



第一上海

FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

Stock Code : 227



ANNUAL REPORT 2005



Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. Lao Yuan Yi

Executive Directors

Mr. Xin Shulin, Steve

Mr. Yeung Wai Kin

Mr. Hu Yi Ming

Non-executive Director

Mr. Kwok Lam Kwong, Larry, J.P.

Independent Non-executive Directors

Prof. Woo Chia Wei

Mr. Liu Ji

Mr. Yu Qi Hao

COMPANY SECRETARY

Mr. Yeung Wai Kin

REGISTERED OFFICE

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Hong Kong

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Website: www.firstshanghai.com.hk

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

SOLICITORS

Richards Butler
T. H. Koo & Associates

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Standard Chartered Bank

REGISTRARS & TRANSFER OFFICE

Computershare Hong Kong Investor Services
Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

Stock Code on The Stock Exchange of
Hong Kong Limited: 227

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Chairman's Statement

I am pleased to present the Group's annual report and audited financial statements for the year ended 31st December 2005. The Group's consolidated sales and profit attributable to shareholders for the year ended 31st December 2005 amounted to HK\$1,255 million and HK\$76 million respectively.

BUSINESS REVIEW

For the year ended 31st December 2005, the Group's sales grew to HK\$1,255 million when compared to HK\$588 million for last year, representing an increase of 113%. After the disposal of 51.8% equity interests in Yangfeng Visteon Betung Automotive Instrument Company Limited and Zhejiang Shaohong Instrument Company Limited (collectively "Betung") in December 2004, Betung are treated as associated companies of the Group and their results are not consolidated in the financial statements of the Group. The drop in sales caused by the deconsolidation of Betung was offset by the substantial increase in the air freight forwarding business of Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. ("ZCIC"). The new management team joined ZCIC in early 2005 succeeded in expanding the air freight forwarding business and pushed the sales of ZCIC to its historical high of approximately HK\$954 million. Despite the thin profit margin in the industry, the container transportation and freight forwarding became business profitable in 2005.

In 2005, there was a huge competition in attractive high-net-worth investors among brokerage firms and commercial banks in Hong Kong and this seems to extend to 2006. Total commission income in 2005 decreased due to keen competition and the lacklustre trading behaviour in the stock market in the first half of the year. Most clients of our corporate finance division postponed their listing schedules after the change of certain relevant regulations by the PRC Government in early 2005. Both the sales and operating profit from the corporate finance and stockbroking business decreased during the year.

Goodbaby Child Products Co. Ltd. ("Goodbaby") recorded a satisfactory growth in both sales and profit attributable to shareholders. In November 2005, the Company entered into a Sale and Purchase Agreement to sell all equity interests in Goodbaby held by the Group. The payment of 95% of the purchase consideration was received in January 2006.

The Kunshan Traders Hotel has achieved both the highest average room rate and highest usage of meeting facilities of any of the hotels in Kunshan since its soft opening in October 2005. It caters to the increasing demand for business hotels in the region. It recorded a substantial loss in 2005 due to the write-off of a significant amount of pre-operating expenses and the high running cost in the initial stage.

Phase one of the development of commercial properties in Shanghai High-tech Park by Shanghai Zhangjiang Information Properties Company Limited ("Zhangjiang"), a 50% owned jointly controlled entity, was completed in 2004 and most of the properties were sold out in the year and brought a satisfactory return to the Group.

Following the listing of the shares of KongZhong Corporation, one of investment of China Assets (Holdings) Ltd. ("China Assets"), on the Nasdaq National Market in the US at the end of 2004, China Assets recorded an encouraging gain on revaluating this investment at its fair value on 31st December 2005. The investment in a real estate fund also contributed a satisfactory return to China Assets as the value of the properties held by the fund increased in line with the pace of the growth in the economy of the Chinese Mainland.

CHAIRMAN'S STATEMENT

On 16th June 2005, the Group entered into an agreement for the sale of 37 million shares in RBI Holdings Limited at a consideration of HK\$57,720,000. The transaction was completed in September 2005. Upon disposal, the Group's shareholding in RBI decreased from 19.95% to 11.08%. This investment was then reclassified as an available-for-sale financial asset in the financial statements.

PROSPECTS

With the Hong Kong's strong performance in the stock market since late December 2005 and the expectation of Renminbi revaluation, there has been a noticeable inflow of hot money into Hong Kong in early January 2006. We believe that the growth momentum will continue and the performance of our brokerage team will improve in line with the increasingly optimistic market sentiment.

Following the rapid development of its air freight forwarding business, ZCIC is focusing on controlling its operating cost to improve the profitability. ZCIC is also considering the co-operation with other industry participants to expand its business in other cities.

The grand opening of the Kunshan Traders Hotel in March 2006 began a new page of our investment in the hotel industry. Its operation results since its soft opening in October 2005 is very encouraging and a positive cash flow was achieved.

The second phase of the development of commercial properties in Shanghai High-tech Park by Zhangjiang is expected to be completed by the end of this year. Zhangjiang has recently entered into a conditional sale and purchase agreement to sell the second phase commercial properties and the transaction is expected to be completed by the first quarter of 2007.

The disposals of our investment in Goodbaby and a property in Shanghai will bring remarkable gains to the Group in 2006. The cash consideration received will enhance the financial resources of the Group and improve the Group's capacity to acquire potential investments in line with the investment strategy of the Group.

DIVIDEND

The Board of Directors have recommended the payment of a final dividend of HK\$0.015 (2004: HK\$0.01) per ordinary share, totalling HK\$17,730,447 (2004: HK\$11,736,917).

I would like to take this opportunity to express thanks on behalf of the Board to all our clients for their support and to our fellow Directors and staff members for their dedication and contribution.

LAO YUAN YI

Chairman

21st April 2006

Report of the Directors

The Board of Directors submit their report together with the audited financial statements for the year ended 31st December 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associated companies and jointly controlled entities are set out in notes 20, 21 and 22 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS

The results for the year are set out in the consolidated income statement on page 20.

DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK\$0.015 per ordinary share, totalling HK\$17,730,447 (2004: HK\$11,736,917).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 36 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 35 to the financial statements.

SUBSEQUENT EVENTS

Details of the subsequent events of the Company are set out in note 43 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2005, calculated pursuant to section 79B of the Hong Kong Companies Ordinance, amounted to HK\$47,214,329 (2004: HK\$5,133,748).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the year ended 31st December 2005.

REPORT OF THE DIRECTORS

SHARE OPTION

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

The maximum number of shares subject to the Scheme and any other schemes of the Company (including without limitation the 1994 Share Option Scheme) does not in aggregate exceed 30 percent of the shares in issue of the Company from time to time. The total number of shares may be issued upon exercise of all options to be granted under the Scheme must not exceed 113,132,370 shares, being 10 percent of shares in issue as at the date of approval of the Scheme by the Shareholders in the Annual General Meeting. The total number of options available for issue under the Scheme as at 31st December 2005 is 54,860,370, representing approximately 4.64% of shares in issue of the Company as of that date.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the Company for the time being.

The consideration for the grant of options is HK\$1.00. The Scheme participant is entitled to subscribe for shares during such period as may be determined by the Directors (which shall be less than 10 years from the date of the grant of the relevant option and commences six months after the date of grant) at the price to be determined by the Board of Directors but not less than the highest of the nominal value of the shares, the average of the official closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date on which the option is granted and the official closing price of the shares on the Stock Exchange on the date of grant.

REPORT OF THE DIRECTORS

Details of share options remain outstanding as at 31st December 2005 are as follows:–

	Options held at 1 January 2005	Options granted during year	Options exercised during year	Options lapsed during year	Options held at 31 December 2005	Exercise price HK\$	Date of grant	Exercise period
Directors:–								
Lao Yuan Yi	7,338,100	–	(7,338,100) ^b	–	–	0.342	26/09/1995	26/03/1995-07/10/2005
	5,503,900	–	–	–	5,503,900	0.318	11/07/1996	11/01/1997-15/07/2006
	10,000,000	–	–	–	10,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
	–	22,842,000 ^a	–	–	22,842,000	0.564	30/11/2005	30/05/2006-11/12/2015
Xin Shulin, Steve	2,534,980	–	–	(2,534,980)	–	0.453	26/01/1995	26/07/1995-09/02/2005
	838,640	–	–	–	838,640	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	–	–	–	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	4,464,000	–	–	–	4,464,000	0.283	08/07/1998	08/01/1999-15/07/2008
	–	11,810,000 ^a	–	–	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015
Yeung Wai Kin	2,401,560	–	–	(2,401,560)	–	0.453	26/01/1995	26/07/1995-09/02/2005
	1,494,304	–	–	–	1,494,304	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	–	–	–	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	6,980,000	–	–	–	6,980,000	0.283	08/07/1998	08/01/1999-15/07/2008
	–	11,810,000 ^a	–	–	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015
Hu Yi Ming	1,000,000	–	–	–	1,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
	2,300,000	–	(1,000,000) ^c	–	1,300,000	0.283	08/07/1998	08/01/1999-15/07/2008
Employees								
	1,952	–	–	(1,952)	–	0.453	26/01/1995	26/07/1995-09/02/2005
	4,002,600	–	–	–	4,002,600	0.318	11/07/1996	11/01/1997-15/07/2006
	950,000	–	–	–	950,000	0.816	01/11/1997	01/05/1998-12/11/2007
	1,804,000	–	–	–	1,804,000	0.283	08/07/1998	08/01/1999-15/07/2008
	–	11,810,000 ^a	–	–	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015
	<u>56,614,036</u>	<u>58,272,000</u>	<u>(8,338,100)</u>	<u>(4,938,492)</u>	<u>101,609,444</u>			

REPORT OF THE DIRECTORS

- a. At the date before the options were granted, 29th November 2005, the market value per share was HK\$0.56. The value of the options granted to the respective parties is as follows:-

	<i>HK\$'000</i>
Directors:	
Mr. Lao Yuan Yi	5,707
Mr. Xin Shulin, Steve	2,951
Mr. Yeung Wai Kin	2,951
Continuous contract employees	2,951
	<hr/>
	14,560

The value of the options granted during the year is HK\$14,560,366, based on the Black-Scholes valuation model. The significant inputs into the model were share price of HK\$0.56 at the grant date 30th November, exercise price shown above, expected life of options of 9.5 years, expected dividend paid out rate of 1.79% and annual risk-free rate of 4.46%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last one year. The Black-Scholes model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with difference variables of certain subjective assumption. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

- b. Exercise date was 7th October 2005. At that date before the options were exercised, the market value per share was HK\$0.59.
- c. Exercise date was 16th December 2005. At that date before the options were exercised, the market value per share was HK\$0.55.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

- Mr. LAO Yuan Yi
 Mr. XIN Shulin, Steve
 Mr. YEUNG Wai Kin
 Mr. HU Yi Ming
- * Mr. KWOK Lam Kwong, Larry, J.P.
 ** Prof. WOO Chia Wei
 ** Mr. LIU Ji
 ** Mr. YU Qi Hao (appointed on 17th March 2005)
- * *Mr. Kwok Lam Kwong, Larry, J. P. has been re-designated from being independent non-executive director to non-executive director of the Company with effect from 17th March 2005.*
- ** *Prof. Woo Chia Wei, Mr. Liu Ji and Mr. Yu Qi Hao are independent non-executive directors and were appointed for a term of two years.*

Mr. Hu Yi Ming, Mr. Kwok Lam Kwong, Larry, J.P. and Prof. Woo Chia Wei retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company which cannot be terminated by the Company within one year without payment of compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors of the Company and senior management of the Group are set out as follows (with age in brackets):-

Mr. Lao Yuan-Yi (60). Chairman, Joined the Company in 1993. Currently Chairman of China Assets (Holdings) Ltd, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Previously senior policy researcher at China's National Research Centre for Science & Technology and Social Development, senior staff officer with the PRC State Science & Technology Commission & the PRC Railway Ministry. Mr. Lao graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr. Xin Shu-Lin, Steve (52). Appointed as Director of the Company in 1998. He joined the Company in 1994 as Executive Vice President in charge of direct investment. Previously Mr. Xin worked as registered Financial Planner for Merrill Lynch and Senior Financial Analyst and Partner for Vail Securities Inc in Vail Colorado. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver in 1992.

Mr. Yeung Wai-Kin (44). Appointed as Director of the Company in 1998. He is also Chief Financial Officer and Company Secretary of the Company. Mr. Yeung joined the Company in 1993 and has over 21 years experience in auditing, finance and management positions. He is also director of China Assets (Holdings) Limited (the Company's associated company) and RBI Holdings Limited, which are listed in The Stock Exchange of Hong Kong Limited. Mr. Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has a bachelor's degree in law from Peking University.

Mr. Hu Yi-Ming (43). Appointed as Director of the Company in 1998. He joined the Group in 1996 as Managing Director of its Assets Management Division. Prior to joining the Group, Mr. Hu was Vice President - Foreign Exchange of Banque Paribas, Hong Kong Branch. Mr. Hu graduated with a Bachelor of Economics degree from the Shanghai University of Finance and Economics. After his graduation, he gained extensive experience in money market dealing from several reputable corporations in PRC, USA and Singapore.

Professor Woo Chia-Wei (68). Appointed as Independent Non-Executive Director in 1993. Currently Senior Advisor to the Shui On Holdings Limited. President Emeritus of the Hong Kong University of Science and Technology. Previously President, Provost, Department Chairman, and Professor of several prominent universities in the United States of America. He is also an independent non-executive director of several companies including Shanghai Industrial Holdings Limited and Legend Holdings Limited. He serves on the Commission on Strategic Development and Council of Advisors on Innovation and Technology of HKSAR, and the Chinese People's Political Consultative Conference.

REPORT OF THE DIRECTORS

Mr. Kwok Lam-Kwong, Larry, J.P. (50). Appointed as Independent Non-Executive Director in 1994 and has been re-designated to Non-Executive Director of the Company with effect from 17th March 2005. Mr. Kwok is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Singapore. He is also qualified as an accountant in Hong Kong and Australia. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He is currently the Vice-Chairman of the Consumer Council, a member of the Hospital Governing Committee of the Princess Margaret Hospital/Kwai Chung Hospital, a member of the Traffic Accident Victims Assistance Advisory Committee and a member of the Trade and Industry Advisory Board in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.

