deferred tax arising from the revaluation of investment properties	*1(a)(iv)*	–	(8,120,601)	–	–	(8,120,601)
Balance at 1st January 2004, as restated		**19,516,419**	**301,984,296**	**3,220,245**	**1,441,177**	**326,162,137**
Reserve transferred to income statement upon disposal of investment properties		–	(4,206,343)	–	–	(4,206,343)
Surplus on revaluation of investment properties						
– gross		–	44,224,034	–	–	44,224,034
– tax		–	(9,993,354)	–	–	(9,993,354)
Currency translation differences:						
– Group				(207,470)	–	(207,470)
– Associates	*17*	–	–	405,366	–	405,366
Balance at 31st December, 2004, as restated		**19,516,419**	**332,008,633**	**3,418,141**	**1,441,177**	**356,384,370**

28. OTHER RESERVES *(Cont'd)*

a. Group *(Cont'd)*

	Note	Share premium HK$	Investment properties revaluation HK$	Exchange fluctuation reserve HK$	Reserve arising on consolidation HK$	Total HK$
Balance at 1st January, 2005, as per above		**19,516,419**	**332,008,633**	**3,418,141**	**1,441,177**	**356,384,370**
Opening adjustment for the adoption of HKAS 40	*1(a)(iii)*	–	(332,008,633)	–	–	(332,008,633)
Opening adjustment for the adoption of HKFRS 3	*1(a)(v)*	–	–	–	(1,441,177)	(1,441,177)
Balance at 1st January 2005, as restated		**19,516,419**	**–**	**3,418,141**	**–**	**22,934,560**
Currency translation differences:						
– Group				470,212		470,212
– Associates	*17*	–	–	172,162	–	172,162
Balance at 31st December, 2005		**19,516,419**	**–**	**4,060,515**	**–**	**23,576,934**

b. Company

	Share premium HK$
Balance at 1st January, 2004, 31st December, 2004 and 31st December, 2005	**19,516,419**

29. DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax liabilities are to be settled after more than 12 months.

The movement on the deferred income tax liabilities is as follows:

	Accelerated tax depreciation allowance		**Revaluation of properties**		**GROUP Total**	
	2005	2004 Restated	**2005**	2004 Restated	**2005**	2004 Restated
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
At 1st January	**1,333,373**	1,178,354	**59,901,480**	49,908,126	**61,234,853**	51,086,480
Exchange differences	**–**	–	**150,970**	–	**150,970**	–
Recognised in the income statement *(Note 8)*	**125,375**	155,019	**6,804,109**	–	**6,929,484**	155,019
Tax charged to equity – Investment properties revaluation *(Note 28)*	**–**	–	**–**	9,993,354	**–**	9,993,354
At 31st December	**1,458,748**	1,333,373	**66,856,559**	59,901,480	**68,315,307**	61,234,853

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$20,630,689 (2004: HK$23,347,982) in respect of losses amounting to HK$117,889,649 (2004: HK$133,417,040) that can be carried forward against future taxable income. Losses amounting to HK$4,156,732 (2004: HK$6,640,400) will expire from 2006 to 2012 and losses amounting to HK$113,732,917 (2004: HK$126,776,640) have no expiry date.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Cash generated from operations

	2005	2004
		Restated
	HK$	*HK$*
Profit for the year	**29,455,435**	34,201,712
Adjustment for:		
Fair value gains on investment properties	**(31,824,000)**	–
Interest income	**(997,640)**	(935,013)
Depreciation of property, plant and equipment	**1,130,476**	1,353,293
Amortisation of leasehold land and land use rights	**27,243**	42,147
Amortisation of properties held for sale – leasehold land and land use rights	**81,414**	39,657
Impairment charge of leasehold land and land use rights	**102,211**	592,216
Impairment charge of properties held for sale – leasehold land and land use rights	**–**	608,032
Impairment charge of properties held for sale – buildings	**799,500**	–
Loss on sale of investment properties	–	2,351,848
Loss/(gain) on sale of property, plant and equipment	**66,522**	(39,113)
Gain on disposal of subsidiaries	–	(1,167,846)
Write-back of provision upon disposal of non-trading securities	**–**	(11,756,250)
Impairment charge of non-trading securities	**–**	351,000
Other financial assets at fair value through profit or loss:		
– fair value gains (unrealised) – non-current assets	**(32,000)**	–
– fair value losses (unrealised) – current assets	**17,160**	–
Interest expense	**7,002,661**	8,254,804
Share of loss/(profit) of associates	**4,481,624**	(1,456,039)
Tax	**7,638,323**	5,069,797
Changes in working capital (excluding the effects of exchange differences on consolidation):		
(Increase)/decrease in properties held for sale	**(22,897,831)**	39,194,769
(Increase)/decrease in inventories	**(30,235,155)**	33,298,882
Increase in trade and other receivables	**(10,224,722)**	(31,825,315)
Increase in financial assets at fair value through profit or loss	**2,718,998**	–
(Decrease)/increase in trade and bills payables	**(26,922,518)**	30,941,634
Increase/(decrease) in other payables and accrued expenses	**28,866,325**	(11,028,362)
(Decrease)/increase in rental deposits received	**(8,669)**	234,785
Net cash (outflow)/inflow generated from operations	**(40,754,643)**	98,326,638

