Beijing Development (Hong Kong) Limited

(Stock Code: 154)

2005 Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive directors:
Mr. Zhang Honghai *(Chairman)*
Mr. Li Kangying
Mr. E Meng
Mr. Wang Yong
Mr. Cao Wei
Dr. Yu Xiaoyang
Mr. Ng Kong Fat, Brian

Independent non-executive directors:
Mr. Cao Guixing
Prof. Liu Wei
Dr. Jin Lizuo

COMPANY SECRETARY

Mr. Wong Kwok Wai, Robin

QUALIFIED ACCOUNTANT

Mr. Wong Kwok Wai, Robin

AUTHORISED REPRESENTATIVES

Mr. Ng Kong Fat, Brian
Mr. Wong Kwok Wai, Robin

REGISTERED OFFICE

Mezzanine Floor
Yardley Commercial Building
3 Connaught Road West
Sheung Wan
Hong Kong

Effectvie from 1 May 2006:
Room 3401, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

SHARE REGISTRARS

Tengis Limited
Level 25
Three Pacific Place
1 Queen's Road East
Hong Kong

AUDITORS

Ernst & Young

LEGAL ADVISERS

Baker & McKenzie

PRINCIPAL BANKERS

In Hong Kong:
Bank of China (Hong Kong) Limited
Standard Chartered Bank

In Mainland China:
Bank of China
Beijing City Commercial Bank
China Construction Bank
China Everbright Bank
China Minsheng Banking Corp., Ltd.
CITIC Industrial Bank
Huaxia Bank
The Industrial and Commercial Bank of China

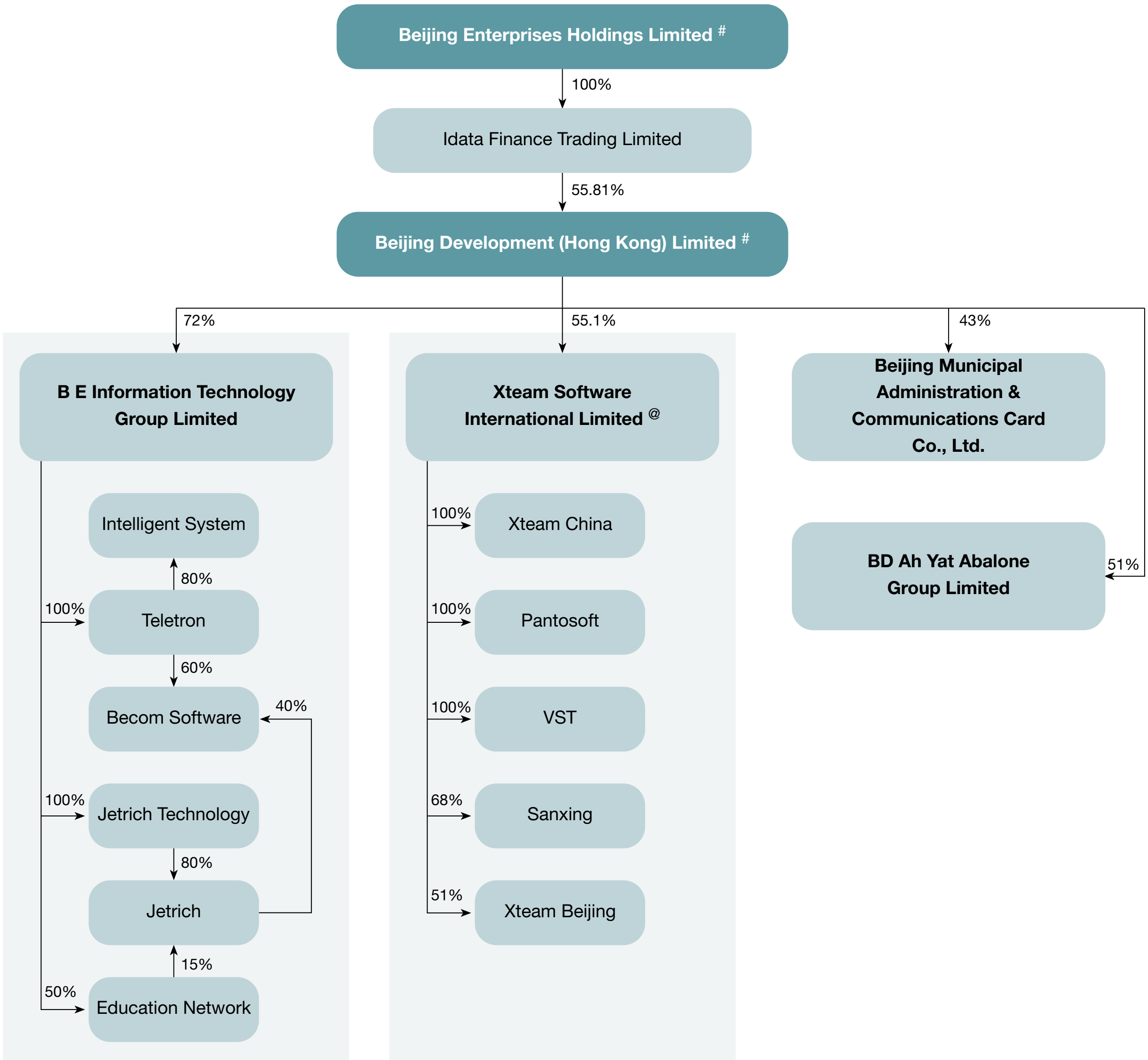
WEBSITE

http://www.bdhk.com.hk

STOCK CODE

154

CORPORATE STRUCTURE



\# Listed on the Main Board of The Stock Exchange of Hong Kong Limited

@ Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

CHAIRMAN'S STATEMENT

I am pleased to present that the total revenue of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2005 was HK$543 million, maintaining at a stable level as last year. For the future development as well as a better reflection of the fair value of the Group's assets, we assessed certain assets and provided impairment of approximately HK$53.3 million, encumbering the overall result of the Group. As a result, profit attributable to ordinary equity holders of the parent dropped significantly from last year's HK$14.9 million to loss of HK$35 million this year.

BUSINESS REVIEW

Looking back at 2005, with information technology as the core business, the Group continuously devoted more resources and strategies to this segment. The three main information technology business sectors, namely B E Information Technology Group Limited ("B E Info"), Beijing Municipal Administration & Communications Card Co., Ltd. ("IC Card") and Xteam Software International Limited ("Xteam") were well established and grow in different sectors simultaneously. In the course of transforming our business, we have gradually shifted from the contracting of short term projects to recurrent projects.

1. B E Info completed the five-year "School Intranet" construction project that providing network construction and software facilities to over 2,000 primary and secondary schools in Beijing. It has built the electronic education resources platform and launched the Beijing education resources network.

2. IC Card is actively constructing the infrastructure, and preparing the management system and technology for the rapid business growth resulting from the implementation of the IC electronic monthly pass in April 2006. It is also actively planning for many different small value transaction projects, such as access to Beijing's many famous tourist attractions, purchases at McDonald's and for use by students in schools.

3. Xteam completed the centralised "four insurances" system for the Beijing Labour Department. It also recorded income from the labour market information automation and street level e-government administration businesses. It acquired the In@box project at the end of the financial year to provide embedded Linux based distributed internet services. The targeted client base was extended from government to small and medium size enterprises, as well as individual.