Mr. Liu Ji (70). Appointed as Independent Non-Executive Director on 11th March 2004. Mr. Liu is the Executive President of China Europe International Business School in Shanghai. He holds the posts of Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social Sciences since 1993. Mr. Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing.

Mr. Yu Qi-Hao (59). Appointed as Independent Non-Executive Director on 17th March 2005. Mr. Yu is a certified public accountant, PRC. He graduated from Shanghai University of Finance and Economics. He is an independent advisor of Deloitte Touche Tohmatsu CPA Ltd in Shanghai, and an independent non-executive director and a member of the audit committee of COL Capital Limited (Stock Code 383). From 1981 to 1991, Mr. Yu worked as a certified public accountant in an accounting firm in Shanghai. From 1992 to 1998, he acted as the assistant president of Shanghai Industrial Investment (Holdings) Company Limited. Mr. Yu also worked as an executive director of Shenyin Wanguo (H.K.) Limited (Stock Code 218) from 1995 to 1997 and a non-executive director from 1997 to 1998.

Mr. Wang Jun-Yan (35). Joined the Company in October 1997, is the Managing Director of First Shanghai Financial Holding Limited, an immediate holding company of the financial service division of the Group. He is also director of China Assets (Holdings) Limited, the Company's associated company which is listed in The Stock Exchange of Hong Kong Limited. Mr. Wang has more than 12 years experience in investment banking and securities industry. Mr. Wang holds a bachelor's degree with a major in International Trade from the Zhongshan University and a master's degree in Finance from the University of Hong Kong. He has also studied in a Ph.D. program of Finance in the City University of New York.

Mr. Mo Siu-Lun, Henry (43). Joined the Company in January 2000 as Chief Information Officer of the Group. Mr. Mo has over 23 years of managerial and technical experience in the information technology, manufacturing and marketing communication sector. Prior to joining the Group, he had held various management positions with major public listed companies. He obtained his Postgraduate Diploma in Engineering Management from City University of Hong Kong, a Master's Degree in Manufacturing Systems Engineering from Warwick University of the United Kingdom and a Master's Degree in Electronic Business from City University of Hong Kong.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December 2005, the interests of each director and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of SFO or as notified to the Company were as follows:-

(a) Ordinary shares of HK\$0.2 each in the Company:

Name of Directors		Number of shares and underlying shares held			Total	% of the issued share capital of the Company
		Personal interests	Family interests	Corporate interests		
Mr. Lao Yuan Yi	Long position	90,216,000	–	72,952,000	163,168,000	13.80%
Mr. Xin Shulin, Steve	Long position	19,612,640	–	–	19,612,640	1.66%
Mr. Yeung Wai Kin	Long position	22,784,304	–	–	22,784,304	1.93%
Mr. Hu Yi Ming	Long position	3,300,000	–	–	3,300,000	0.28%
Prof. Woo Chia Wei	Long position	–	72,000	–	72,000	0.006%

No directors and chief executives has any interest of short positions in shares or underlying shares of the Company.

(b) Options in respect of shares in an associated corporation:

Name of Directors	Associated corporation	Number of options held		Total	% of the issued share capital of the associated corporation
		Personal interests			
Mr. Lao Yuan Yi	China Assets (Holdings) Ltd	725,000	Long position	725,000	0.98%
Mr. Yeung Wai Kin	China Assets (Holdings) Ltd	700,000	Long position	700,000	0.94%

The above share options were granted under the share option scheme of China Assets (Holdings) Limited adopted on 19th May 2004.

Saved as disclosed above, at no time during the year, the directors and chief executives had any interest in shares, underlying shares and debentures of the Company and its associated corporation required to be disclosed pursuant to the SFO.

 REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st December 2005, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Ordinary shares of HK\$0.2 each in the Company:	Corporate interests	Percentage
China Assets (Holdings) Limited ("China Assets") Long position	248,249,300	21.00%

China Assets is a Hong Kong listed company, which is also an associated company of the Group. Apart from the above, so far as the Directors are aware, there are no parties which were, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital of the Company as at 31st December 2005.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are both less than 30% for 2005 and 2004.

CONNECTED TRANSACTION

The related party transactions disclosed in note 42(b) to the financial statements constituted connected transactions under the Listing Rules.

China Assets Investment Management Limited ("CAIML") was a subsidiary of the Company up to 30th December 2005. CAIML entered into a management agreement (the "Management Agreement") with China Assets on 28th March 1991 (with amendments made on 8th April 1992 and 11th October 2004) whereby CAIML was appointed to act as investment manager of China Assets and agreed to provide management services to China Assets. The Management Agreement will continue until 31st December 2006 and shall be renewed for further terms of 2 years each provided that the requirements of the Listing Rules are complied with before renewal. The Management Agreement may be terminated by serving 6 months written notice on the other party.

Under the Management Agreement, CAIML is entitled to receive from China Assets a management fee at the rates of (i) 2.75% per annum on the aggregate cost to China Assets of the investment (less any provisions in respect thereof) held by it from time to time; and (ii) 1% per annum on the value of the uninvested net assets of China Assets. In addition, CAIML is entitled to performance bonus based on a specified formula on the return on net assets and net capital gains of China Assets. The Management Agreement constitutes a continuing connected transaction of the Company. For the year ended 31st December 2005, the total annual amount paid by China Assets to CAIML under the Management Agreement was US\$1,264,301 (approximately HK\$9,829,000).

REPORT OF THE DIRECTORS

During the year, the Company is holding approximately 33.82% of the issued share capital of China Assets. China Assets is a substantial shareholder of the Company holding approximately 21% of the issued share capital of the Company. Mr. Lao Yuan Yi, a Director of the Company and CAMIL, Mr. Yeung Wai Kin, a Director of the Company and CAMIL and Mr. Wang Jun Yan, a Director of CAMIL are interested in the Management Agreement to the extent that all of them are Directors of China Assets.

On 30th December 2005, the Company disposed part of its shareholding in CAIML and as a result, CAIML ceased to be a subsidiary of the Group. Accordingly, the above related party transactions in respect of the Management Agreement discontinued to constitute continuing connected transactions from 31st December 2005.

As a result of the annual review of the Management Agreement as a continuing connected transaction from 1st January 2005 to 30th December 2005, the directors of the Company (including the independent non-executive directors) confirm that the Management Agreement has been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

FIVE YEAR FINANCIAL SUMMARY

The summary of assets, liabilities and results of the Group for the last five financial years is as follows:–

	2005 <i>HK\$'000</i>	Restated 2004 <i>HK\$'000</i>	Restated 2003 <i>HK\$'000</i>	Restated 2002 <i>HK\$'000</i>	Restated 2001 <i>HK\$'000</i>
Total assets	1,924,210	1,609,247	1,730,671	1,226,011	1,198,900
Total liabilities (net of minority interests)	510,750	220,756	417,516	43,687	82,061
Total net assets	1,413,460	1,388,491	1,313,155	1,182,324	1,116,839
Sales	1,254,728	587,845	281,351	171,614	298,332
Profit attributable to shareholders	76,320	80,955	93,787	49,979	65,604
Earnings per share					
– basic	6.49 cents	6.90 cents	7.99 cents	4.41 cents	5.84 cents
– diluted	6.40 cents	6.78 cents	7.88 cents	4.36 cents	5.77 cents

AUDIT COMMITTEE

The Audit Committee of the Board of Directors was established on 27th December 1998. The Audit Committee comprises the non-executive Director, Mr. Kwok Lam Kwong, Larry, J.P. and the three independent non-executive Directors, Prof. Woo Chia Wei, Mr. Liu Ji and Mr. Yu Qi Hao. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. Three meetings were held during the current financial year.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LAO Yuan Yi

Chairman

Hong Kong, 21st April 2006

Management Discussion and Analysis

RESULTS

For the year ended 31st December 2005, the Group recorded a turnover of HK\$1,255 million and profit attributable to shareholders of HK\$76 million as compared to HK\$588 million and HK\$81 million respectively in 2004.

DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATED COMPANY

On 16th June 2005, the Group entered into an agreement for the sale of 37 million shares in RBI Holdings Limited ("RBI") at a consideration of HK\$57,720,000. The transaction was completed in September 2005 and the Group recorded a gain on disposal of approximately HK\$2.97 million. Upon disposal, the Group's shareholding in RBI decreased from 19.95% to 11.08% and the investment in RBI was then reclassified as an available-for-sale financial asset in the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various investment projects. As at 31st December 2005, the Group had raised bank loans of approximately HK\$146 million and held approximately HK\$150 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 13%. Investment in financial assets at fair value through income statement as at 31st December 2005 amounted to approximately HK\$80 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will appreciate in a stable pattern in future. The Group has no significant exposure to other foreign exchange fluctuations.

PLEDGE OF ASSETS

Certain properties and leasehold land of the Group with an aggregate net book value of approximately HK\$96 million as at 31st December 2005 (2004: HK\$109 million) as well as fixed deposits of HK\$15 million (2004: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$45 million (2004: HK\$84 million) granted to the Group.

EMPLOYEES

As at 31st December 2005, the Group employed 1,528 staff, of which 1,438 are located in the Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31st December 2005, except for the deviation from provision A.2.1 of the CG Code in respect of segregation of the roles of chairman and chief executive officer and the deviation from provision A.4.2 of the CG Code in respect of retirement and rotation of each director in every three years. Such deviations will be discussed in the relevant sections of this report in more details. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31st December 2005.

BOARD OF DIRECTORS

The Board of Directors of the Company comprises:

Executive Directors:	Mr. Lao Yuan Yi, Chairman Mr. Xin Shulin, Steve Mr. Hu Yi Ming Mr. Yeung Wai Kin
Non-Executive Director:	Mr. Kwok Lam Kwong, Larry, J.P.
Independent Non-Executive Directors:	Prof. Woo Chia Wei Mr. Liu Ji Mr. Yu Qi Hao

The Board comprises of four executive directors and four non-executive directors. Of the four non-executive directors, three of them are independent non-executive directors that represent more than one-third of the Board. In addition, two of the non-executive directors possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board.

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations.

With a wide range of expertise and a balance of skills, the non-executive directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

CORPORATE GOVERNANCE REPORT

The independent non-executive directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive director is independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation or confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation as well as the financial performance of the Group. Notice of at least 14 days have been given to all directors for all regular board meetings and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out to all directors within reasonable time before the meeting.

Draft minutes of board meeting are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year, four board meetings were held and the individual attendance of each director is set out below:

Name of director	Number of meetings attended	Attendance
Mr. Lao Yuan Yi	4/4	100%
Mr. Xin Shulin, Steve	2/4	50%
Mr. Yeung Wai Kin	4/4	100%
Mr. Hu Yi Ming	3/4	75%
Mr. Kwok Lam Kwong, Larry, J.P.	4/4	100%
Prof. Woo Chia Wei	3/4	75%
Mr. Liu Ji	2/4	50%
Mr. Yu Qi Hao	4/4	100%

The provision A.4.2 of the CG Code provides that every director should be subject to retirement by rotation at least once every three years. However, according to the Articles of Association of the Company, at each annual general meeting one-third of the directors for the time being shall retire from office. The Articles of Association constitutes a deviation from the CG Code. The management is considering the amendment of the Articles of Association to comply with the code provision A.4.2.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and chief executive officer of the Company is Mr. Lao Yuan Yi. This deviates from provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

CORPORATE GOVERNANCE REPORT

The Board believes that vesting the role of both positions in Mr. Lao provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

NON-EXECUTIVE DIRECTOR

Each of the non-executive directors of the Company has entered into a service contract with the Company for a term of two years. Such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors was established on 27th December 1998 and its current members include:

Independent Non-Executive Directors: Mr. Yu Qi Hao, Committee Chairman
 Prof. Woo Chia Wei
 Mr. Liu Ji

Non-Executive Director: Mr. Kwok Lam Kwong, Larry, J.P.

Each member of the Audit Committee has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the year ended 31st December 2005.

During the year, three Audit Committee meetings were held and the individual attendance of each director is set out below:

Name of Committee member	Number of meetings attended	Attendance
Mr. Yu Qi Hao	3/3	100%
Prof. Woo Chia Wei	3/3	100%
Mr. Kwok Lam Kwong, Larry, J.P.	3/3	100%
Mr. Liu Ji	1/3	33%

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee of the Board of Directors was established on 30th June 2005. The majority of the Remuneration Committee members are independent non-executive directors and its current members include:

Executive Directors:	Mr. Lao Yuan Yi
Independent Non-Executive Directors:	Mr. Yu Qi Hao Prof. Woo Chia Wei

The terms of reference of the Remuneration Committee were adopted when the Committee was established. The Remuneration Committee was set up to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes.

During the year, one meeting was held to discuss the remuneration policies of the Company. The individual attendance of each director is set out below:

Name of Committee member	Number of meetings attended	Attendance
Mr. Lao Yuan Yi	1/1	100%
Prof. Woo Chia Wei	1/1	100%
Mr. Yu Qi Hao	1/1	100%

AUDITORS' REMUNERATION

For the year ended 31st December 2005, PricewaterhouseCoopers ("PWC"), the auditors of the Company, received approximately HK\$1,400,000 for audit and related services and HK\$1,707,300 for other non-audit services. PWC provided the following non-audit services to the Company:

- (i) perform agreed-upon-procedures in relation to the working capital forecast and indebtedness position of Group for disclosure in the circular of a major transaction with a fee of HK\$1,500,000; and
- (ii) provision of tax advisory services with a fee of HK\$207,300.