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

b. Analysis of changes in financing during the year

	Bank borrowings, secured		Minority interest		Pledged bank deposit		Trust receipt loans	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Balance brought forward	**165,035,030**	246,673,492	**727,364**	769,109	**(7,946,935)**	(62,176,200)	**–**	9,996,081
Exchange differences	**–**	217,324	**–**	–	**–**	–	**–**	–
Cash inflow/(outflow)	**31,527,817**	(81,855,786)	**–**	–	**7,946,935**	54,229,265	**–**	(9,996,081)
Minority interest's share of loss	**–**	–	**(727,364)**	(41,745)	**–**	–	**–**	–
Balance carried forward	**196,562,847**	165,035,030	**–**	727,364	**–**	(7,946,935)	**–**	–

c. Disposal of subsidiaries

	2005	2004
	HK$	*HK$*
Net assets of subsidiaries disposed:		
Property, plant and equipment	**–**	53,116
Trade and other receivables	**–**	240,916
Bank balances and cash	**–**	455,507
Trade and other payables and accrued expenses	**–**	(812,579)
Current income tax liabilities	**–**	(6,138)
	–	(69,178)
Gain on disposal of subsidiaries	**–**	1,167,846
	–	1,098,668
Satisfied by cash	**–**	1,098,668

Analysis of the net cash inflow in respect of disposal of subsidiaries:

Proceeds from sale of subsidiaries	**–**	1,098,668
Cash and cash equivalents disposed of:		
Bank balances and cash	**–**	(455,507)
	–	643,161

31. CONTINGENT LIABILITIES AND COMMITMENTS

a. Contingent liabilities:

	GROUP 2005 HK$	GROUP 2004 HK$	COMPANY 2005 HK$	COMPANY 2004 HK$
Bills discounted with recourse	**–**	1,109,713	**–**	–
Guarantees for banking facilities utilised by:				
– subsidiaries	**–**	–	**352,946,762**	344,359,676
– an associate	**13,304,200**	16,546,400	**13,304,200**	16,546,400
	13,304,200	17,656,113	**366,250,962**	360,906,076

Management anticipate that no material liabilities will arise from the above bank guarantees which arose in the ordinary course of business.

b. Commitments:

	GROUP 2005 HK$	GROUP 2004 HK$
(i) Capital commitments relating to acquisition of property, plant and equipment, investment properties and properties held for sale:		
Contracted but not provided for	**1,628,725**	–

(ii) Future aggregate minimum lease payments and receipts under non-cancellable operating leases in respect of land and buildings and investment properties are as follows:

	GROUP 2005 HK$	GROUP 2004 HK$
As lessees:		
Rental payments		
– Not later than one year	**276,000**	1,140,253
– Later than one year and not later than five years	**–**	276,000
	276,000	1,416,253

	GROUP 2005 HK$	GROUP 2004 HK$
As lessors:		
Rental receipts		
– Not later than one year	**14,140,925**	15,769,928
– Later than one year and not later than five years	**20,527,749**	22,134,855
– Later than five years	**7,975,035**	10,570,412
	42,643,709	48,475,195

32. RELATED-PARTY TRANSACTIONS

The Group is controlled by Fulcrest Limited (incorporated in Hong Kong), which owns 52.87% of the Company's shares. The ultimate parent of the Group is Asian Pacific Investment Corporation (incorporated in Panama).

a. Key management compensation

	2005	2004
	HK$	*HK$*
Salaries and other short-term employee benefits	**6,106,704**	5,938,367

b. Loan to and amount due from an associate

	Loan to an associate *(Note (i))*		**Amount due from an associate** *(Note (ii))*	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Interest income	**391,617**	–	**–**	–
Balance as at 31 December	**8,768,664**	–	**40,710,751**	47,087,338

Note:

(i) Loan to an associate

The loan to an associate bears interest at rates determined by shareholders of the associate with reference to the prevailing market rates. The loan is unsecured and has no fixed term of repayment.

(ii) Amount due from an associate

The amount due from an associate is unsecured, interest free and repayable on demand. The carrying amount of amount due from an associate approximates its fair value.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Board of Directors on 28th March, 2006.