STRATEGIES AND PROSPECTS

2006 is a crucial year for the Company to establish itself as a high technology enterprise engaging in the construction, operation and maintenance of information systems in Beijing. With the change of management in early 2006, the Company carefully reviewed and examined its historical market positioning and development strategies, and two measures were adopted: (1) enhancing the internal reorganisation and management by consolidating the existing business resources, streamlining and optimising the business structure, while at the same time realising synergy and strengthening the core competitiveness resulting from the market changes; (2) implementing the plan to streamline the asset portfolio and reorganising the assets that did not match the overall development strategy so as to focus on the core business and develop the three main information technology business sectors.

1. B E Info will focus on the construction, operation and maintenance of information technology for infrastructure projects:

   – Railway: The company is specialising in the construction and operation of the information technology infrastructure of Beijing Subway. The successful bids included the Building Automation System, Full Height Safety Doors System, AFC Clearing Centre System of Beijing Mass Transit Network Management and Support Project, and AFC System for Beijing Metro Lines 1 & 2 and Line Batong. These projects have an aggregate contract value of over RMB600 million. By working with the multinational enterprises, B E Info has accumulated extensive experience in technology, management and cooperation, which will form a solid foundation for the future development in the infrastructure and utilities sectors.

   – Education: Based on the operation platform of the education resources network, the company will consolidate the relevant education resources and develop diversified application services in the education information area. A one-stop education information chain from consultation, construction, operation, research and development, maintenance, training and service will be formed, confirming B E Info's position as the leading operator and service provider in the education information sector.

2. Following the massive issuance of IC cards in 2006, the company will transit from the construction stage to the operational stage. On 10 May 2006, IC cards will be fully implemented in all buses and Metro Lines in Beijing, and will then be followed by 30,000 taxis in 13 taxi companies. It will also develop the small value transaction business in highways, car parks, tourist attractions and supermarkets. IC Card will gradually expand its operations leveraging its strength as the operator of the electronic clearing platform for infrastructure and the utilities.

STRATEGIES AND PROSPECTS (continued)

3. Xteam will provide an investment and financing platform for e-government administration and network technology services. It will, at the same time, continue to increase its presence in social security, labour market and street level e-government administration areas. Through the in-house developed Linux-based In@box internet service, it will target the government, small to medium size enterprises and individual clients so as to increase the market share.

Looking forward, the Company will clearly define its strategic positioning and promote synergy and consolidation of its businesses in 2006. It will continue to improve the transparency of corporate governance, enhance communication with the capital market and explore any potential for the investment and financing available to it as a listed company. In addition, under the leadership of the new management, we will heighten the team spirit and morale. With the commitment and dedication of the staff, together we will strive for excellence in the performance of the business.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

Zhang Honghai
Chairman

Hong Kong
11 April 2006

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 December 2005 was HK$543 million, as compared to HK$539 million for the last year. The net loss for the year attributable to ordinary equity holders of the parent was HK$35 million, as compared to the net profit of HK$14.9 million last year.

Information technology business segment recorded a segment revenue of HK$283.2 million, as compared to HK$259.8 million in last year, and represented 52.2% of the Group's total revenue. During the year, the segment provided impairment loss of trade and other receivables of HK$40.1 million, resulting in a segment loss of HK$7.4 million, as compared to the segment profit of HK$31 million in last year.

Restaurants business segment recorded a segment revenue of HK$254.2 million, as compared to HK$247.6 million in last year. The segment profit contribution was HK$17.9 million, increased by HK$7.5 million as compared to last year. During the year, the Group provided impairment loss of properties held and a property investment project of HK$13.2 million, that further deteriorated the Group's overall result.

FINANCIAL POSITION

As at 31 December 2005, the Group had total assets and total liabilities of HK$855 million and HK$338.5 million, respectively. Equity attributable to equity holders of the parent and minority interests amounted to HK$436 million and HK$80.5 million, respectively.

	As at 31 December 2005 ***HK$ million***	As at 31 December 2004 *HK$ million*
Net cash inflow from operating activities	**73.2**	3.3
Cash and bank balances	**146.8**	102.5
Bank loans	**112.3**	202.2
Advance from a holding company	**50.0**	–
Net debt	**15.5**	99.7
Gearing ratio (net debt/total equity)	**3.0%**	18.1%
Current ratio (current assets/current liabilities)	**140.7%**	128.6%

Approximately 90% of the Group's bank loans were denominated in Renminbi, unsecured and have fixed interest rates ranged from 5% to 7% per annum. The remaining bank loans were secured by certain of the Group's leasehold land and buildings which had an aggregate net book value of HK$45.7 million as at 31 December 2005. The Company has guarantees given to banks in connection with facilities granted to subsidiaries of HK$222.5 million, which were utilised to the extent of HK$100.7 million as at 31 December 2005.

EMPLOYEES

The total number of staff employed by the Group as at 31 December 2005 was 1,840, compared to 1,890 as at 31 December 2004. The total employee benefits expenses (including directors' remuneration) for the year ended 31 December 2005 amounted to HK$93.4 million, increased by 11% comparing with last year. Salaries of employees are maintained at competitive levels with share options and bonuses granted based on individual and business performance.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHANG Honghai, aged 53, is the chairman of the Company, the vice chairman and president of Beijing Enterprises Holdings Limited ("Beijing Enterprises", the listed holding company of the Company, stock code: 392). Mr. Zhang graduated from Beijing University in 1982 and subsequently obtained a post-graduate qualification in business studies at The International Business School of Hunan University and was awarded with the honour of senior economist. Mr. Zhang has worked for Beijing Municipal Government for many years. Prior to joining the Company, Mr. Zhang was the director of Foreign Affairs Office of the People's Government of Beijing Municipality & Hong Kong and Macao Affairs Office of the People's Government of Beijing Municipality. He also served as vice president of Beijing Chinese Overseas Friendship Association. Mr. Zhang initially worked as deputy general manager and was then promoted to vice chairman and general manager of Beijing International Trust Investment Limited during the period from 1990 to 1998, and has accumulated extensive experience in corporate management. Mr. Zhang joined the Group in March 2004.

Mr. LI Kangying, aged 49, is the president of the Company, the chairman and an executive director of Xteam Software International Limited ("Xteam", a listed subsidiary of the Company, stock code: 8178) and the chairman of Beijing Enterprises Teletron Information Technology Co., Ltd. ("BETIT", a subsidiary of the Company). He has been also the chairman of Becom Software Co., Ltd. (a subsidiary of the Company). Mr. Li graduated from North China University of Electric Power majoring in telecommunications and is a qualified engineer in the PRC. Prior to joining the Company, Mr. Li was the deputy director of Beijing New Technology Development Zone ("BNTDZ") and has accumulated extensive experience in corporate management. From 1992 to 1997, Mr. Li worked as the deputy general manager of Beijing Strong Technology Co., Ltd.. From 1997 to 2001, he served as the assistant to chairman of Beijing Enterprises. Mr. Li joined the Group in October 2001.