Auditors' Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST SHANGHAI INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 20 to 100 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the Directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21st April 2006

Consolidated Income Statement

For the year ended 31st December 2005

	Note	2005 HK\$'000	Restated 2004 HK\$'000
Continuing operations:			
Sales	5	1,254,728	587,845
Cost of sales		(1,119,839)	(386,118)
Gross profit		134,889	201,727
Other gains – net	6	14,776	2,109
Selling and distribution costs		(4,419)	(13,463)
Administrative expenses		(157,869)	(172,947)
Operating (loss)/profit	5 & 7	(12,623)	17,426
Finance costs	8	(8,409)	(4,709)
Share of profits less losses of			
Associated companies	21	36,331	55,627
Jointly controlled entities	22	17,527	(5,285)
Profit before taxation		32,826	63,059
Taxation	9(a)	(3,637)	(10,722)
Profit for the year from continuing operations		29,189	52,337
Discontinued operations:			
Profit for the year from discontinued operations	41 & 43(a)	40,961	28,728
Profit for the year		70,150	81,065
Profit attributable to:			
Shareholders of the Company		76,320	80,955
Minority interests		(6,170)	110
	10	70,150	81,065
Earnings per share for profit from continuing operations attributable to the shareholders of the Company during the year			
– basic	11	HK3.01 cents	HK4.45 cents
– diluted	11	HK2.97 cents	HK4.37 cents
Earnings per share for profit from discontinued operations attributable to the shareholders of the Company during the year			
– basic	11	HK3.48 cents	HK2.45 cents
– diluted	11	HK3.43 cents	HK2.41 cents
Dividend	12	17,730	11,737

Balance Sheets

As at 31st December 2005

	Note	Group		Company	
		2005 HK\$'000	Restated 2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Non-current assets					
Intangible assets	16	3,893	11,887	–	–
Property, plant and equipment	17	262,203	141,259	155	243
Investment properties	18	19,260	10,950	–	–
Leasehold land and land use rights	19	66,377	89,177	–	–
Investments in subsidiaries	20	–	–	88,828	859,389
Investments in associated companies	21	276,260	370,798	–	–
Investments in jointly controlled entities	22	72,209	348,390	124,171	124,171
Deferred tax assets	37	603	–	–	–
Investment securities	23	–	89,471	–	56,251
Available-for-sale financial assets	24	63,433	–	17,523	–
Loans receivable	25	23,027	10,028	11,873	–
		787,265	1,071,960	242,550	1,040,054
Current assets					
Inventories	26	18,531	5,888	–	–
Other investments	27	–	2,425	–	–
Loans and advances	28	97,295	112,779	–	–
Trade receivables	29	317,710	120,886	–	–
Other receivables, prepayments and deposits	30	56,987	93,337	3,347	1,812
Amounts due from subsidiaries		–	–	869,631	–
Tax recoverable	9(b)	4,003	–	–	–
Financial assets at fair value through income statement	31	80,062	–	–	–
Cash and cash equivalents	32	149,990	201,972	3,737	3,967
		724,578	537,287	876,715	5,779
Non-current assets classified as held for sale	41, 43(a) & (b)	412,367	–	–	–
		1,136,945	537,287	876,715	5,779
Current liabilities					
Trade and other payables	33	331,167	130,032	14,307	14,455
Amounts due to subsidiaries		–	–	161,201	–
Taxation payable	9(b)	1,447	3,202	–	–
Borrowings	34	78,353	86,863	28,000	69,882
		410,967	220,097	203,508	84,337
Liabilities directly associated with non- current assets classified as held for sale	41 & 43(b)	11,989	–	–	–
		422,956	220,097	203,508	84,337

BALANCE SHEETS

As at 31st December 2005

	Note	Group		Company	
		2005 HK\$'000	Restated 2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Net current assets/(liabilities)		713,989	317,190	673,207	(78,558)
Total assets less current liabilities		1,501,254	1,389,150	915,757	961,496
Non-current liabilities					
Deferred tax liabilities	37	516	659	–	–
Borrowings	34	87,278	–	–	–
Amounts due to subsidiaries		–	–	–	110,618
		87,794	659	–	110,618
Net assets		1,413,460	1,388,491	915,757	850,878
Equity					
Share capital	35	236,406	234,738	236,406	234,738
Reserves	36	1,104,767	1,066,947	679,351	616,140
Capital and reserves attributable to the Company's shareholders		1,341,173	1,301,685	915,757	850,878
Minority interests		72,287	86,806	–	–
Total equity		1,413,460	1,388,491	915,757	850,878

On behalf of the Board

Lao Yuan Yi
Director

Yeung Wai Kin
Director

Consolidated Cash Flow Statement

For the year ended 31st December 2005

	Note	2005 HK\$'000	Restated 2004 HK\$'000
Cash flows from operating activities			
Net cash inflow from operations	38(a)	16,552	11,467
Hong Kong profits tax paid		(9,125)	(6,014)
Overseas taxation paid		(1,021)	(4,615)
Interest paid		(7,894)	(4,709)
		<hr/>	<hr/>
Net cash used in operating activities		<u>(1,488)</u>	<u>(3,871)</u>
Cashflows from investing activities			
Interest received		1,904	2,427
Dividends received from listed investments		660	497
Dividends received from jointly controlled entities and associated companies		8,276	13,331
Acquisition of subsidiaries	38(c)	-	(11,464)
Net cash outflow in respect of the disposal of subsidiary	38(d)	(628)	(11,619)
Increase in investments in subsidiaries		(4,973)	(7,736)
Increase in investments in available-for-sale financial assets		(7,800)	-
Proceeds from disposal of available-for-sale financial assets		6,732	-
Proceeds from disposal of partial interest in an associated company		57,720	-
Loans receivable made to a third party		(959)	(10,028)
Proceeds from disposal of leasehold land and land use rights, and property, plant and equipment		285	207
Purchase of property, plant and equipment		(151,057)	(49,348)
Purchase of leasehold land and land use rights		-	(8,455)
Purchase of non-current assets classified as held for sale	41	(40,031)	(17,438)
Purchase of investment securities		-	(2,341)
Proceeds from disposal of investment securities		-	9,201
		<hr/>	<hr/>
Net cash used in investing activities		<u>(129,871)</u>	<u>(92,766)</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2005

	Note	2005 HK\$'000	Restated 2004 HK\$'000
Cash flows from financing activities	38(b)		
Dividend paid		(11,737)	(14,084)
Dividend paid to minority shareholders of subsidiaries		–	(1,640)
Issue of ordinary shares and exercise of share options		2,792	–
New short-term loans from third parties		31,171	–
New short-term bank loans		56,293	17,919
New long-term bank loans		87,278	–
Repayment of short-term bank loans		(64,103)	(70,000)
Repayment of bank overdrafts		(19,882)	–
Increase in investment in a subsidiary from a minority shareholder		–	19,251
		<u>81,812</u>	<u>(48,554)</u>
Net cash from/(used in) financing activities		<u>81,812</u>	<u>(48,554)</u>
Net decrease in cash and cash equivalents		(49,547)	(145,191)
Cash and cash equivalents at 1st January		201,972	325,433
Exchange (gains)/losses on cash and cash equivalents		(2,435)	1,848
		<u>149,990</u>	<u>182,090</u>
Cash and cash equivalents at 31st December		149,990	182,090
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		107,803	169,496
Short-term bank deposits			
– secured		15,000	15,000
– unsecured		27,187	17,476
		<u>149,990</u>	<u>201,972</u>
Cash and cash equivalents		149,990	201,972
Bank overdrafts		–	(19,882)
		<u>149,990</u>	<u>182,090</u>

Consolidated Statement of Changes in Equity

For the year ended 31st December 2005

	Attributable to shareholders of the Company								Minority interests	Total	
	Share capital	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve			Retained earnings
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 31st December 2004, as previously reported as equity	234,738	594,896	-	76,094	14,006	46,854	-	9,387	354,352	-	1,330,327
Balance at 31st December 2004, as previously reported as minority interests	-	-	-	-	-	-	-	-	-	86,806	86,806
Prior year adjustment for the adoption of HKAS 17 (note 2.1)	-	-	-	-	-	(34,205)	-	-	5,563	-	(28,642)
Balance at 31st December 2004, as restated	234,738	594,896	-	76,094	14,006	12,649	-	9,387	359,915	86,806	1,388,491
Opening adjustments for the adoption of HKASs:											
- HKAS 39	-	-	-	-	-	-	32,392	-	(38,103)	-	(5,711)
- HKAS 40	-	-	-	-	-	21	-	-	(21)	-	-
- HKFRS 3	-	-	-	-	-	-	-	-	12,671	-	12,671
Balance at 1st January 2005, as restated	234,738	594,896	-	76,094	14,006	12,670	32,392	9,387	334,462	86,806	1,395,451
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(6,443)	(6,443)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(1,422)	(1,422)
Issue of new shares	1,668	1,124	-	-	-	-	-	-	-	-	2,792
Share-based payments	-	-	2,508	-	-	-	-	-	-	-	2,508
Capital reserve realised upon disposal of an associated company	-	-	-	41,011	-	-	-	-	(36,698)	-	4,313
Share of post acquisition reserves of associated companies	-	-	-	(21,637)	-	-	-	-	-	-	(21,637)
Fair value losses upon reclassification	-	-	-	-	-	(408)	-	-	-	-	(408)
Fair value losses of available-for-sale financial assets	-	-	-	-	-	-	(27,273)	-	-	-	(27,273)
Currency translation differences	-	-	-	-	-	-	-	7,650	-	(484)	7,166
Transfer from retained earnings	-	-	-	311	-	-	-	-	(311)	-	-
Profit for the year	-	-	-	-	-	-	-	-	76,320	(6,170)	70,150
2004 final dividend paid	-	-	-	-	-	-	-	-	(11,737)	-	(11,737)
Balance at 31st December 2005	236,406	596,020	2,508	95,779	14,006	12,262	5,119	17,037	362,036	72,287	1,413,460
Retained by:											
Company and subsidiaries	236,406	596,020	2,508	48,339	14,006	12,262	5,119	14,120	58,256	72,287	1,059,323
Associated companies	-	-	-	47,245	-	-	-	1,463	132,650	-	181,358
Jointly controlled entities	-	-	-	195	-	-	-	1,454	171,130	-	172,779
Balance at 31st December 2005	236,406	596,020	2,508	95,779	14,006	12,262	5,119	17,037	362,036	72,287	1,413,460

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2005

	Attributable to shareholders of the Company							Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital	Assets	Exchange	Retained earnings HK\$'000		
				redemption reserve HK\$'000	revaluation reserve HK\$'000	fluctuation reserve HK\$'000			
Balance at 1st January 2004, as previously reported as equity	234,738	594,896	73,734	14,006	46,854	7,139	288,430	-	1,259,797
Balance at 1st January 2004, as previously reported as minority interests	-	-	-	-	-	-	-	82,602	82,602
Prior year adjustment for the adoption of HKAS 17 (note 2.1)	-	-	-	-	(34,205)	-	4,960	-	(29,245)
Balance at 1st January 2004, as restated	234,738	594,896	73,734	14,006	12,649	7,139	293,390	82,602	1,313,154
Acquisition of subsidiaries	-	-	-	-	-	-	-	8,252	8,252
Disposal of a subsidiary	-	-	-	-	-	-	-	(21,165)	(21,165)
Capital contributed to subsidiaries by its minority shareholders	-	-	-	-	-	-	-	18,326	18,326
Reversal of negative goodwill against reserve upon disposal of subsidiaries	-	-	(2,910)	-	-	-	-	-	(2,910)
Dividend received from an associated company	-	-	-	-	-	-	-	(1,640)	(1,640)
Share of post acquisition reserves of associated companies	-	-	4,842	-	-	-	-	-	4,842
Share of post acquisition reserves of jointly controlled entities	-	-	82	-	-	-	-	-	82
Currency translation differences	-	-	-	-	-	2,248	-	321	2,569
Transfer from retained earnings	-	-	346	-	-	-	(346)	-	-
Profit for the year	-	-	-	-	-	-	80,955	110	81,065
2003 final dividend paid	-	-	-	-	-	-	(14,084)	-	(14,084)
Balance at 31st December 2004	234,738	594,896	76,094	14,006	12,649	9,387	359,915	86,806	1,388,491
Retained by:									
Company and subsidiaries	234,738	594,896	48,028	14,006	12,649	5,764	73,295	86,806	1,070,182
Associated companies	-	-	27,871	-	-	1,239	133,017	-	162,127
Jointly controlled entities	-	-	195	-	-	2,384	153,603	-	156,182
Balance at 31st December 2004	234,738	594,896	76,094	14,006	12,649	9,387	359,915	86,806	1,388,491

Notes to the Consolidated Financial Statements

1. General Information

First Shanghai Investments Limited (the "Company") and its subsidiaries (hereby collectively referred to as the "Group") are principally engaged in securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, sales of motor vehicles meters, hotel operation, investment holding, property holding and management.

The Company is a limited liability company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

2. 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.

2.1 Basis of preparation

The consolidated financial statements of First Shanghai Investments Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting standards ("HKAS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, available-for-sale financial assets, financial assets and financial liabilities at fair value through income statement and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS/HKAS 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 4.

The adoption of new/revised HKFRS/HKAS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS/HKAS *(continued)*

HKAS 31	Investments in Joint Ventures
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
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31 and 33 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, 31 and 33 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 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 fair value or cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Following the adoption of HKASs 32 and 39, the financial assets have been classified into available-for-sale financial assets, financial assets at fair value through income statement and loans and receivables. The classification depends on the purpose for which the investments were acquired. Available-for-sale financial assets are measured at fair value and changes in fair value are recognised in the investment revaluation reserve. Loans and receivables are measured at amortised cost. The carrying amount of the asset is computed by discounting the future cash flows to the present value using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS/HKAS *(continued)*

The Group has adopted the transitional provisions of HKAS 39 as follows:

- redesignate all “investment securities” as “available-for-sale financial assets” or “loans and receivables”, and “other investments” as “financial assets at fair value through income statement” at 1st January 2005;
- remeasure those financial assets or financial liabilities that should be measured at fair value and those that should be measured at amortised cost at 1st January 2005.

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 income. 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 HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective on 1st January 2005, the Group expenses the cost of share options in the income statement.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was:

- amortised on a straight line basis over its estimated useful economic life; and
- assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

- the Group ceased amortisation of goodwill from 1st January 2005;
- accumulated amortisation as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
- from the year ending 31st December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS/HKAS *(continued)*

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

- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- 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 Hong Kong 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.
- HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and
- HKFRS 3 – prospectively after 1st January 2005.
- HKFRS 5 – The adoption of HKFRS 5 has resulted in a change in the accounting policy for non-current assets held for sale. The non-current assets held for sale were previously neither classified nor presented as current assets or liabilities. There was no difference in measurement for non-current assets held for sale or for continuing use. The application of HKFRS 5 does not have impact on the prior-year financial statements other than a change in the presentation of the results and cash flows of discontinued operations.
 - (i) The adoption of revised HKAS 17 resulted in a decrease in opening reserves at 1st January 2004 and 2005 by approximately HK\$29,245,000 and HK\$28,642,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)***2.1 Basis of preparation** *(continued)***The adoption of new/revised HKFRS/HKAS** *(continued)*

- (ii) The effect of changes in accounting policies on the consolidated balance sheets are as follows:

	Effect of adoption						Total HK\$'000
	HKAS 32			HKFRS 3			
	HKAS 17 HK\$'000	& HKAS 39 HK\$'000	HKAS 40 HK\$'000	HKFRS 2 HK\$'000	& HKAS 38 HK\$'000	HKFRS 5 HK\$'000	
At 31st December 2005							
Decrease in property, plant and equipment	(66,377)	-	(19,260)	-	-	(51,481)	(137,118)
Increase/(decrease) in leasehold land and land use rights	66,377	-	-	-	-	(16,876)	49,501
Increase in investment properties	-	-	19,260	-	-	-	19,260
Increase in available-for-sale financial assets	-	19,841	-	-	-	-	19,841
Increase in loans receivable	-	11,873	-	-	-	-	11,873
Increase in financial assets at fair value through income statement	-	30,437	-	-	-	-	30,437
Decrease in investment securities	-	(66,560)	-	-	-	-	(66,560)
Decrease in other investments	-	(1,483)	-	-	-	-	(1,483)
Increase in intangible assets	-	-	-	-	8,224	-	8,224
Increase in deferred tax assets	-	-	-	89	-	-	89
Increase/(decrease) in investments in jointly controlled entities	-	-	-	-	5,917	(344,010)	(338,093)
Increase in non-current assets held for sale	-	-	-	-	-	412,367	412,367
(Decrease)/increase in net assets	-	(5,892)	-	89	14,141	-	8,338
Increase in employee share-based compensation reserve							
	-	-	-	2,507	-	-	2,507
Increase in investment revaluation reserve							
	-	17,500	-	-	-	-	17,500
(Decrease)/increase in retained earnings	-	(23,392)	-	(2,418)	14,141	-	(11,669)
(Decrease)/increase in equity	-	(5,892)	-	89	14,141	-	8,338
At 31st December 2004							
Decrease in property, plant and equipment	(89,177)	-	-	-	-	-	(89,177)
Increase in leasehold land and land use rights	89,177	-	-	-	-	-	89,177
Increase in net assets	-	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKFRS/HKAS *(continued)*

- (iii) The effect of changes in accounting policies on the consolidated income statements are as follows *(continued)*:

At the date of authorisation of these financial statements, the Group has not early adopted the following new standards or interpretations or amendments which have been issued but are not yet effective. The adoption of these new HKFRS/HKAS is not expected to result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of financial statements – capital disclosures
HKAS 19 (Amendment)	Employee Benefits
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment) and HKFRS 6 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS – Int 4	Determining whether an Arrangement contains a Lease
HKFRS – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environments Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 7	Financial Reporting in Hyperinflationary economies

The Group has carried out an assessment if the impact of the new HKFRS/HKAS which have been issued but not yet effective and have not been early adopted by the Group.

2.2 Consolidation

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

(a) *Subsidiaries*

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that controls cease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) *Subsidiaries (continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at 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 consolidated income statement (note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. 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 by the Company on the basis of dividend received and receivable.

(b) *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 are recorded in the consolidated income statement.

(c) *Associated companies*

Associated companies 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 associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 2.7).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(c) *Associated companies (continued)*

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

(d) *Jointly controlled entities*

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

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

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

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

2.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation

(a) *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 Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *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 consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

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 income statement are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are, included in the fair value reserve in equity.

(c) *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:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) 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
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*
2.5 Property, plant and equipment
(a) Buildings in Hong Kong

In previous years the Group carried its buildings in Hong Kong at cost or at revalued amounts and revaluation surpluses or deficits are dealt with as movements in the assets revaluation reserve. Effective from 30th September 1995, no further revaluations have been carried out. The Group places reliance on paragraph 80A of HKAS 17 issued by the HKICPA which provides exemption from the need to make regular revaluations for such assets.

(b) Construction-in-progress

Construction-in-progress comprises hotel, properties under construction, and other property, plant and equipment under installation, and is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any impairment losses. No depreciation is provided on construction-in-progress until such time as the relevant assets are completed and put into use.

(c) Other property, plant and equipment

Other property, plant and equipment comprise mainly buildings outside Hong Kong, furniture fixtures and equipment, plant and machinery, motor vehicles and trucks 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 costs are expensed in the income statement during the financial year in which they are incurred.

(d) Depreciation and amortisation

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

Buildings	Over the shorter of the term of the leases or 20 to 40 years
Furniture, fixtures and equipment	15% – 33 1/3%
Plant and machinery	10%
Motor vehicles	20%
Trucks	12.5%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

(e) *Gains and losses on disposal*

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 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. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

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 year in which they are incurred.

Changes in fair values are recognised in the income statement as part of 'other gains – net' (note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.7 Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated companies/jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of associated companies and jointly controlled entities is included in 'investments in associated companies' and 'investments in jointly controlled entities' respectively. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) *Trading rights*

The trading rights at the Hong Kong Futures Exchange Limited ("Futures Exchange trading rights") is recognised as an intangible asset. It is stated at cost and amortised using the straight-line method over its estimated useful life of 10 years.

(c) *Patent*

Expenditure on acquired patent is capitalised and amortised using the straight-line method over its estimated useful life of 5 years. Patent is not revalued as there is no active market for this asset.

2.8 Impairment of non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.9 Financial assets

From 1st January 2004 to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries, associated companies and jointly controlled entities, as investment securities and other investments.

(a) *Investment securities*

Investments securities are held for identified long term purpose and stated at cost less any accumulated 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 securities 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.

(b) *Other investments*

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

From 1st January 2005 onwards:

The Group classifies its financial assets into the following categories: at fair value through income statement, loans and receivables, and available-for-sale. 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 income statement*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through income statement 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 twelve months of the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.9 Financial assets *(continued)*

(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 twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'loan receivables', 'loans and advances' and 'trade and other receivables' (note 2.11) in the balance sheet.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

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 all financial assets not carried at fair value through income statement. Financial assets carried at fair value through income statement 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. Available-for-sale financial assets and financial assets at fair value through income statement 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 income statement' category including interest and dividend income, are presented in the income statement within 'other gains – net', in the year in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.9 Financial assets *(continued)*

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, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.11.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis method. The cost of finished goods and work in progress comprises raw materials, direct labour, shipping costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 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 and distribution costs'.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings as current liabilities in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.13 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 year of the borrowings using the effective interest method.

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

2.14 Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred taxation 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 taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred 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 taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, 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.

2.15 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Discretionary bonus*

The expected cost of discretionary bonus payments are recognised as a liability when the group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for discretionary bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.15 Employee benefits

(c) *Pension obligations*

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

As stipulated by rules and regulations in Chinese Mainland, the Group contributes to state-sponsored retirement plans for its employees in Chinese Mainland. The Group contributes to the retirement plans certain percentage of the basic salaries of its employees, and has no further obligations for the actual payment of post-retirement benefits.

(d) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.16 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.17 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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.18 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, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from brokerage and commission, management and consultancy and advisory services rendered and container transportation and freight forwarding services is recognised once the duties under the service contracts are performed and outcome of the transactions can be foreseen with reasonable certainty.

All transactions related to securities trading are recorded in the financial statements based on trade dates. Accordingly, only those trade dates falling within the accounting year have been taken into account.

Hotel room income is recognised when services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the rights to receive payment is established.

Operating lease rental income is recognised on a straight-line basis over the lease periods.

2.19 Finance costs

Finance costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other finance costs are charged to the income statement in the year in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies *(continued)*

2.20 Operating leases

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.

2.21 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

The Group adopted HKFRS 5 from 1st January 2005 prospectively in accordance with the standard's provisions. The adoption of HKFRS 5 has resulted in change in the accounting policy for non-current assets (or disposal groups) held for sale. The non-current assets (or disposal groups) held for sale were previously neither classified nor presented as current assets or liabilities. There was no difference in measurement for non-current assets (or disposal groups) held for sale or for continuing use.

The application of HKFRS 5 does not impact on the prior-year financial statements other than a change in the presentation of the results and cash flows of discontinued operations.

2.22 Dividend distribution

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

2.23 Comparatives

As further explained above, due to the adoption of the new/revised HKFRS/HKAS during the current year, the accounting treatment and presentation of certain items in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparatives have been restated to conform with the current year presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk, liquidity risk and interest rate risk. Risk management is carried out by senior management of the Group under policies approved by the Board of Directors of the Company.

*(a) Market risk**(i) Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar and Renminbi. Revenue and majority of its operating costs and cost of sales are in Hong Kong dollar and Renminbi basis. No significant foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations is expected in the foreseeable future.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through income statement. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of trade receivables included in the consolidated balance sheets represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products and services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the consolidated financial statements.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Interest rate risk

The Group's income and operation cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets, other than cash at banks. The Group's exposure to changes in interest rates is mainly attributable to its bank loans. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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, over-the-counter derivatives) 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 for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

4.1 Critical accounting estimates and assumptions

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

(a) *Estimated fair value of available-for-sale financial assets*

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in active market is determined based on available recent market information such as most recent market transaction price with third parties and the latest available financial information existing at each balance sheet date.

(b) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)***4.1 Critical accounting estimates and assumptions** *(continued)**(c) Incomes taxes*

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining 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 year in which such determination is made.

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4.2 Critical judgements in applying the Group's accounting policies

The following critical accounting judgements may be applicable, among many other possible areas not presented in these consolidated financial statements.

(a) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 in determining whether an investment in available-for-sale financial assets is impaired. This determination requires significant judgements. In making these judgements, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, change in technology and operational and financing cash flow.

(b) Estimated allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of loan receivables, loan and advances and trade and other receivables. Allowance is made when there are events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of loans receivable, loan and advances and trade and other receivables is different from the original estimate, such difference will impact the carrying value of loans receivable, loan and advances and trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *[continued]*

4.2 Critical judgements in applying the Group's accounting policies *[continued]*

(c) *Estimated allowance for write-down of inventories to net realisable value*

The Group makes allowance for write-down of inventories based on assessment of the net realisable value of existing inventories. Allowance is made if there is an indication that the net realisable value of inventories are lower than the cost. Calculation of net realisable value requires the use of judgement and estimates.

(d) *Distinction between investment properties and owner-occupied*

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

(e) *Employee benefits – share-based payments*

The valuation of the fair value of the share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to become exercisable stated in note 2.15 (d). Where the outcome of the number of options that are exercisable is different, such difference will impact the income statement in the subsequent remaining vesting period of the relevant share options.

5. SEGMENT INFORMATION

The Group is principally engaged in securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, hotel operation, sales of motor vehicles meters and components, investment holding, property holding and management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(continued)*

The Group has determined the business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude taxation and deferred taxation. Capital expenditure comprises additions to leasehold land and land use rights, and property, plant and equipment.

In respect of geographical segment reporting, sales are based on the country in which the customers are located.

Primary reporting format – business segments

The Group is organised into seven main business segments:

- Securities trading and investment
- Corporate finance and stockbroking
- Container transportation and freight forwarding services
- Hotel operation
- Sales of motor vehicles meters and components
- Investment holding, property holding and management
- Sales of child products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(continued)*Primary reporting format – business segments *(continued)*

	Securities trading and investment 2005 HK\$'000	Corporate finance and stockbroking 2005 HK\$'000	Container transportation and freight forwarding services 2005 HK\$'000	Hotel operation 2005 HK\$'000	Sales of motor vehicles meters and components 2005 HK\$'000	Investment holding, property holding and management 2005 HK\$'000	*Sales of child products 2005 HK\$'000	Group 2005 HK\$'000
Sales	145,616	73,685	953,500	11,793	29,380	40,754	-	1,254,728
Segment results	8,337	18,447	6,951	(16,671)	(3,538)	(26,149)	-	(12,623)
Finance costs								(8,409)
Share of profits less losses of								
– Associated companies	-	-	-	-	(125)	33,615	2,841	36,331
– Jointly controlled entities	-	-	-	-	-	16,380	1,147	17,527
Profit before taxation								32,826
Taxation								(3,637)
Profit for the year from continuing operations								29,189
Profit for the year from discontinued operations (note 41)	-	-	-	-	-	-	40,961	40,961
Profit for the year								70,150
Balance sheet								
Segment assets	53,295	317,742	319,233	151,185	29,929	287,384	-	1,158,768
Investments in associated companies	-	-	-	-	10,201	266,059	-	276,260
Investments in jointly controlled entities	-	-	-	-	-	50,956	21,253	72,209
Non-current assets classified as held for sale (note 41)	-	-	-	-	-	68,357	344,010	412,367
Tax recoverable								4,003
Deferred tax assets								603
Total assets								1,924,210
Segment liabilities	1,960	28,426	224,280	125,850	22,153	94,129	-	496,798
Liabilities directly associated with non-current assets classified as held for sale (note 41)						11,989		11,989
Taxation payable								1,447
Deferred tax liabilities								516
Total liabilities								510,750
Other information								
Capital expenditure	18	1,237	21,654	126,649	537	40,993	-	191,088
Depreciation	37	1,809	9,510	3,332	510	2,930	-	18,128
Amortisation on leasehold land and land use rights	-	-	603	729	2	173	-	1,507
Amortisation of trading rights and patents	-	164	-	-	-	932	-	1,096

There are no sales among the business segments.