Mr. E Meng, aged 47, is the vice president and an executive director of Beijing Enterprises, an executive director of Xteam and is also an independent non-executive director of Macro-Link International Holdings Limited (stock code: 472). Mr. E graduated from China Science and Technology University with a master degree in engineering. He is a PRC senior accountant with the qualifications of PRC certified accountant, asset appraiser, certified real estate appraiser and tax appraiser. From 1988 to 1997, Mr. E was the deputy director of BNTDZ, and concurrently acting as the director of the Department of Financial Auditing, the general manager of Investment Operation Company, the chief accountant of Beijing Tianping Accounting Firm and the deputy director of the State-owned Assets Management Office of Beijing Haidian District. Mr. E has over 20 years' experience in economics, finance and enterprise management. Mr. E joined the Group in April 2001.

EXECUTIVE DIRECTORS (continued)

Mr. WANG Yong, aged 52, is the vice president of the Company, the chairman of Beijing Municipal Administration & Communications Card Co., Ltd. (a jointly-controlled entity of the Company) and Shenzhen Guanshun Road & Bridge Co., Ltd. (a subsidiary of Beijing Enterprises). Mr. Wang graduated from the Chinese Faculty of Lanzhou University. From 1969 to 1989, he worked for the Chinese People's Liberation Army (Force 84501). From 1989 to 1993, he worked for the Office of Beijing Haidian District Government. From 1993 to 1998, he served as the secretary to the General Office of Beijing People's Municipal Government. Since 1998, he has been the assistant to general manager of Beijing Holdings Limited (the ultimate holding company of the Company) and the assistant to president of Beijing Enterprises. Mr. Wang has extensive experience in investment, corporate finance and management. Mr. Wang joined the Group in March 2005.

Mr. CAO Wei, aged 42, is the vice president of the Company, an executive director of Xteam and a director and the CEO of BETIT. He is the president of Union of Network Beijing and is one of the founders of BETIT. Mr. Cao graduated from Harbin Industrial University and was awarded with the honour of senior engineer. Mr. Cao has over 15 years' experience in the telecommunications and information technology field. From 1988 to 1993, he worked as the general manager of Beijing Hehai Technology Development Co., Ltd.. From 1993 to 1996, he worked as the general manager of Beijing Enyi Technology Development Co., Ltd.. Mr. Cao joined the Group in October 2001.

Dr. YU Xiaoyang, aged 52, is the deputy general manager of Beijing Ever Source Science & Technology Development Co., Ltd. (a subsidiary of Beijing Enterprises). Dr. Yu received his bachelor and master degrees from Peking University in 1982 and 1984, and obtained his PhD and MBA degrees from Southern Illinois University, USA in 1991 and 1993. Dr. Yu worked for US consulting and telecommunication corporations in software development and information technology management. Dr. Yu joined the Group in March 2005.

Mr. NG Kong Fat, Brian, aged 50, is an executive director of Xteam. Mr. Ng graduated from the University of Stirling in Scotland in 1983 and is a member of the Institute of Chartered Accountants of Scotland. Mr. Ng has over 20 years' experience in corporate, investment and financial management. Mr. Ng joined the Group in July 1993.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CAO Guixing, aged 65, graduated from South China University in 1962 and has worked for the Liaoning Provincial Municipal Government for over 25 years. From 1995 to 2000, he served as the vice president and the general manager of China Unicom Group. Mr. Cao joined the Group in June 2001.

Prof. LIU Wei, aged 49, is the Dean of Peking University School of Economics, the chief editor of "Economic Science", the vice president of Chinese Research Association of Market Economy, Chinese Research Association of Private Capital Economy and Chinese Association of Productivity Science. Prof. Liu received his bachelor degree, master degree and doctorate degree in Economics from Peking University. Since his graduate, Prof. Liu was teaching in Peking University and was conferred the tutorship of doctoral student qualification in 1994. Prof. Liu has been awarded with the "Talent across the Century" in liberal arts by the Ministry of Education and the Chief Specialist in the study of "Research of Chinese Market Economy Development". Prof. Liu joined the Group in September 2004.

Dr. JIN Lizuo, aged 49, is the chief councilor of Shanghai Institute of Law & Economics, the chairman of Zhonghe Yingtai Management Consultancy Co., Ltd., the specialist committee member of China Xinda Assets Management Corporation, the independent directors of Cosco Shipping Co., Ltd., China United Travel Co., Ltd. and Hong Yuan Securities Co., Ltd. Dr. Jin holds a doctorate degree in Economics from Oxford University. Dr. Jin graduated from Peking University School of Economics in 1982 and has been teaching in the university. From 1983 to 1988, Dr. Jin served as the member of State Economic Structure Reforms Committee and was the First President (1988-89) of Chinese Economic Association (UK). From 1993 to 1995, Dr. Jin has worked for N.M. Rothschild and Morgan Stanley and thereafter accumulated 12 years' extensive experience in investment banking and financial management. Dr. Jin joined the Group in September 2004.

SENIOR MANAGEMENT

Mr. YAN Qing, aged 44, is the vice president of the Company. He graduated from Renmin University of China in 1985 with a bachelor degree in Business, and obtained a master degree from Graduate School of Research Institute of the Ministry of Finance in 2000. Mr. Yan has over 15 years' experience in finance and management. Mr. Yan joined the Group in February 2005.

Mr. WU Miao Lin, aged 42, is the assistant to president of the Company. He graduated from Peking University in 1984 with a bachelor degree in Law and was awarded with the honour of economist. Since 1984, he served as a committee member in Peking University. From 1987, he worked as the operation director of Software Laboratory of China Science Academy, the deputy general manager of Beijing United Software Company, the general manager of Dalu Computer Company of China Science Academy, the chairman of Top Computer Company. From 1989, he set up and served as the chairman and general manager of Beijing Gaoli Computer Co., Ltd.. Mr. Wu joined the Group in September 2005.

SENIOR MANAGEMENT (continued)

Mr. LI Chun Li, aged 34, is the assistant to president of the Company. He graduated from the School of Business of University of Science and Technology of China in 1993. From 1995 to 2005, he worked in Beijing Escom Photoelectricity Technology Co., Ltd.. Mr. Li joined the Group in February 2005.

Ms. CAO Muya, aged 52, is the assistant to president of the Company. She graduated from the Beijing Administrative College. From 1988, Ms. Cao worked as the finance manager of Beijing Holdings Limited and Beijing Enterprises. From 2001, she served as a director and the vice president of BETIT and the deputy general manager of Xteam. Ms. Cao has over 20 years' experience in finance and enterprise management. Ms. Cao joined the Group in October 2001.

Mr. WONG Kwok Wai, Robin, aged 39, is the financial controller, company secretary and qualified accountant of the Company. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He previously worked for a major international accounting firm and has over 15 years' experience in administration, auditing, accounting and corporate finance.

CORPORATE GOVERNANCE PRACTICES

The Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") are effective for accounting periods commencing on or after 1 January 2005. Subject to the deviations as disclosed on this report, in the opinion of the directors, the Company complied with the code provisions of the Code by establishing a formal and transparent procedures to protect and maximise the interests of shareholders throughout the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to govern securities transactions by the directors. After having made specific enquiry of all directors, all directors have complied with the required standard set out in the "Model Code" and its code of conduct throughout the year under review.