* As at 31st December 2004, Geoby International Holdings Limited (“Geoby”) and its subsidiaries were jointly controlled entities of the Group. In December 2005, the Group entered into agreements to dispose the entire interests in Geoby and was completed in January 2006. Details are disclosed in notes 41 and 43(a) to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(continued)*Primary reporting format – business segments *(continued)*

	Securities trading and investment Restated 2004 HK\$'000	Corporate finance and stockbroking Restated 2004 HK\$'000	Container transportation and freight forwarding services Restated 2004 HK\$'000	Sales of motor vehicles meters and components Restated 2004 HK\$'000	Investment holding, property holding and management Restated 2004 HK\$'000	*Sales of child products Restated 2004 HK\$'000	Group Restated 2004 HK\$'000
Sales	99,718	104,443	48,606	310,172	24,906	–	587,845
Segment results	1,213	53,714	(3,487)	(55)	(33,959)	–	17,426
Finance costs							(4,709)
Share of profits less losses of							
– Associated companies	–	–	–	(11,804)	56,692	10,739	55,627
– Jointly controlled entities	–	–	–	–	1,806	(7,091)	(5,285)
Profit before taxation							63,059
Taxation							(10,722)
Profit for the year from continuing operations							52,337
Profit for the year from discontinued operations (note 41)	–	–	–	–	–	28,728	28,728
Profit for the year							81,065
Balance sheet							
Segment assets	36,894	320,687	103,724	3,154	425,600	–	890,059
Investments in associated companies	–	–	–	9,813	245,495	115,490	370,798
Investments in jointly controlled entities	–	–	–	–	37,125	311,265	348,390
Total assets							1,609,247
Segment liabilities	880	139,046	22,599	1,203	53,167	–	216,895
Taxation payable							3,202
Deferred tax liabilities							659
Total liabilities							220,756
Other information							
Capital expenditure	420	2,222	9,795	2,921	72,490	–	87,848
Depreciation	91	1,258	4,904	3,624	3,249	–	13,126
Amortisation on leasehold land and land use rights	–	–	642	2	171	–	815
Amortisation of trading rights and patents	–	165	–	136	–	382	683

There are no sales among the business segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(continued)***Secondary reporting format – geographical segments**

The Group operates in two main geographical areas:

- Hong Kong – securities trading and investment, corporate finance and stockbroking, investment holding, property holding and management
- Chinese Mainland – container transportation and freight forwarding services, hotel operation, sales of motor vehicles meters and components

	Sales 2005 HK\$'000	Segment results 2005 HK\$'000	Total assets 2005 HK\$'000	Capital expenditure 2005 HK\$'000
Hong Kong	229,721	28,439	610,226	1,544
Chinese Mainland	1,024,569	(45,631)	502,574	189,526
Others	438	4,569	45,968	18
	<u>1,254,728</u>	<u>(12,623)</u>	<u>1,158,768</u>	<u>191,088</u>

Investments in associated companies	276,260
Investments in jointly controlled entities	72,209
Non-current assets classified as held for sale	412,367
Tax recoverable	4,003
Deferred tax assets	603

Total assets 1,924,210

	Sales 2004 HK\$'000	Segment results Restated 2004 HK\$'000	Total assets Restated 2004 HK\$'000	Capital expenditure 2004 HK\$'000
Hong Kong	217,679	49,681	536,453	51,474
Chinese Mainland	369,790	(30,480)	318,035	35,963
Others	376	(1,775)	35,571	411
	<u>587,845</u>	<u>17,426</u>	<u>890,059</u>	<u>87,848</u>

Investments in associated companies	370,798
Investments in jointly controlled entities	348,390

Total assets 1,609,247

There are no sales among the geographical segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER GAINS - NET

	Group	
	2005	Restated
	HK\$'000	2004
		<i>HK\$'000</i>
Other financial assets at fair value through income statement:		
– fair value losses	(7,637)	–
– fair value gains	24,299	–
Losses on trading securities	–	(318)
Provision for diminution in value of available-for-sale financial assets (note 24)	(7,800)	–
Interest income	3,993	2,427
Dividend income	660	–
	<hr/>	<hr/>
Investment income, net	13,515	2,109
Fair value gains on investment properties	1,261	–
	<hr/>	<hr/>
	14,776	2,109
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after crediting and charging the following:

	2005	Restated
	HK\$'000	2004
		HK\$'000
		Group
Crediting		
Gain on disposal of partial interest in subsidiaries (note 38(d))	161	4,241
Net gain on disposal of partial interest in an associated company	2,966	–
Recovery of bad debts previously written off	161	259
Gain on disposal of property, plant and equipment	183	–
Net foreign exchange gain	614	–
Negative goodwill charged to income statement	1,470	–
Amortisation of negative goodwill	–	5,521
	–	–
Charging		
Depreciation	18,128	13,126
Amortisation of leasehold land and land use rights	1,507	815
Amortisation of goodwill	–	21,024
Amortisation of trading rights and patents	1,096	683
Impairment losses on goodwill	13,667	–
Direct expense in respect of container transportation and freight forwarding services	929,338	45,249
Cost of inventories	32,013	173,935
Staff costs (note 13)	117,622	128,263
Operating leases rental in respect of land and buildings	4,059	4,660
Auditors' remuneration	1,830	1,530
Provision for doubtful debts	3,748	4,746
Loss on disposal of leasehold land and land use rights, and property, plant and equipment	24	956
Net foreign exchange loss	–	34

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on bank loans and overdrafts	6,453	4,709
Interest on other loans	1,956	–
	8,409	4,709

9. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. 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.

(a) The amount of taxation charged to the consolidated income statement represents:

	Group	
	2005 HK\$'000	Restated 2004 HK\$'000
Hong Kong profits tax		
Current	3,494	6,433
Under-provision in previous years	169	35
Overseas taxation		
Current	720	4,610
Over-provision in previous years	–	(134)
Deferred taxation (<i>note 37</i>)	(746)	(222)
Taxation charge	3,637	10,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. TAXATION *(continued)*

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2005 HK\$'000	Restated 2004 HK\$'000
(Loss)/profit before taxation (net of share of profits less losses of associated companies, jointly controlled entities and discontinued operations)	(21,032)	12,717
Tax calculated at domestic tax rates applicable to profits in the respective countries	(3,681)	2,225
Effect of different taxation rates in other countries	(520)	1,255
Income not subject to taxation	(5,352)	(1,538)
Expenses not deductible for taxation purposes	4,278	3,976
Under/(over)-provision in previous years, net	165	(99)
Utilisation of previously unrecognised tax losses	–	(292)
Unrecognised deferred tax assets	9,291	5,006
Others	(544)	189
Taxation charge	3,637	10,722

(b) The amount of taxation in the Group's consolidated balance sheets represents:

	2005 HK\$'000	2004 HK\$'000
Recoverable		
Hong Kong	3,991	–
Overseas	12	–
	4,003	–
Payable		
Hong Kong	927	2,399
Overseas	520	803
	1,447	3,202

10. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt within the financial statements of the Company to the extent of HK\$91,920,000 (2004: loss of HK\$13,408,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$76,320,000 (restated 2004: HK\$80,955,000). The basic earnings per share is based on the weighted average number of 1,175,441,673 (2004: 1,173,691,705) shares in issue during the year. The diluted earnings per share is based on 1,192,483,905 (2004: 1,194,874,270) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 17,042,232 (2004: 21,182,565) shares deemed to be issued at no consideration if all outstanding options had been exercised.

12. DIVIDEND

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Final dividend, proposed, of HK\$0.015 (2004: HK\$0.01) per ordinary share	17,730	11,737

At a meeting held on 21st April 2006, the Directors declared a final dividend of HK\$0.015 per ordinary share. The proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2006.

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Wages, salaries and allowance	103,486	117,169
Benefits	6,352	6,032
Share-based payments (<i>note 35</i>)	2,508	–
Pension cost – defined contribution plans (<i>note 15</i>)	5,276	5,062
	117,622	128,263

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st December 2005 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension scheme HK\$'000	Share-based payments HK\$'000	2005	2004
						Total HK\$'000	Total HK\$'000
<i>Executive directors:</i>							
Mr. Lao Yuan Yi	–	2,475	2,580	212	983	6,250	5,643
Mr. Xin Shulin, Steve	–	1,817	800	122	508	3,247	2,742
Mr. Yeung Wai Kin	–	2,156	1,200	185	508	4,049	3,628
Mr. Hu Yi Ming	–	580	–	1	–	581	606
<i>Non-executive director:</i>							
Mr. Kwok Lam Kwong, Larry, J.P.	270	–	–	–	–	270	270
<i>Independent non-executive director:</i>							
Prof. Woo Hia Wei	270	–	–	–	–	270	270
Mr. Liu Ji	270	–	–	–	–	270	270
Mr. Yu Qi Hao ^(a)	220	–	–	–	–	220	–

(a) Appointed on 17th March 2005

Certain Directors of the Company have been granted options to acquire shares of the Company. Details of share options granted, exercised and lapsed during the year are disclosed in the Report of the Directors.

No Directors have waived emoluments in respect of the years ended 31st December 2005 and 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)***(b) Five highest paid individuals**

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits-in-kind	4,228	4,167
Discretionary bonuses	1,042	4,692
Retirement scheme contributions	172	126
Share-based payments	508	–
	5,950	8,985

The emoluments fell within the following bands:

Emolument bands <i>HK\$</i>	Number of individuals	
	2005	2004
2,000,001 – 3,000,000	1	–
3,000,001 – 4,000,000	1	1
5,000,001 – 6,000,000	–	1
	2	2

15. RETIREMENT BENEFIT COSTS

The Group operates defined contribution retirement schemes which are available to Hong Kong employees. The rates of contributions are 5% of basic salary from the employees and 5% to 10% from the employer depending on the length of service of the individuals. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

HK\$140,543 (2004: Nil) of defined contribution retirement schemes in Hong Kong was utilised during the year. There is no outstanding balance as at the balance sheet dates of 2005 and 2004 available to reduce the contributions payable in the future years.

Contributions totalling HK\$88,000 (2004: HK\$97,000) were payable to the retirement scheme at the year-end and are included in accounts payable.

The Group also contributes retirement plans for its employees in the Chinese Mainland and overseas. The rates of contributions are approximately 17% to 28% of basic salary from the Group for its employees in the Chinese Mainland and approximately 12% of basic salary from the Group for its overseas employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INTANGIBLE ASSETS**Group**

	Goodwill <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Future Exchange trading rights and patent <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1st January 2005, as previously reported	57,264	(8,622)	5,805	54,447
Effect of adopting HKFRS 3	(40,604)	8,622	–	(31,982)
At 1st January 2005, as restated	16,660	–	5,805	22,465
Disposal	–	–	(2,869)	(2,869)
Exchange adjustment	–	–	22	22
At 31st December 2005	<u>16,660</u>	<u>–</u>	<u>2,958</u>	<u>19,618</u>
Accumulated amortisation and impairment				
At 1st January 2005, as previously reported	40,604	(1,868)	3,824	42,560
Effect of adopting HKFRS 3	(40,604)	1,868	–	(38,736)
At 1st January 2005, as restated	–	–	3,824	3,824
Disposal	–	–	(2,869)	(2,869)
Charge for the year	–	–	1,096	1,096
Impairment expenses	13,667	–	–	13,667
Exchange adjustment	–	–	7	7
At 31st December 2005	<u>13,667</u>	<u>–</u>	<u>2,058</u>	<u>15,725</u>
Net book value				
At 31st December 2005	<u>2,993</u>	<u>–</u>	<u>900</u>	<u>3,893</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INTANGIBLE ASSETS *(continued)*

	Goodwill <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Future Exchange trading rights and patent <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1st January 2004	49,634	(13,195)	4,506	40,945
Acquisition of subsidiaries <i>(note 38(c))</i>	7,630	–	1,299	8,929
Disposal of subsidiaries <i>(note 38(d))</i>	–	4,573	–	4,573
	<u>57,264</u>	<u>(8,622)</u>	<u>5,805</u>	<u>54,447</u>
At 31st December 2004	57,264	(8,622)	5,805	54,447
Accumulated amortisation				
At 1st January 2004	20,108	(220)	3,141	23,029
Charge for the year	20,496	(2,563)	683	18,616
Disposal of subsidiaries <i>(note 38(d))</i>	–	915	–	915
	<u>40,604</u>	<u>(1,868)</u>	<u>3,824</u>	<u>42,560</u>
At 31st December 2004	40,604	(1,868)	3,824	42,560
Net book value				
At 31st December 2004	<u>16,660</u>	<u>(6,754)</u>	<u>1,981</u>	<u>11,887</u>

Impairment test for goodwill

Goodwill acquired through business combination has been allocated to the business segment of investment holding, property holding and management for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering a period of five to ten years. The discount rate applied to cash flow projection is prime rate quoted by the principal banker of the Company plus 2%.

The impairment expenses amounted to HK\$13,677,000 for the year ended 31 December 2005 (2004: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings		Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles and trucks HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
	Long-term leases in Hong Kong HK\$'000	Medium-term leases outside Hong Kong HK\$'000					
Cost or valuation							
At 1st January 2005, as previously reported	103,185	72,649	30,869	10,157	58,236	70,913	346,009
Effect of adopting HKAS 17	(77,345)	(52,445)	-	-	-	-	(129,790)
At 1st January 2005, as restated	25,840	20,204	30,869	10,157	58,236	70,913	216,219
Additions	-	242	34,661	27,364	11,207	117,614	191,088
Disposals	-	-	(175)	(36)	(947)	-	(1,158)
Disposal of a subsidiary (note 38(d))	-	-	(53)	-	-	-	(53)
Transfer to non-current assets classified as held for sale (note 41)	-	-	-	-	-	(51,481)	(51,481)
Transfer to investment property (note 18)	(3,176)	-	-	-	-	-	(3,176)
Reclassification	-	129,212	(1,538)	1,538	-	(129,212)	-
Exchange adjustment	-	444	219	170	871	1,180	2,884
At 31st December 2005	22,664	150,102	63,983	39,193	69,367	9,014	354,323
Accumulated depreciation							
At 1st January 2005, as previously reported	12,775	13,204	17,922	5,798	36,834	-	86,533
Effect of adopting HKAS17	(6,703)	(4,870)	-	-	-	-	(11,573)
At 1st January 2005, as restated	6,072	8,334	17,922	5,798	36,834	-	74,960
Charge for the year	677	2,561	8,223	2,729	3,938	-	18,128
Disposals	-	-	(128)	(25)	(879)	-	(1,032)
Transfer to investment property (note 18)	(826)	-	-	-	-	-	(826)
Reclassification	-	-	(327)	327	-	-	-
Exchange adjustment	-	155	68	97	570	-	890
At 31st December 2005	5,923	11,050	25,758	8,926	40,463	-	92,120
Net book value							
At 31st December 2005	16,741	139,052	38,225	30,267	28,904	9,014	262,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT *(continued)***(a) Group** *(continued)*

	Buildings		Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction- in-progress	Total Restated
	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong					
	Restated HK\$'000	Restated HK\$'000					
Cost or valuation							
At 1st January 2004, as previously reported	97,485	64,464	25,929	40,668	56,095	36,452	321,093
Effect of adopting of HKAS 17	(73,241)	(34,992)	-	-	-	-	(108,233)
At 1st January 2004, as restated	24,244	29,472	25,929	40,668	56,095	36,452	212,860
Additions	-	17,400	4,295	2,058	8,370	34,663	66,786
Acquisition of subsidiaries (note 38(c))	-	-	2,516	-	353	-	2,869
Disposals	-	(412)	(1,874)	(287)	(4,523)	(202)	(7,298)
Disposal of subsidiaries (note 38(d))	-	(26,256)	-	(32,282)	(2,059)	-	(60,597)
Transfer from investment properties (note 18)	1,596	-	-	-	-	-	1,596
Exchange adjustment	-	-	3	-	-	-	3
At 31st December 2004	25,840	20,204	30,869	10,157	58,236	70,913	216,219
Accumulated depreciation							
At 1st January 2004, as previously reported	11,410	19,598	15,477	23,188	39,464	-	109,137
Effect of adopting of HKAS 17	(5,984)	(4,378)	-	-	-	-	(10,362)
At 1st January 2004, as restated	5,426	15,220	15,477	23,188	39,464	-	98,775
Charge for the year	646	2,492	4,128	3,076	2,784	-	13,126
Disposals	-	(136)	(1,685)	(237)	(4,084)	-	(6,142)
Disposal of subsidiaries (note 38(d))	-	(9,242)	-	(20,229)	(1,330)	-	(30,801)
Exchange adjustment	-	-	2	-	-	-	2
At 31st December 2004	6,072	8,334	17,922	5,798	36,834	-	74,960
Net book value							
At 31st December 2004	19,768	11,870	12,947	4,359	21,402	70,913	141,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT *(continued)***(a) Group** *(continued)*

The analysis of the cost or valuation at 31st December 2005 of the above assets is as follows:

	Buildings		Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction- in-progress	Total
	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost	11,539	150,102	63,983	39,193	69,367	9,014	343,198
At professional valuation – 1994	11,125	–	–	–	–	–	11,125
	<u>22,664</u>	<u>150,102</u>	<u>63,983</u>	<u>39,193</u>	<u>69,367</u>	<u>9,014</u>	<u>354,323</u>

The analysis of the cost or valuation at 31st December 2004 of the above assets is as follows:

	Buildings		Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction- in-progress	Total
	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong					
	Restated HK\$'000	Restated HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Restated HK\$'000
At cost	14,715	20,204	30,869	10,157	58,236	70,913	205,094
At professional valuation – 1994	11,125	–	–	–	–	–	11,125
	<u>25,840</u>	<u>20,204</u>	<u>30,869</u>	<u>10,157</u>	<u>58,236</u>	<u>70,913</u>	<u>216,219</u>

The carrying amount of the buildings in Hong Kong under long-term leases would have been HK\$10,222,000 (2004: HK\$10,555,000) had they been stated at cost less accumulated depreciation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT *(continued)***(b) Company**

	Motor vehicles	
	2005	2004
	HK\$'000	HK\$'000
Cost		
At 1st January and at 31st December	442	442
Accumulated depreciation		
At 1st January	199	110
Charge for the year	88	89
At 31st December	287	199
Net book value		
At 31st December	155	243

18. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Net book value at 1st January	10,950	16,650
Reclassification from/(to) leasehold land and land use rights <i>(note 19)</i>	5,107	(4,104)
Reclassification from/(to) property, plant and equipment <i>(note 17)</i>	2,350	(1,596)
Net fair value gains	853	–
Net book value at 31st December	19,260	10,950

The investment properties were revalued at 31st December 2005 on an open market value basis by independent, professionally qualified valuers, Chung, Chan & Associates.

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

	2005	2004
	HK\$'000	HK\$'000
In Hong Kong, held on leases over 50 years	6,000	–
Outside Hong Kong, held on leases over 50 years	13,260	10,950
	19,260	10,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 LEASEHOLD LAND AND LAND USE RIGHTS

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
Net book value at 1st January, as previously reported	89,177	–
Effect of adopting HKAS 17 (note 2.1)	–	68,175
	<hr/>	<hr/>
Net book value at 1st January, as restated	89,177	68,175
Exchange translation differences	690	–
Additions	–	18,193
Disposal	–	(7)
Disposal of subsidiaries	–	(473)
Amortisation	(1,507)	(815)
Reclassification (to)/from investment property (note 18)	(5,107)	4,104
Transfer to non-current assets classified as held for sale (note 41)	(16,876)	–
	<hr/>	<hr/>
Net book value 31st December	66,377	89,177

The leasehold land and land use rights at their carrying value are analysed as follows:

	2005	2004
	HK\$'000	HK\$'000
In Hong Kong, held on leases over 50 years	36,449	41,603
Outside Hong Kong, held on leases between 10 to 50 years	29,928	47,574
	<hr/>	<hr/>
	66,377	89,177
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted investments, at cost	34,280	33,772
Loans to subsidiaries	70,000	1,076,954
Less: accumulated impairment losses	(15,452)	(251,337)
	88,828	859,389

Except for the loan to First Shanghai Securities Limited of HK\$70 million which is interest bearing at prime rate plus 1%, the loans to subsidiaries are unsecured, interest-free and not repayable with the next twenty months as at balance sheet date. The effective interest rate at 31st December 2005 was prime rate quoted by The Hong Kong and Shanghai Banking Corporation Limited plus 1%. The carrying value of loan to a subsidiary approximate to its fair value as at 31 December 2005.

The following is a list of the principal subsidiaries at 31st December 2005 (see note (a) below):

Name	Place of incorporation/ establishment <i>(see note (b) below)</i>	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2005	2004	
Shares held directly:					
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares of HK\$1 each	100%	100%	Property investment
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares of HK\$1 each	100%	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Nominee services
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding
First Shanghai Investment Management Limited	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100%	100%	Financial advisory

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment <i>(see note (b) below)</i>	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2005	2004	
Shares held directly: <i>(continued)</i>					
First Shanghai Finance Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Money lending
UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding
P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A\$1 each	100%	100%	Securities investment
Shares/Investments held indirectly:					
First Shanghai Capital Limited	Hong Kong	12,000,000 ordinary shares of HK\$1 each	100%	100%	Corporate finance
First Shanghai Securities Limited	Hong Kong	65,000,000 ordinary shares of HK\$1 each	100%	100%	Stockbroking
First Information Technology Limited	British Virgin Islands	5,000,000 ordinary shares of US\$0.01 each	78.21%	78.21%	Investment holding
First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Investment holding
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%	Investment holding
Golad Resources Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment <i>(see note (b) below)</i>	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2005	2004	
Shares/Investments held indirectly: <i>(continued)</i>					
Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	Chinese Mainland	US\$11,025,000	62%	54%	Container transportation and freight forwarding
Atlas Securities Pty. Limited	Australia	2 ordinary shares of A\$1 each	100%	100%	Securities investment
Leading Business Limited	British Virgin Islands	1,450,000 ordinary shares of US\$1 each	100%	100%	Property holding
Yin Zin Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding
Public Holdings (Australia) Limited (Listed in Sydney, Australia)	Australia	14,979,000 ordinary shares of A\$0.125 each	78.6%	78.6%	Securities investment
P.H.A Investment Pty. Limited	Australia	60,000 ordinary shares of A\$2 each	78.6%	78.6%	Property investment
P.H.A Trading Pty. Limited	Australia	2 ordinary shares of A\$0.5 each	78.6%	78.6%	Securities investment
First Shanghai Futures Limited	Hong Kong	8,000,000 ordinary shares of HK\$1 each	100%	100%	Futures broking
China C&Y International Holdings Limited	Cayman Islands	160,000 ordinary shares of US\$1 each	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment <i>(see note (b) below)</i>	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2005	2004	
Shares/Investments held indirectly: <i>(continued)</i>					
CT Prime Assets Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Securities investment
First Shanghai Venture Capital Management Limited	Chinese Mainland	HK\$1,000,000	100%	100%	Venture capital & management
BonVision International Consulting Limited	Chinese Mainland	HK\$1,000,000	100%	100%	Financial consultancy
Bonvision Technology (Shanghai) Limited	Chinese Mainland	US\$200,000	100%	100%	Technology consultancy
Fu Hai Digital Science & Technology (Shanghai) Company Limited	Chinese Mainland	US\$5,000,000	100%	100%	Property development
Kunshan Traders Park Hotel Company Limited	Chinese Mainland	US\$12,000,000	65%	65%	Hotel development
Crimson Pharmaceutical (Shanghai) Company Limited	Chinese Mainland	US\$1,400,000	51%	51%	Pharmaceutical services
Shanghai Transvision Network Application Services Company Limited	Chinese Mainland	US\$1,800,000	100%	100%	Investment holding
Shanghai Yi Hang Logistic Network Management Limited	Chinese Mainland	RMB2,000,000	75.48%	73.39%	Logistics services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment <i>(see note (b) below)</i>	Particulars of issued share capital/ registered capital	Effective interest held		Principal activities
			2005	2004	
Shares/Investments held indirectly: <i>(continued)</i>					
Changchun FAW Sihuan Betung Instrument Company Limited	Chinese Mainland	RMB7,700,000	55%	55%	Manufacture of autoparts
Yongzhou Chang Yi Car Electronic Limited Company	Chinese Mainland	RMB9,400,000	51%	51%	Manufacture of autoparts
Draco Equity Investment Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100%	100%	Securities investment
GTI Financial Information Limited ("GTI")	Hong Kong	379,999,999 ordinary shares of HK\$0.01 each	65.70%	61.45%	Investment holding
Shanghai Huan Ya Insurance Agency Company Limited ("Huan Ya")	Chinese Mainland	RMB20,000,000	62%	62%	Insurance broker
China Assets Investment Management Limited ("CAIML") (see note 21(d))	Hong Kong	2,000 ordinary shares of HK\$1 each	–	65.45%	Management and investment advisory services

Notes:

- (a) The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.
- (b) The subsidiaries operate principally in their places of incorporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Carrying value at 1st January	370,798	302,059
Share of associated companies' results		
– profit before taxation	37,094	57,097
– taxation	(763)	(1,470)
Share of associated companies' reserve	(17,325)	4,825
Dividend received	(5,184)	(13,331)
Exchange differences	224	–
Increase in investments in associated companies	1,172	21,618
Disposal of partial interest of an associated company	(54,754)	–
Transfer to available-for-sale financial assets (note 24)	(55,002)	–
	<u>276,260</u>	<u>370,798</u>
Carrying value at 31st December	<u>276,260</u>	<u>370,798</u>

Investments in associated companies at 31st December 2005 include goodwill of HK\$547,000 (2004: HK\$529,000).

	Group	
	2005 HK\$'000	2004 HK\$'000
Investment at cost:		
Shares listed in Hong Kong	81,237	190,168
Unlisted	22,808	21,636
	<u>104,045</u>	<u>211,804</u>
Market value of listed shares	<u>118,265</u>	<u>204,803</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INVESTMENTS IN ASSOCIATED COMPANIES *(continued)*

The Group's interest in principal associated companies are as follows:

Name	Place of incorporation	Particulars of issued shares/ registered capital	Effective interests held indirectly		Principal activities
			2005	2004	
RBI Holdings Limited ("RBI") (see note (a), (b) and (c) below)	Bermuda	333,966,782 ordinary shares of HK\$0.1 each	–	19.92%	Manufacture of toys
China Assets (Holdings) Limited ("China Assets") (see note (a) and (b) below)	Hong Kong	74,398,160 ordinary shares of US\$0.1 each	33.82%	33.83%	Investment holding
China Assets Investment Management Limited ("CAIML") (see note (d) below)	Hong Kong	2,000 ordinary shares of HK\$1 each	28%	–	Management and investment advisory services
Yangfeng Visteon Betung Automotive Instrument Company Limited (formerly known as "Zhejiang Shaoxing Betung Instrument Company Limited")	Chinese Mainland	RMB61,950,000	30%	30%	Sales of motor vehicle meters and components
Zhejiang Shaohong Instrument Company Limited	Chinese Mainland	RMB3,550,000	30%	30%	Sales of motor vehicle meters and components

Note:

- (a) RBI and China Assets are companies listed on The Stock Exchange of Hong Kong Limited.
- (b) Both RBI and China Assets operate principally in Hong Kong.
- (c) In September 2005, the Group disposed 8.84% equity interest in RBI at a consideration of HK\$57,720,000 and recorded a gain on disposal of approximately HK\$2,966,000 in the income statement. RBI was then re-classified as an available-for-sale financial asset.
- (d) In December 2005, the Group disposed 37.45% equity interest in CAIML at a consideration of HK\$1,685,000. CAIML was then became an associated company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INVESTMENTS IN ASSOCIATED COMPANIES *(continued)*

The Group's interest in its principal associated company is given as follows:

Name	2005				Restated 2004			
	Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	Profit HK\$'000	Assets HK\$'000	Liabilities HK\$'000	Revenues HK\$'000	Profit HK\$'000
China Assets	265,998	1,111	6,752	33,615	246,138	644	11,299	56,692

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Beginning of the year, as previously reported	348,390	328,640	124,171	124,171
Effect of adopting HKFRS 3	5,917	–	–	–
Beginning of the year, as restated	354,307	328,640	124,171	124,171
Share of jointly controlled entities' results				
– profit/(loss) before taxation	20,604	(4,654)	–	–
– taxation	(3,077)	(631)	–	–
Share of jointly controlled entities' reserves	–	82	–	–
Dividend received	(3,092)	–	–	–
Amortisation of negative goodwill	–	2,448	–	–
Transfer to investments in subsidiaries	–	(6,223)	–	–
Exchange differences	900	–	–	–
Transfer to non-current assets classified as held for sale	(297,433)	–	–	–
Profit for the year from discontinued operations	–	28,728	–	–
End of the year	72,209	348,390	124,171	124,171