BOARD OF DIRECTORS

The board of directors (the "Board") currently comprises ten directors, including seven executive directors and three independent non-executive directors. The Board is mainly accountable to the shareholders and is also in charge of the management, business, strategy, annual and interim results, risk management, major acquisitions, disposals and capital transactions and other major operation and financial aspects of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other directors are set out on pages 9 to 11. All directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

The Board fulfilled the requirement under rules 3.10(1) and (2) of the Listing Rules and have three independent non-executive directors and have an independent non-executive director with appropriate professional accounting or financial management expertise. They have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders. The Company has received annual confirmations of independence from all independent non-executive directors and as at the date of this report still considers them to be independent.

The Board held four meetings during the year under review. Details of the attendance of the Board's meetings are as follows:

Name of directors	Positions	Attendance
Mr. Zhang Honghai	Chairman and executive director	4 at 4 meetings
Mr. Li Kangying	Executive director	4 at 4 meetings
Mr. E Meng	Executive director	4 at 4 meetings
Mr. Wang Yong	Executive director	4 at 4 meetings
Mr. Cao Wei	Executive director	4 at 4 meetings
Dr. Yu Xiaoyang	Executive director	4 at 4 meetings
Mr. Ng Kong Fat, Brian	Executive director	4 at 4 meetings
Mr. Cao Guixing	Independent non-executive director	4 at 4 meetings
Prof. Liu Wei	Independent non-executive director	2 at 4 meetings
Dr. Jin Lizuo	Independent non-executive director	4 at 4 meetings

CHAIRMAN AND PRESIDENT

As the leader of the Board, Mr. Zhang Honghai, the executive Chairman is responsible for the approval and supervision of the overall strategies and policies of the Group, approval of annual budgets and business plans, evaluation of the Company's performance and oversight of the management. Mr. Li Kangying, the President is responsible for the day-to-day operations of the Group.

Under code provision A.4.2 of the Code, every director, including appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Company's articles of association, the chairman of the Board and the chief executive officer of the Company are not subject to retirement by rotation, which constitutes a deviation from code provision A.4.2 of the Code. In order to ensure compliance with the Code, a special resolution will be proposed at the forthcoming annual general meeting to amend the relevant articles of association of the Company.

NON-EXECUTIVE DIRECTORS

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. None of the existing non-executive directors of the Company is appointed for a specific term, which constitutes a deviation from code provision A.4.1 of the Code. However, all of the non-executive directors are subject to retirement by rotation in accordance with the Company's articles of association. As such, the Company considers that sufficient measures are in place to ensure that the corporate governance practices of the Company are no less exacting than those of the Code.

REMUNERATION OF DIRECTORS

The remuneration committee of the Company was established in accordance with the Code on 6 April 2006. The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board regarding to the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. Details of directors' remuneration are set out in note 8 to the financial statements.

Members of the remuneration committee include two independent non-executive directors, Dr. Jin Lizuo and Mr. Cao Guixing and the chairman of the Board, Mr. Zhang Honghai. Dr. Jin Lizuo is the chairman of the remuneration committee. Meeting of the remuneration committee will be convened in 2006.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

During the year under review, Mr. Li Kangying, Mr. Wang Yong, Mr. Cao Wei and Dr. Yu Xiaoyang were appointed as executive directors on 15 March 2005 and in accordance with the Company's articles of association, they have been retired and re-elected by shareholders at the annual general meeting held on 31 May 2005.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, auditors' remuneration for audit services is approximately HK$3,569,000. There was no significant non-audit service assignment performed by the external auditors.

AUDIT COMMITTEE

The audit committee of the Company was established in compliance with rule 3.21 of the Listing Rules. The role and function of the audit committee include supervising the accounting and financial reporting procedure and auditing the financial statements of the Group, examining and monitoring the internal control system adopted by the Group and reviewing the relevant work of the Group's external auditors. Members of the audit committee include three independent non-executive directors, Mr. Cao Guixing, Prof. Liu Wei and Dr. Jin Lizuo. Mr. Cao Guixing is the chairman of the audit committee.

The audit committee held two meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	**Attendance**
Mr. Cao Guixing	2 at 2 meetings
Prof. Liu Wei	2 at 2 meetings
Dr. Jin Lizuo	2 at 2 meetings

The audit committee has reviewed the interim and annual results, financial positions, internal control and the management issues of the Company during the year under review.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The directors' responsibilities for preparing the accounts and the responsibilities of the auditors to the shareholders are set out on page 23. The directors have confirmed that the Group's financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and the Companies Ordinance.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and risk management control. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management. Besides, the audit committee and the Board will perform half-yearly review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identity.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 93.

The directors do not recommend the payment of any dividend in respect of the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 94. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital and share options are set out in notes 29 and 30 to the financial statements, respectively.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2005, the Company had no reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Zhang Honghai	
Mr. Li Kangying	(appointed on 15 March 2005)
Mr. E Meng	
Mr. Wang Yong	(appointed on 15 March 2005)
Mr. Cao Wei	(appointed on 15 March 2005)
Dr. Yu Xiaoyang	(appointed on 15 March 2005)
Mr. Ng Kong Fat, Brian	
Mr. Zhao Jifeng	(resigned on 15 March 2005)

Independent non-executive directors:

Mr. Cao Guixing
Prof. Liu Wei
Dr. Jin Lizuo

In accordance with the Company's articles of association, Dr. Yu Xiaoyang, Mr. Ng Kong Fat, Brian and Mr. Cao Guixing will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Cao Guixing, Prof. Liu Wei and Dr. Jin Lizuo, and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 37 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2005, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held	Capacity and nature of interest	Percentage of the Company's issued share capital
Mr. Ng Kong Fat, Brian	8,792,755 (Note (a))	Through a controlled corporation	1.78
Mr. Cao Wei	8,000,000	Directly beneficially owned	1.62

Note:

(a) The 8,792,755 shares are held by Sunbird Holdings Limited, a company beneficially owned by Mr. Ng Kong Fat, Brian.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in ordinary shares of an associated corporation of the Company:

Name of director	Name of associated corporation	Relationship with the Company	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Ng Kong Fat, Brian	BD Ah Yat Abalone Group Limited	Company's subsidiary	1,462,000	Directly beneficially owned	21.5

The interests of the directors in the share options of the Company are separately disclosed in note 30 to the financial statements.

In addition to the above, Mr. Ng Kong Fat, Brian has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 December 2005, none of the directors and the associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 30 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Notes	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Idata Finance Trading Limited ("IFTL")	(a)	Directly beneficially owned	275,675,000	55.81
Illumination Holdings Limited ("IHL")	(b)	Directly beneficially owned	49,325,613	9.99
Beijing Enterprises Holdings Limited ("BEHL")	(a)	Through a controlled corporation	275,675,000	55.81
Beijing Enterprises Investments Limited ("BEIL")	(a)	Through controlled corporations	275,675,000	55.81
Beijing Holdings Limited ("BHL")	(a)/(b)	Through controlled corporations	325,000,613	65.79

Notes:

(a) IFTL is a direct wholly-owned subsidiary of BEHL, which is held directly as to approximately 44% and indirectly as to approximately 16% by BEIL. BEIL is held indirectly as to approximately 66.5% by BHL. Accordingly, the shares in which IFTL is shown to be interested are also the shares in which BEHL, BEIL and BHL are interested.

(b) IHL is an indirect wholly-owned subsidiary of BHL. The shares in which IHL is shown to be interested are included in the shares in which BHL are interested.

Save as disclosed above, as at 31 December 2005, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Zhang Honghai
Chairman

Hong Kong
11 April 2006

REPORT OF THE AUDITORS

ERNST & YOUNG
安 永 會 計 師 事 務 所

To the members
Beijing Development (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 24 to 93 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The 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 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 an 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 Company's and the Group's circumstances, 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 31 December 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
11 April 2006

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2005

	Notes	**2005**	2004
		HK$'000	*HK$'000*
REVENUE	5	**531,298**	531,848
Cost of sales		**(297,598)**	(293,099)
Gross profit		**233,700**	238,749
Bank interest income	6	**737**	796
Other income and gains	5	**10,744**	6,404
Selling and distribution costs		**(131,609)**	(132,082)
Administrative expenses		**(73,830)**	(63,806)
Other operating expenses		**(49,140)**	(7,242)
Changes in fair value of investment properties	14	**(4,900)**	200
Finance costs	7	**(10,229)**	(9,373)
Share of profits and losses of:			
Associates		**(659)**	(1,811)
Jointly-controlled entities		**(264)**	(116)
PROFIT/(LOSS) BEFORE TAX	6	**(25,450)**	31,719
Tax	10	**(3,088)**	(2,800)
PROFIT/(LOSS) FOR THE YEAR		**(28,538)**	28,919
Attributable to:			
Equity holders of the parent	11	**(35,042)**	14,886
Minority interests		**6,504**	14,033
		(28,538)	28,919
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic (cents)		**(7.09)**	3.01
Diluted (cents)		**N/A**	3.01

CONSOLIDATED BALANCE SHEET

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**72,628**	83,285
Investment properties	14	**34,400**	39,300
Goodwill	15	**140,964**	134,221
Other intangible assets	16	**12,773**	14,371
Interests in associates	18	**12,521**	14,479
Interests in jointly-controlled entities	19	**67,716**	67,151
Available-for-sale investments	20	**1,896**	1,959
Trade receivables	23	**33,202**	69,310
Other receivables	24	**7,546**	18,825
Deferred tax assets	28	**733**	–
Total non-current assets		**384,379**	442,901
CURRENT ASSETS			
Inventories	21	**66,827**	76,395
Amounts due from customers for contract works	22	**7,585**	5,575
Properties held for sale		**–**	1,250
Trade and bills receivables	23	**182,042**	220,015
Other receivables, prepayments and deposits	24	**63,755**	75,640
Pledged deposits		**3,612**	24,191
Cash and bank balances		**146,833**	102,506
Total current assets		**470,654**	505,572
CURRENT LIABILITIES			
Trade and bills payables	25	**62,639**	96,728
Amounts due to customers for contract works	22	**14,074**	8,359
Tax payable		**2,951**	2,446
Other payables and accruals	26	**146,502**	87,654
Bank loans	27	**108,287**	197,884
Total current liabilities		**334,453**	393,071
NET CURRENT ASSETS		**136,201**	112,501
TOTAL ASSETS LESS CURRENT LIABILITIES		**520,580**	555,402
NON-CURRENT LIABILITIES			
Bank loans	27	**4,020**	4,324
Net assets		**516,560**	551,078
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	29	**493,981**	493,981
Reserves	31(a)	**(57,964)**	(13,970)
		436,017	480,011
Minority interests		**80,543**	71,067
Total equity		**516,560**	551,078

Zhang Honghai
Director

Li Kangying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2005

		Attributable to equity holders of the parent							
	Note	Issued share capital HK$'000	Asset revaluation reserve HK$'000	PRC reserve funds HK$'000 (note 31 (a))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2004		493,981	33,643	24,633	(2,957)	(84,213)	465,087	49,742	514,829
Exchange realignment		–	–	–	38	–	38	13	51
Total income and expense for the year recognised directly in equity		–	–	–	38	–	38	13	51
Profit for the year		–	–	–	–	14,886	14,886	14,033	28,919
Total income and expense for the year		–	–	–	38	14,886	14,924	14,046	28,970
Transfer to PRC reserve funds		–	–	3,764	–	(3,764)	–	–	–
Transfer to accumulated losses		–	(922)	–	–	922	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	(1,034)	(1,034)
Capital contributed by minority shareholders		–	–	–	–	–	–	564	564
Acquisition of subsidiaries	32	–	–	–	–	–	–	7,749	7,749
At 31 December 2004		493,981	32,721*	28,397*	(2,919)*	(72,169)*	480,011	71,067	551,078
At 1 January 2005									
As previously reported		493,981	32,721	28,397	(2,919)	(72,169)	480,011	71,067	551,078
Effect of the adoption of HKAS 39 – discounting long term receivables		–	–	–	–	(12,710)	(12,710)	(4,943)	(17,653)
As restated		493,981	32,721	28,397	(2,919)	(84,879)	467,301	66,124	533,425
Exchange realignment		–	–	–	3,758	–	3,758	1,148	4,906
Total income and expense for the year recognised directly in equity		–	–	–	3,758	–	3,758	1,148	4,906
Profit/(loss) for the year		–	–	–	–	(35,042)	(35,042)	6,504	(28,538)
Total income and expense for the year		–	–	–	3,758	(35,042)	(31,284)	7,652	(23,632)
Transfer to PRC reserve funds		–	–	1,995	–	(1,995)	–	–	–
Transfer to accumulated losses		–	(922)	–	–	922	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	(866)	(866)
Acquisition of subsidiaries	32	–	–	–	–	–	–	7,633	7,633
At 31 December 2005		493,981	31,799*	30,392*	839*	(120,994)*	436,017	80,543	516,560

* These reserve accounts comprise the negative reserves of HK$57,964,000 (2004: HK$13,970,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(25,450)**	31,719
Adjustments for:			
Finance costs	7	**10,229**	9,373
Share of profits and losses of associates		**659**	1,811
Share of profits and losses of jointly-controlled entities		**264**	116
Bank interest income	6	**(737)**	(796)
Loss on disposal of items of property, plant and equipment	6	**69**	577
Impairment of property, plant and equipment	6, 13	**3,780**	–
Imputed interest on interest-free trade and other receivables	5	**(3,788)**	–
Gain on disposal of investment properties	5	**–**	(238)
Depreciation	6	**14,418**	17,338
Release of goodwill upon disposal of partial interests in subsidiaries	6	**629**	7,135
Amortisation of other intangible assets	6	**2,311**	2,264
Impairment of available-for-sale investments	6	**99**	107
Changes in fair value of investment properties	14	**4,900**	(200)
Provision against an amount due from an associate	6	**4,500**	–
Operating profit before working capital changes		**11,883**	69,206
Decrease/(increase) in inventories		**10,769**	(16,922)
Increase in amounts due from customers for contract works		**(1,903)**	(2,463)
Decrease in properties held for sale		**1,250**	11,478
Decrease/(increase) in trade and bills receivables		**70,573**	(64,137)
Decrease in other receivables, prepayments and deposits		**16,794**	2,191
Increase/(decrease) in trade and bills payables		**(35,971)**	12,995
Increase in amounts due to customers for contract works		**5,554**	7,337
Increase/(decrease) in other payables and accruals		**7,316**	(5,488)
Cash generated from operations		**86,265**	14,197
Interest received		**737**	796
Interest paid		**(9,606)**	(9,373)
Hong Kong profits tax paid		**(419)**	–
Overseas (or Mainland China corporate income) taxes paid		**(2,883)**	(1,290)
Dividends paid to minority shareholders		**(866)**	(1,034)
Net cash inflow from operating activities		**73,228**	3,296

continued/...