Investments in jointly controlled entities at 31st December 2005 include goodwill of HK\$1,692,000 (2004: HK\$1,692,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The following is a list of the principal jointly controlled entities as at 31st December 2005:

Name	Place of incorporation/ establishment and operation	Principal activities	Effective interest in ownership/voting power/profit sharing	
			2005	2004
Geoby International Holdings Limited ("Geoby") <i>(see note (a) below)</i>	Cayman Islands	Investment holdings	49.5%	49.5%
Goodbaby Bairuikang Hygienic Products Company Limited ("Goodbaby Bairuikang") <i>(see note (b) below)</i>	Chinese Mainland	Production of diapers and related hygienic products	50%	50%
Shanghai Zhangjiang Information Properties Company Limited ("Zhangjiang") <i>(see note (c) below)</i>	Chinese Mainland	Property development	50%	50%

Note:

- (a) Geoby is an investment holding company. Its main subsidiary is Goodbaby Child Products Company Limited which is engaged in the production of baby and infant products. In 2006, the Company disposed the entire interest in Geoby and reclassified the interest into non-current assets classified as held for sale at balance sheet date (note 41 and 43 (a)).
- (b) Goodbaby Bairuikang was established as an equity joint venture in the Chinese Mainland in December 1997 for a term of 50 years.
- (c) Zhangjiang was established as an equity joint venture in the Chinese Mainland in October 2002 for a term of 50 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The Group's interest in its principal jointly controlled entity is given as follows:

Name	2005				2004			
	Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	Profit HK\$'000	Assets HK\$'000	Liabilities HK\$'000	Revenues HK\$'000	Profit HK\$'000
Geoby (see note (a) above)	773,280	429,270	1,138,158	40,961	869,348	571,915	927,016	28,728

23. INVESTMENT SECURITIES

		Group		Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Listed shares – overseas	(a)	–	13,223	–	–
Unlisted investment in fund – quoted in Hong Kong	(b)	–	15,406	–	–
Unlisted investments	(c)	–	60,842	–	56,251
		<u>–</u>	<u>89,471</u>	<u>–</u>	<u>56,251</u>

(a) Listed shares – overseas

	Group	
	2005 HK\$'000	2004 HK\$'000
Listed shares – overseas, at cost	–	13,223
Market value	–	13,785

(b) Unlisted investment in fund – quoted in Hong Kong

	Group	
	2005 HK\$'000	2004 HK\$'000
Unlisted investment in fund – quoted in Hong Kong, at cost	–	15,406
Market value	–	27,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. INVESTMENT SECURITIES *(continued)***(c) Unlisted investments**

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Shares, bonds and debenture, at cost	-	47,078	-	6,704
Less: accumulated impairment losses	-	(35,783)	-	-
	-	11,295	-	6,704
Loan	-	64,034	-	64,034
Less: accumulated impairment losses	-	(14,487)	-	(14,487)
	-	49,547	-	49,547
	-	60,842	-	56,251

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	Company
	2005 HK\$'000	2005 HK\$'000
Beginning of the year upon adopting HKASs 32 and 39	20,811	32,416
Additions	7,800	-
Transfer from investment in an associated company (<i>note 21</i>)	55,002	-
Fair value change transfer to equity	(12,380)	(14,893)
Impairment provision (<i>note 6</i>)	(7,800)	-
End of the year	63,433	17,523

Available-for-sale financial assets include the following:

	Group	Company
	2005 HK\$'000	2005 HK\$'000
Listed securities		
- Equity securities - Hong Kong	43,593	17,499
Unlisted securities		
- Equity securities traded on inactive markets and private issuers	19,840	24
	63,433	17,523
Market value of listed securities	43,593	17,499

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. LOANS RECEIVABLE

The loans receivable represents loans to third parties of HK\$11,154,000 (2004: HK\$10,028,000) which bear interest at 5.6% (2004: 5%) per annum, and an interest free loan of HK\$11,873,000 are repayable after one year from 31st December 2005. The carrying value of loans receivable approximate to its fair value. The weighted average effective interest rate at 31st December 2005 was 7.1% (2004: 8.5%).

26. INVENTORIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Raw materials	4,300	1,705
Work-in-progress	3,093	57
Finished goods	11,138	4,126
	<u>18,531</u>	<u>5,888</u>

At 31st December 2005, the carrying amount of inventories that are carried at net realisable value amounted to HK\$11,138,000 (2004: HK\$4,126,000).

27. OTHER INVESTMENTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Equity securities, at fair value		
Listed shares		
– Overseas	–	11
– Hong Kong	–	2,414
	<u>–</u>	<u>2,425</u>
Total	<u>–</u>	<u>2,425</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. LOANS AND ADVANCES

	Group	
	2005 HK\$'000	2004 HK\$'000
Margin loans (see note (a))	90,581	108,176
Provision for doubtful debt	(622)	(782)
	89,959	107,394
Other loans and advances (see note (b))	31,157	29,206
Provision for doubtful debt	(23,821)	(23,821)
	7,336	5,385
	97,295	112,779

- (a) Margin loans to third parties bear interest at Prime rate plus 1% to 3% per annum and are repayable on demand. The carrying value of margin loans approximate to its fair value.
- (b) Other loans and advances to third parties include HK\$1,150,000 (2004: HK\$5,385,000) which bears interest at Prime rate plus 1% and the remaining of HK\$6,186,000 (2004: Nil) bears interest at 5% to 6%, are repayable within the next twelve months. The carrying value of other loans and advances approximate to its fair value.

29. TRADE RECEIVABLES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	25,486	45,084	-	-
Trade receivables, net	291,361	71,857	-	-
Bills receivable	863	3,945	-	-
	317,710	120,886	-	-

All trade receivables are either repayable within one year or on demand. Accordingly, the fair value of the Group's trade receivables are approximately the same as the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. TRADE RECEIVABLES *(continued)*

The ageing analysis of the trade receivables is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
0 – 30 days	164,240	103,005
31 – 60 days	105,428	7,645
61 – 90 days	33,929	4,165
Over 90 days	14,113	6,071
	<u>317,710</u>	<u>120,886</u>

For securities business, trade receivables are on credit terms of trading day plus two trading days. For the remaining business of the Group, trade receivables are on credit terms of 30 to 90 days.

30. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Other receivables				
Receivables for disposal of subsidiaries	–	37,909	–	–
Expense paid on behalf of customers	–	6,984	–	–
Others	<u>39,118</u>	<u>22,038</u>	<u>1,992</u>	<u>1,202</u>
	39,118	66,931	1,992	1,202
Prepayments and deposits	<u>17,869</u>	<u>26,406</u>	<u>1,355</u>	<u>610</u>
	<u>56,987</u>	<u>93,337</u>	<u>3,347</u>	<u>1,812</u>

Other receivables, prepayments and deposits are either repayable within one year or on demand. Accordingly, the fair value of the Group's and the Company's other receivables, prepayments and deposits are approximately the same as the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	Group 2005 HK\$'000
Listed securities	
– Equity securities – listed in Hong Kong	18,043
– Equity securities – listed in Overseas	33,166
– Equity securities – unlisted	28,853
	<hr/>
Market value of equity securities	80,062
	<hr/>

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

	Group 2005 HK\$'000
Held for trading	51,209
Designated as fair value through income statement on initial recognition	28,853
	<hr/>
	80,062
	<hr/>

Financial assets at fair value through income statement are presented within the section on operating activities as part of changes in working capital in the cash flow statement (note 38(a)).

Changes in fair values of financial assets at fair value through income statement are recorded in other gains - net in the income statement.

32. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 HK\$'000	2004 <i>HK\$'000</i>	2005 HK\$'000	2004 <i>HK\$'000</i>
Cash at bank and in hand	107,803	169,496	3,737	3,967
Short-term bank deposits				
– secured	15,000	15,000	–	–
– unsecured	27,187	17,476	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	149,990	201,972	3,737	3,967
	<hr/>	<hr/>	<hr/>	<hr/>

Bank balances of HK\$82,877,000 (2004: HK\$55,193,000) are placed with banks in the Chinese Mainland. The remittance of these funds out of the Chinese Mainland is subject to exchange control restrictions imposed by the PRC government.

The effective interest rate on short term deposits ranged from 3.7% to 4.0% (2004: 0.3% to 0.8%) and these deposits have an average maturity of 90 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Due to stockbrokers and dealers	–	311	–	–
Due to stockbroking clients	53,575	58,609	–	–
Trade payables	198,470	5,339	–	–
Other payables	79,122	65,773	14,307	14,455
	331,167	130,032	14,307	14,455

The ageing analysis of trade payables is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
0 – 30 days	162,562	63,754
31 – 60 days	64,616	409
61 – 90 days	8,482	51
Over 90 days	16,385	45
	252,045	64,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. BORROWINGS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Non-current				
Bank loans, secured	87,278	—	—	—
Current				
Short term loans	19,182	—	—	—
Bank overdraft, secured	—	19,882	—	19,882
Bank loans, secured	50,060	66,981	28,000	50,000
Bank loans, unsecured	9,111	—	—	—
	78,353	86,863	28,000	69,882
Liabilities directly associated with non-current assets classified as held for sale (note 41)	11,989	—	—	—
Total borrowings	177,620	86,863	28,000	69,882

Certain properties and leasehold land and land use rights of the Group with an aggregate net book value of HK\$96 million (2004: HK\$109 million) as well as fixed deposits of HK\$15 million (2004: HK\$15 million) are pledged as securities against bank loans and general banking facilities amounting to HK\$45 million (2004: HK\$84 million) granted to the Group.

The carrying amount of bank loans approximates to its fair value and is denominated in Hong Kong dollar and Renminbi. The effective interest rate at 31st December 2005 ranged from 4.3% to 6.1% (2004: 2.3% to 5.76%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SHARE CAPITAL

	Ordinary shares of HK\$0.2 each			
	2005		2004	
	Number of <i>shares '000</i>	HK\$'000	Number of <i>shares'000</i>	HK\$'000
Authorised:				
At 1st January and 31st December	2,000,000	400,000	2,000,000	400,000
Issued and fully paid:				
At 1st January	1,173,692	234,738	1,173,692	234,738
Exercise of share options (note (b))	8,338	1,668	–	–
At 31st December	1,182,030	236,406	1,173,692	234,738

- (a) On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the 'Scheme') to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

The maximum number of shares subject to the Scheme does not in aggregate exceed 30 percent of the shares in issue of the Company from time to time. The total number of shares may be issued upon exercise of all options to be granted under the Scheme must not exceed 113,132,370 shares, being 10 percent of shares in issue as at date of approval of the Scheme by the Shareholders in Annual General Meeting.

- (b) During the year, 8,338,100 new shares of HK\$0.2 each were issued upon exercise of options under the Scheme approved by the shareholders of the Company at exercise price ranging from HK\$0.283 to HK\$0.342 per share. These share rank pari passu with the existing shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SHARE CAPITAL *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2005		2004	
	Average exercise price in HK\$ per share	Number of options '000	Average exercise price in HK\$ per share	Number of options '000
Beginning of the year	0.467	56,614	0.467	56,614
Granted	0.564	58,272	–	–
Exercised	0.335	(8,338)	–	–
Lapsed	0.453	(4,939)	–	–
End of the year	0.537	<u>101,609</u>	0.467	<u>56,614</u>
Options exercisable at the end of the year		<u>43,337</u>		<u>56,614</u>

Options exercised in 2005 resulted in 8,338,100 new shares (2004: Nil) issued at exercise price ranging from HK\$0.283 to HK\$0.342 per share. The related weighted average share price at the time of exercise was HK\$0.586 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SHARE CAPITAL *(continued)*

Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK\$	Number of options	
		2005 '000	2004 '000
9th February 2005	0.453	–	4,939
7th October 2005	0.342	–	7,338
15th July 2006	0.318	11,839	11,839
12th November 2007	0.816	16,950	16,950
15th July 2008	0.283	14,548	15,548
29th November 2015	0.564	58,272	–
		101,609	56,614

Share-based payments charged to the income statement are determined using the Black-Scholes valuation model based with the following assumptions:

Grant date	30th November 2005
Option value	HK\$0.250
Share price at date of grant	HK\$0.560
Exercise price	HK\$0.564
Expected volatility	39.46%
Annual risk-free interest rate	4.46%
Life of options	9.5 years
Dividend yield	1.79%

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. RESERVES

	Attributable to shareholders of the Company								Total
	Employee share-based		*Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings	
	Share premium	compensation reserve							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Group									
Balance at 31st December 2004, as previously reported	594,896	-	76,094	14,006	46,854	-	9,387	354,352	1,095,589
Prior year adjustment for the adoption of HKAS17 (note 2.1)	-	-	-	-	(34,205)	-	-	5,563	(28,642)
Balance at 31st December 2004, as restated	594,896	-	76,094	14,006	12,649	-	9,387	359,915	1,066,947
Opening adjustments for the adoption of HKASs									
- HKAS 39	-	-	-	-	-	32,392	-	(38,103)	(5,711)
- HKAS 40	-	-	-	-	21	-	-	(21)	-
- HKFRS 3	-	-	-	-	-	-	-	12,671	12,671
Balance at 1st January 2005, as restated	594,896	-	76,094	14,006	12,670	32,392	9,387	334,462	1,073,907
Issue of new shares	1,124	-	-	-	-	-	-	-	1,124
Share-based payments	-	2,508	-	-	-	-	-	-	2,508
Capital reserve realised upon disposal of an associated company	-	-	41,011	-	-	-	-	(36,698)	4,313
Share of post-acquisition reserves of an associated company	-	-	(21,637)	-	-	-	-	-	(21,637)
Fair value loss upon reclassification	-	-	-	-	(408)	-	-	-	(408)
Fair value losses of available-for-sale financial assets	-	-	-	-	-	(27,273)	-	-	(27,273)
Currency translation difference	-	-	-	-	-	-	7,650	-	7,650
Transfer from retained earnings	-	-	311	-	-	-	-	(311)	-
Profit for the year	-	-	-	-	-	-	-	76,320	76,320
2004 final dividend paid	-	-	-	-	-	-	-	(11,737)	(11,737)
At 31st December 2005	596,020	2,508	95,779	14,006	12,262	5,119	17,037	362,036	1,104,767
Company and its subsidiaries	596,020	2,508	48,339	14,006	12,262	5,119	14,120	58,256	750,630
Associated companies	-	-	47,245	-	-	-	1,463	132,650	181,358
Jointly controlled entities	-	-	195	-	-	-	1,454	171,130	172,779
At 31st December 2005	596,020	2,508	95,779	14,006	12,262	5,119	17,037	362,036	1,104,767