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2005

	Notes	2005 *HK$'000*	2004 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(7,259)**	(7,173)
Proceeds from disposal of items of property, plant and equipment		**102**	80
Proceeds from disposal of investment properties		**–**	6,678
Purchases of other intangible assets	16	**(472)**	–
Purchases of available-for-sale investments		**–**	(1,594)
Acquisition of subsidiaries	32	**2,576**	(639)
Balance payment for the acquisition of subsidiaries		**(2,328)**	(7,119)
Proceeds from disposal of a jointly-controlled entity		**–**	474
Additional investment in a jointly-controlled entity		**(1,637)**	(22,642)
Increase in an amount due from a jointly-controlled entity		**–**	(498)
Investment in an associate		**(2,358)**	–
Increase in amounts due from associates		**(570)**	(43)
Decrease/(increase) in pledged deposits		**20,579**	(3,680)
Net cash inflow/(outflow) from investing activities		**8,633**	(36,156)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**43,942**	75,000
Repayment of bank loans		**(130,419)**	(41,211)
Advance from an intermediate holding company		**50,000**	–
Capital contributed by minority shareholders		**–**	564
Advance from/(repayment to) minority shareholders		**2,454**	(1,803)
Net cash inflow/(outflow) from financing activities		**(34,023)**	32,550
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**47,838**	(310)
Cash and cash equivalents at beginning of year		**88,930**	89,189
Effect of foreign exchange rate changes, net		**1,997**	51
CASH AND CASH EQUIVALENTS AT END OF YEAR		**138,765**	88,930
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**146,833**	102,506
Bank overdrafts	27	**(8,068)**	(13,576)
		138,765	88,930

BALANCE SHEET

31 December 2005

	Notes	**2005** **HK$'000**	2004 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**33,491**	34,869
Interests in subsidiaries	17	**361,579**	379,447
Total non-current assets		**395,070**	414,316
CURRENT ASSETS			
Other receivables, prepayments and deposits	24	**76,131**	65,817
Cash and bank balances		**74**	74
Total current assets		**76,205**	65,891
CURRENT LIABILITIES			
Other payables and accruals	26	**55,303**	2,812
Bank loans	27	**8,068**	53,023
Total current liabilities		**63,371**	55,835
NET CURRENT ASSETS		**12,834**	10,056
Net assets		**407,904**	424,372
EQUITY			
Issued capital	29	**493,981**	493,981
Reserves	31(b)	**(86,077)**	(69,609)
Total equity		**407,904**	424,372

Zhang Honghai
Director

Li Kangying
Director

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Hong Kong.

During the year, the Group was involved in the following principal activities:

- provision of information technology services
- restaurant operations
- property investment

The parent companies of the Group are Idata Finance Trading Limited and Beijing Enterprises Holdings Limited. In the opinion of the directors, the ultimate holding company of the Group is Beijing Holdings Limited, which is incorporated in Hong Kong.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of the HKAS 39 Amendment, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

The impact of adopting the other HKFRSs is summarised as follows:

HKAS 32 and HKAS 39 – Financial Instruments

Receivables

In prior years, receivables of the Group are stated at cost less any provision for bad and doubtful debts. Upon the adoption of HKAS 39, receivables are carried at amortised cost using the effective interest method less any impairment. The amortised cost is the present value of estimated future cash flows discounted at the original effective interest rate which is computed at initial recognition. In accordance with the transitional provisions of HKAS 39, the decrease in the carrying value of trade and other receivables amounting to HK$17,653,000 at 1 January 2005 has been adjusted to the retained earnings and minority interests as at 1 January 2005 and comparative amounts have not been restated. The adoption of this change in accounting policy reduces the consolidated net loss attributable to equity holders of the parent of the Group for the year ended 31 December 2005 by HK$2,727,000 and increases the consolidated net profit attributable to the minority shareholders of the Group for the year ended 31 December 2005 by HK$795,000; decreases the carrying values of trade and other receivables as at 31 December 2005 by HK$14,131,000; and reduces the basic loss per share for the year by HK0.55 cents.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	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
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

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

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

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

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

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

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

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

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

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

Impairment of assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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

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

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. The asset revaluation reserve is transferred directly to retained profits when the reserve is realised completely on the disposal or retirement of the asset, or partially as the asset is used by the Group.

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

Leasehold land and buildings	Over the lease terms or 4%
Leasehold improvements	Over the lease terms or 10 years, whichever is shorter
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	12.5% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Management information system and licences

Management information systems and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Applicable to the year ended 31 December 2004:

Long term investments were non-trading investments in unlisted equity securities and a golf club debenture intended to be held on a long term basis. They were stated at cost less any impairment losses.

Applicable to the year ended 31 December 2005:

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

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 December 2005 (continued):

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in the other category. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

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

Impairment of financial assets (applicable to the year ended 31 December 2005)

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

Assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (applicable to the year ended 31 December 2005) (continued)

Assets carried at amortised cost (continued)

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

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

Assets carried at cost

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

Available-for-sale assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads. Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

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

(c) receipts from restaurant operations, upon the delivery of food and beverages to customers;

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(e) from the sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;

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

(g) from the rendering of services, when the services are rendered.

Employee benefits

Share-based payment transactions

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/loss per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2004 and to those granted on or after 1 January 2004.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Pension schemes

Certain companies within the Group have participated in the retirement benefits schemes required by the respective governments of the places in which they operate for their employees. Contributions are made based on a certain percentage of the covered payroll and are charged to the income statement as they become payable in accordance with the rules of the schemes. The Group's employer contributions vest fully with the employees when contributed into the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill arising from the acquisitions of subsidiaries and a jointly-controlled entity at 31 December 2005 were HK$140,964,000 (2004: HK$134,221,000) and HK$23,067,000 (2004: HK$23,067,000), respectively. Further details are set out in notes 15 and 19, respectively.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) the information technology segment engages in: (i) systems integration; (ii) the construction of information networks; (iii) the provision of IT technical support and consultation services; (iv) the development and sale of software; and (v) the implementation of smart card systems;

(b) the restaurants segment engages in the operations of restaurants;

(c) the property investment segment invests in office space for its rental income potential; and

(d) the corporate segment comprises corporate income and expense items.

4. SEGMENT INFORMATION (continued)

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

Group

	Information technology *HK$'000*	Restaurants *HK$'000*	Property investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
2005					
Segment revenue:					
Sales to external customers	273,199	253,408	4,691	–	531,298
Intersegment sales	–	–	902	(902)	–
Other income and gains	9,956	742	21	–	10,719
Total	283,155	254,150	5,614	(902)	542,017
Segment results	(7,431)	17,901	(11,897)	–	(1,427)
Bank interest income					737
Unallocated corporate expenses, net					(13,608)
Finance costs					(10,229)
Share of profits and losses of:					
Associates	(411)	–	(248)	–	(659)
Jointly-controlled entities	(264)	–	–	–	(264)
Loss before tax					(25,450)
Tax					(3,088)
Loss for the year					(28,538)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Information technology HK$'000	Restaurants HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
2004					
Segment revenue:					
Sales to external customers	256,764	246,671	28,413	–	531,848
Intersegment sales	–	–	864	(864)	–
Other income and gains	3,078	915	2,211	–	6,204
Total	259,842	247,586	31,488	(864)	538,052
Segment results	30,955	10,405	14,807	–	56,167
Bank interest income					796
Unallocated corporate expenses, net					(13,944)
Finance costs					(9,373)
Share of profits and losses of:					
Associates	(1,693)	–	(118)	–	(1,811)
Jointly-controlled entities	(116)	–	–	–	(116)
Profit before tax					31,719
Tax					(2,800)
Profit for the year					28,919

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Information technology *HK$'000*	Restaurants *HK$'000*	Property investment *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000*
2005					
Assets and liabilities					
Segment assets	596,071	93,695	48,926	27,303	765,995
Interests in associates	2,129	–	10,392	–	12,521
Interests in jointly-controlled entities	67,716	–	–	–	67,716
Bank overdrafts included in segment assets	–	–	–	8,068	8,068
Unallocated assets					733
Total assets					855,033
Segment liabilities	121,252	41,695	6,953	53,315	223,215
Bank overdrafts included in segment assets	–	–	–	8,068	8,068
Unallocated liabilities					107,190
Total liabilities					338,473
Other segment information:					
Depreciation	5,490	6,787	370	1,771*	14,418
Amortisation of other intangible assets	2,311	–	–	–	2,311
Impairment of available-for-sale investments recognised in the income statement	99	–	–	–	99
Impairment of property, plant and equipment recognised in the income statement	–	–	3,780	–	3,780
Changes in fair value of investment properties	–	–	4,900	–	4,900
Capital expenditure	5,071	1,903	–	285	7,259

* Included in "Unallocated corporate expenses" above.

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Information technology HK$'000	Restaurants HK$'000	Property investment HK$'000	Corporate HK$'000	Consolidated HK$'000
2004					
Assets and liabilities					
Segment assets	687,253	84,143	58,629	23,242	853,267
Interests in associates	141	–	14,338	–	14,479
Interests in jointly-controlled entities	67,151	–	–	–	67,151
Bank overdrafts included in segment assets	–	–	–	13,576	13,576
Total assets					948,473
Segment liabilities	139,369	43,413	7,143	2,816	192,741
Bank overdrafts included in segment assets	–	–	–	13,576	13,576
Unallocated liabilities					191,078
Total liabilities					397,395
Other segment information:					
Depreciation	3,887	11,373	354	1,724*	17,338
Amortisation of other intangible assets	2,264	–	–	–	2,264
Impairment of available-for-sale investments recognised in the income statement	107	–	–	–	107
Changes in fair value of investment properties	–	–	(200)	–	(200)
Capital expenditure	3,473	3,285	–	415	7,173

* Included in "Unallocated corporate expenses" above.

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

Group

	Hong Kong HK$'000	Mainland China HK$'000	Singapore HK$'000	Indonesia HK$'000	Malaysia HK$'000	Thailand HK$'000	Eliminations HK$'000	Consolidated HK$'000
2005								
Segment revenue:								
Sales to external customers	2,402	340,852	66,550	59,086	43,664	18,744	–	531,298
Intersegment sales	4,642	–	40,381	–	–	–	(45,023)	–
Other income and gains	46	9,983	17	18	–	680	–	10,744
Total	7,090	350,835	106,948	59,104	43,664	19,424	(45,023)	542,042
Other segment information:								
Segment assets	32,949	666,636	34,735	16,411	10,645	4,619	–	765,995
Interests in associates	–	12,521	–	–	–	–	–	12,521
Interests in jointly-controlled entities	–	67,716	–	–	–	–	–	67,716
Bank overdrafts included in segment assets	8,068	–	–	–	–	–	–	8,068
Unallocated assets								733
Total assets								855,033
Capital expenditure	285	5,703	279	770	84	138	–	7,259
2004								
Segment revenue:								
Sales to external customers	26,585	320,271	66,917	61,511	41,069	15,495	–	531,848
Intersegment sales	10,367	–	38,731	–	–	–	(49,098)	–
Other income and gains	556	5,138	75	74	–	561	–	6,404
Total	37,508	325,409	105,723	61,585	41,069	16,056	(49,098)	538,252
Other segment information:								
Segment assets	27,372	759,835	32,905	18,433	10,369	4,353	–	853,267
Interests in associates	–	14,479	–	–	–	–	–	14,479
Interests in jointly-controlled entities	–	67,151	–	–	–	–	–	67,151
Bank overdrafts included in segment assets	13,576	–	–	–	–	–	–	13,576
Total assets								948,473
Capital expenditure	8	4,412	285	1,792	234	442	–	7,173

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; proceeds from the sale of properties held for sale; gross rental income; and receipts from restaurant operations during the year.

An analysis of revenue, other income and gains is as follow:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Revenue		
Construction contracts	**157,419**	156,029
Rendering of services	**115,780**	100,735
Receipts from restaurant operations	**253,408**	245,577
Sale of dried seafood	**–**	1,094
Gross rental income	**2,341**	5,578
Sale of properties held for sale	**2,350**	22,835
	531,298	531,848
Other income and gains		
PRC and overseas tax subsidies	**6,703**	3,058
Imputed interest on interest-free trade and other receivables	**3,788**	–
Gain on disposal of investment properties	**–**	238
Reversal of provision for PRC withholding tax	**–**	1,855
Others	**253**	1,253
	10,744	6,404

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2005 HK$'000	2004 HK$'000
Cost of inventories sold		**256,274**	233,813
Cost of sales of properties held for sale		**1,360**	10,603
Cost of services provided		**38,172**	46,553
Depreciation	13	**14,418**	17,338
Operating lease rentals for land and buildings:			
Minimum lease payments		**24,748**	21,221
Contingent rents		**1,745**	2,192
		26,493	23,413
Release of goodwill upon disposal of partial interests in subsidiaries*	15	**629**	7,135
Amortisation of other intangible assets @	16	**2,311**	2,264
Research and development costs:			
Current year expenditure		**6,007**	8,195
Less: Government grants received +		**–**	(1,774)
		6,007	6,421
Foreign exchange differences, net		**226**	1,503
Impairment of available-for-sale investments*		**99**	107
Impairment of property, plant and equipment*	13	**3,780**	–
Impairment of trade and other receivables*		**40,132**	–
Provision against an amount due from an associate*		**4,500**	474
Auditors' remuneration:			
Current year's provision		**3,434**	2,697
Prior year's underprovision		**135**	70
		3,569	2,767
Employee benefits expense (including directors' remuneration – note 8):			
Wages and salaries		**90,093**	80,950
Pension scheme contributions		**3,268**	3,189
		93,361	84,139
Gross rental income from investment properties		**(2,289)**	(3,286)
Gross rental income from properties held for sale		**(52)**	(2,292)
Less: Direct operating expenses (including repairs and maintenance) arising on rental-earning properties		**1,886**	2,130
Net rental income		**(455)**	(3,448)
Bank interest income		**(737)**	(796)
Loss on disposal of items of property, plant and equipment		**69**	577

6. PROFIT/(LOSS) BEFORE TAX (continued)

@ The amortisation of other intangible assets is included in "Cost of sales" on the face of the consolidated income statement.