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. RESERVES (continued)

	Attributable to shareholders of the Company						Total HK\$'000
	Share premium HK\$'000	*Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Assets revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	
Group							
Balance at 1st January 2004, as previously reported	594,896	73,734	14,006	46,854	7,139	288,430	1,025,059
Prior year adjustment for the adoption of HKAS17 (note 2.1)	–	–	–	(34,205)	–	4,960	(29,245)
Balance at 1st January 2004, as restated	594,896	73,734	14,006	12,649	7,139	293,390	995,814
Reversal of negative goodwill against reverse on disposal of subsidiaries	–	(2,910)	–	–	–	–	(2,910)
Share of post-acquisition reserves of associated companies	–	4,842	–	–	–	–	4,842
Share of post-acquisition reserves of jointly controlled entities	–	82	–	–	–	–	82
Currency translation differences	–	–	–	–	2,248	–	2,248
Transfer from retained earnings	–	346	–	–	–	(346)	–
Profit for the year	–	–	–	–	–	80,955	80,955
2003 final dividend paid	–	–	–	–	–	(14,084)	(14,084)
At 31st December 2004	<u>594,896</u>	<u>76,094</u>	<u>14,006</u>	<u>12,649</u>	<u>9,387</u>	<u>359,915</u>	<u>1,066,947</u>
Company and its subsidiaries	594,896	48,028	14,006	12,649	5,764	73,295	748,638
Associated companies	–	27,871	–	–	1,239	133,017	162,127
Jointly controlled entities	–	195	–	–	2,384	153,603	156,182
At 31st December 2004	<u>594,896</u>	<u>76,094</u>	<u>14,006</u>	<u>12,649</u>	<u>9,387</u>	<u>359,915</u>	<u>1,066,947</u>

* Capital reserve mainly includes goodwill arising on acquisition of subsidiaries, associated companies and jointly controlled entities by the Company and its subsidiaries and statutory reserve. As stipulated by regulations in Chinese Mainland, the Company's subsidiaries established and operated in Chinese Mainland are required to appropriate a portion of their after-tax (after offsetting prior year losses) to a general reserve fund and an enterprise expansion fund, at rates as determined by their respective boards of directors. The general reserve fund can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. For the year ended 31st December 2005, a total amount of HK\$311,000 (2004: HK\$346,000) was transferred from retained earnings to statutory reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. RESERVES *(continued)*

	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Assets revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Company							
At 1st January 2005, as previously reported	594,896	-	2,104	14,006	-	5,134	616,140
Opening adjustment for the adoption of HKAS 39	-	-	-	-	32,392	(38,103)	(5,711)
At 1st January 2005, as restated	594,896	-	2,104	14,006	32,392	(32,969)	610,429
Issue of new shares	1,124	-	-	-	-	-	1,124
Share-based payments	-	2,508	-	-	-	-	2,508
Investment revaluation	-	-	-	-	(14,893)	-	(14,893)
Profit for the year	-	-	-	-	-	91,920	91,920
2004 final dividend paid	-	-	-	-	-	(11,737)	(11,737)
At 31st December 2005	596,020	2,508	2,104	14,006	17,499	47,214	679,351
	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Assets revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Company							
At 1st January 2004	594,896	-	2,104	14,006	-	32,626	643,632
Loss for the year	-	-	-	-	-	(13,408)	(13,408)
2003 final dividend paid	-	-	-	-	-	(14,084)	(14,084)
At 31st December 2004	594,896	-	2,104	14,006	-	5,134	616,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. DEFERRED TAXATION

Deferred 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 offset amounts are as follows:

	Group	Restated
	2005	2004
	HK\$'000	HK\$'000
Deferred tax assets	(603)	–
Deferred tax liabilities	516	659
	(87)	659

The gross movement on deferred taxation is as follows:

	Group	Restated
	2005	2004
	HK\$'000	HK\$'000
Beginning of the year	659	1,332
Prior year adjustment for the adoption of HKAS 17	–	691
Recognised in the income statement (<i>note 9(a)</i>)	(746)	(222)
Tax credited to asset revaluation reserve	–	(1,142)
End of the year	(87)	659

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities represent accelerated tax depreciation allowances:

	Group	Restated
	2005	2004
	HK\$'000	HK\$'000
Beginning to the year	659	1,332
Prior year adjustment for the adoption of HKAS 17	–	691
Recognised in the income statement	(143)	(222)
Tax credited to asset revaluation reserve	–	(1,142)
End of the year	516	659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. DEFERRED TAXATION *(continued)*

Deferred tax assets represent tax losses recognised:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Beginning of the year	–	–
Recognised in the income statement	603	–
End of the year	603	–

In 2004, deferred income tax of HK\$1,142,000 was transferred from asset revaluation reserve (note 36) to retained earnings. This represents deferred tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

Deferred 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 tax assets of approximately HK\$44,096,000 (2004: HK\$35,452,000) in respect of tax losses amounting to approximately HK\$251,975,000 (2004: HK\$202,581,000) that can be carried forward indefinitely against future taxable income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of profit before taxation from continuing operations to net cash inflow from operations**

	2005 HK\$'000	Restated 2004 HK\$'000
Profit before taxation from continuing operations	32,826	63,059
Share of net profit of associated companies and jointly controlled entities	(53,858)	(50,342)
Interest income	(3,993)	(2,427)
Dividend income from listed investments	(660)	(497)
Finance costs	8,409	4,709
Gain/(loss) on disposal of property, plant and equipment	(159)	956
Fair value gain on investment properties	(1,261)	–
Gain on disposal of certain interest in an associated company	(2,966)	–
Gain on disposal of available-for-sale financial assets	(28)	–
Provision for diminution in value of available-for-sale financial assets	7,800	–
Gain on disposal of subsidiaries	(161)	(4,241)
Gain on disposal of investment securities	–	(591)
Depreciation	18,128	13,126
Amortisation of leasehold land and land use rights	1,507	815
Amortisation of trading rights and patent	1,096	683
Amortisation of goodwill	–	21,024
Amortisation of negative goodwill	–	(5,521)
Impairment losses on goodwill	13,667	–
Negative goodwill charged to income statement	(1,470)	–
Share-based payments	2,508	–
	21,385	40,753
Operating profit before working capital changes	21,385	40,753
Increase in inventories	(12,643)	(19,320)
(Increase)/decrease in trade receivables	(196,826)	45,900
Decrease in other receivables, prepayments and deposits	36,302	8,254
Decrease/(increase) in loans and advances	15,484	(30,681)
Decrease in other investments	2,425	21,969
Increase in financial assets at fair value through income statement	(51,433)	–
Increase/(decrease) in trade and other payables	201,858	(55,408)
Net cash inflow from operations	16,552	11,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)***(b) Analysis of changes in financing during the year**

	Share capital including premium		Borrowings	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At 1st January	829,634	829,634	86,863	146,308
Issue of shares	2,792	–	–	–
Short-term loans from third parties	–	–	31,171	–
Repayment of short-term bank loans	–	–	(64,103)	(70,000)
Short-term bank loans	–	–	56,293	17,919
Long-term bank loans	–	–	87,278	–
Bank overdrafts	–	–	(19,882)	19,882
Disposal of subsidiaries (note 38(d))	–	–	–	(27,246)
At 31st December	832,426	829,634	177,620	86,863

(c) Acquisition of subsidiaries

The net assets of subsidiaries acquired during the year and the details of purchase consideration are as follows:

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Property, plant and equipment	–	2,869
Intangible assets	–	1,299
Trade receivables	–	1,973
Other receivables, prepayments and deposits	–	27,972
Inventories	–	115
Cash and cash equivalents	–	3,064
Trade and other payables	–	(16,844)
Minority interests	–	(7,327)
	–	13,121
Interest in a jointly controlled entity originally held by the Group	–	(6,223)
	–	6,898
Goodwill	–	7,630
	–	14,528
Satisfied by:		
Cash	–	14,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)***(c) Acquisition of subsidiaries** *(continued)*

Analysis of the net cash outflow in respect of the acquisition of subsidiaries:

	2005 HK\$'000	2004 <i>HK\$'000</i>
Bank balances and cash acquired	–	3,064
Cash consideration	–	(14,528)
	<hr/>	<hr/>
Net cash outflow in respect of the acquisition of subsidiaries	–	(11,464)
	<hr/>	<hr/>

(d) Disposal of subsidiary

	2005 HK\$'000	2004 <i>HK\$'000</i>
Net assets disposed of:		
Property, plant and equipment	53	30,269
Investment securities	–	4,093
Inventories	–	70,621
Trade receivables	2	79,558
Other receivables, prepayments and deposits	223	5,205
Financial assets at fair value through income statement	2,250	–
Cash and cash equivalents	2,313	11,670
Trade and other payables	(723)	(97,389)
Taxation payables	–	(1,429)
Borrowings	–	(27,246)
Minority interests	(1,422)	(13,976)
	<hr/>	<hr/>
	2,696	61,376
Realisation of goodwill	–	(6,568)
Investment in associated companies	(1,172)	(21,089)
Gain on disposal	161	4,241
	<hr/>	<hr/>
	1,685	37,960
	<hr/>	<hr/>
Satisfied by		
Cash consideration (included in other receivable as at 31st December 2004)	–	37,909
Cash consideration received	1,685	51
	<hr/>	<hr/>
	1,685	37,960
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)***(d) Disposal of subsidiary** *(continued)*

Analysis of the net cash outflow in respect of the disposal of subsidiary:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Bank balances and cash disposed	(2,313)	(11,670)
Cash consideration	1,685	51
	<hr/>	<hr/>
Net cash outflow in respect of the disposal of subsidiary	(628)	(11,619)
	<hr/>	<hr/>

39. CONTINGENT LIABILITIES

	Group		Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Guarantee for bank overdraft of a subsidiary	<u>–</u>	<u>–</u>	<u>50,000</u>	<u>50,000</u>

40. COMMITMENTS**(a) Capital commitments for leasehold land and land use rights, and property, plant and equipment:**

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Contracted but not provided for	<u>11,655</u>	<u>43,844</u>
Authorised but not yet contracted for	<u>172,638</u>	<u>–</u>
The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:		
Contracted but not provided for	<u>13,163</u>	<u>3,526</u>

The Company did not have any material capital commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. COMMITMENTS *(continued)***(b) Commitments under operating leases**

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and land use rights, and property, plant and equipment as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Not later than one year	8,746	3,440	–	–
Later than one year but not later than five years	9,906	4,958	–	–
More than five years	–	189	–	–
	18,652	8,587	–	–

41. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets include an investment in jointly controlled entities (“Geoby”) which have been presented non-current assets classified as held for sale following the approval of the Group’s management and shareholders in December 2005 to sell Geoby. The transaction has been completed in January 2006.

In addition, the assets and liabilities include a property held by Fu Hai Digital Science & Technology (Shanghai) Company Limited (“Fu Hai”) which have been presented as non-current assets classified as held for sale following the approval of the Group’s management in November 2005 to sell the properties. The completion date for the transaction is expected by July 2006.

An analysis of the results of these discontinued operations, and the result recognised on the remeasurement of assets or disposal group is as follows:

	2005 HK\$'000	2004 HK\$'000
Share of pre-tax profit of jointly controlled entities	51,679	30,169
Share of tax of jointly controlled entities	(10,718)	(1,441)
Share of profit less loss of jointly controlled entities	40,961	28,728
	2005 HK\$'000	2004 HK\$'000
Investing cash flows	40,031	17,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS *(continued)*

	2005 HK\$'000	2004 HK\$'000
Non-current assets classified as held for sale:		
Investments in jointly controlled entities (note 22)	344,010	–
Property, plant and equipment (note 17)	51,481	–
Leasehold land and land use rights (note 19)	16,876	–
	<u>412,367</u>	<u>–</u>
	2005 HK\$'000	2004 HK\$'000
Liabilities directly associated with non-current assets classified as held for sale:		
Short-term loans (note 34)	11,989	–
	<u>11,989</u>	<u>–</u>

42. Related party transactions

- a) Mr. Lao Yuan Yi, Mr. Yeung Wai Kin and Mr. Wang Jun Yan are Directors of the China Assets Investment Management Limited ("CAIML"), an associated company of the Company and China Assets (Holdings) Limited ("CAHL"), an associated company of the Company.

During the year, the Company has disposed of 3%, 3% and 31.45% interest respectively in CAIML to Mr. Yeung Wai Kin, Mr. Wang Jun Yan and a third party independent of the Company. Immediately after the disposal, the Company holds 28% interest in CAIML and which is classified as interest in an associated company as at 31st December 2005.

- (b) Before the disposal, CAIML was a subsidiary of the Company and received a management fee of HK\$9,829,000 (2004: HK\$8,009,000) from CAHL, under the management agreement signed between CAIML and CAHL.
- (c) Details of director's remuneration (being the key management personal compensation) are shown in note 14 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. EVENTS AFTER THE BALANCE SHEET DATE

- a) On 7th November 2005, the Company entered into two conditional agreements for the sales of its entire interest in Geoby International Holdings Limited and its subsidiaries ("Geoby") to Pacific United Development Limited (ultimately controlled by the management team of Geoby) and G-Baby Holding Limited (a third party independent of the Company), at a consideration of US\$1,544,399 and US\$58,032,683 respectively. Upon completion of the transaction in January 2006, the Company has no interest in Geoby thereon.
- b) On 13th March 2006, the Company entered into an agreement for the disposal of the land and buildings owned by Fu Hai Digital Technology (Shanghai) Company Limited, a wholly owned subsidiary of the Company, to Superb Union Investments Limited, being a third party independent of the Company, at an aggregate consideration of RMB175,095,000 (representing approximately HK\$168,361,000).

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 21st April 2006.