+ Various government grants were received for the research and development of management information systems for the education sector in Beijing, Mainland China. The government grants received were deducted from the research and development costs to which they related. There are no unfulfilled conditions or contingencies relating to these grants.

* These amounts are included in "Other operating expenses" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**9,606**	9,373
Interest on other loans wholly repayable within five years	**623**	–
	10,229	9,373

8. DIRECTORS' REMUNERATION

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Fees	**300**	360
Salaries, allowances and benefits in kind	**1,886**	1,320
Performance related bonuses	**379**	220
Pension scheme contributions	**12**	12
	2,577	1,912

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2005 **HK$'000**	2004 HK$'000
Mr. Cao Guixing	**100**	200
Prof. Liu Wei	**100**	–
Dr. Jin Lizuo	**100**	–
Mr. Feng Ching Yeng, Frank	**–**	160
	300	360

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

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2005					
Mr. Ng Kong Fat, Brian	**–**	**1,320**	**220**	**12**	**1,552**
Mr. Li Kangying	**–**	**283**	**62**	**–**	**345**
Mr. Cao Wei	**–**	**283**	**62**	**–**	**345**
Mr. Zhao Jifeng	**–**	**–**	**35**	**–**	**35**
	–	**1,886**	**379**	**12**	**2,277**
2004					
Mr. Ng Kong Fat, Brian	–	1,320	220	12	1,552

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2004: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2004: four) non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**3,153**	2,235
Performance related bonuses	**306**	2,218
Pension scheme contributions	**96**	87
	3,555	4,540

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

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	4	4

10. TAX

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

In accordance with the relevant tax rules and regulations in the People's Republic of China ("PRC"), certain of the Company's PRC subsidiaries, associates and jointly-controlled entities enjoy income tax exemptions and reductions. Certain PRC subsidiaries, associates and jointly-controlled entities are subject to income tax rates ranging from 7.5% to 33%.

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**290**	366
Underprovision in prior years	**408**	–
Current – Elsewhere		
Charge for the year	**2,654**	2,575
Under/(over)provision in prior years	**455**	(141)
Deferred (note 28)	**(719)**	–
Total tax charge for the year	**3,088**	2,800

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is shown in the following page.

10. TAX (continued)

Group – 2005

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Others HK$'000	%	Total HK$'000
Profit/(loss) before tax	**(20,021)**		**(15,098)**		**9,669**		**(25,450)**
Tax at the statutory or applicable tax rate	**(3,504)**	**17.5**	**(4,982)**	**33.0**	**2,901**	**30.0**	**(5,585)**
Lower tax rate for specific provinces or local authority	**–**		**(351)**		**(2,009)**		**(2,360)**
Adjustments in respect of current tax of previous periods	**408**		**455**		**–**		**863**
Profits and losses attributable to jointly-controlled entities*	**–**		**232**		**–**		**232**
Profits and losses attributable to associates*	**58**		**109**		**–**		**167**
Income not subject to tax	**(1,706)**		**(4,775)**		**(150)**		**(6,631)**
Expenses not deductible for tax	**3,434**		**8,309**		**1,405**		**13,148**
Tax losses utilised from previous periods	**–**		**(393)**		**(1,086)**		**(1,479)**
Tax losses not recognised	**2,008**		**2,689**		**36**		**4,733**
Tax charge at the Group's effective rate	**698**		**1,293**		**1,097**		**3,088**

Group – 2004

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Others HK$'000	%	Total HK$'000
Profit/(loss) before tax	(3,827)		28,372		7,174		31,719
Tax at the statutory or applicable tax rate	(670)	17.5	9,363	33.0	2,152	30.0	10,845
Lower tax rate for specific provinces or local authority	–		(8,992)		(1,530)		(10,522)
Adjustments in respect of current tax of previous periods	–		(141)		–		(141)
Profits and losses attributable to jointly-controlled entities*	–		91		–		91
Profits and losses attributable to associates*	17		103		–		120
Income not subject to tax	(2,785)		(2,098)		(86)		(4,969)
Expenses not deductible for tax	2,660		1,312		307		4,279
Tax losses utilised from previous periods	(6)		(105)		(1,121)		(1,232)
Tax losses not recognised	1,150		2,414		765		4,329
Tax charge at the Group's effective rate	366		1,947		487		2,800

* The share of tax attributable to jointly-controlled entities and associates is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss from ordinary activities attributable to equity holders of the parent for the year ended 31 December 2005 dealt with in the financial statements of the Company was HK$16,468,000 (2004: net profit of HK$7,763,000) (note 31(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the net loss for the year attributable to ordinary equity holders of the parent of HK$35,042,000 (2004: net profit of HK$14,886,000) and the 493,981,150 (2004: 493,981,150) ordinary shares in issue during the year.

Diluted loss per share amount for the year ended 31 December 2005 has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share amount for the year ended 31 December 2004 was based on the net profit for that year attributable to ordinary equity holders of the parent of HK$14,886,000. The weighted average number of ordinary shares used in the calculation was the 493,981,150 ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average of 847,126 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2005					
At 31 December 2004 and at 1 January 2005:					
Cost or valuation	63,040	54,541	47,812	8,193	173,586
Accumulated depreciation	(12,776)	(45,232)	(28,458)	(3,835)	(90,301)
Net carrying amount	50,264	9,309	19,354	4,358	83,285
At 1 January 2005, net of accumulated depreciation	50,264	9,309	19,354	4,358	83,285
Additions	–	3,053	3,489	717	7,259
Acquisition of subsidiaries (note 32)	–	–	72	–	72
Disposals	–	(26)	(31)	(114)	(171)
Impairment*	(3,780)	–	–	–	(3,780)
Depreciation provided during the year	(1,449)	(4,126)	(7,547)	(1,296)	(14,418)
Exchange realignment	697	(116)	(236)	36	381
At 31 December 2005, net of accumulated depreciation and impairment	45,732	8,094	15,101	3,701	72,628
At 31 December 2005:					
Cost or valuation	63,881	47,086	49,985	8,283	169,235
Accumulated depreciation and impairment	(18,149)	(38,992)	(34,884)	(4,582)	(96,607)
Net carrying amount	45,732	8,094	15,101	3,701	72,628
Analysis of cost or valuation:					
At cost	20,381	47,086	49,985	8,283	125,735
At 31 December 1994 valuation	43,500	–	–	–	43,500
	63,881	47,086	49,985	8,283	169,235

* Due to the downturn of the property market in Singapore, an impairment loss of HK$3,780,000 relating to a property being used by the Group as restaurant in Singapore was occured. It is included in "Other operating expenses" on the face of the consolidated income statement and is reported in the "property investment" business segment. The recoverable amount of the property was its fair value less costs to sell determined with reference to the open market value at the balance sheet date.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2004					
At 1 January 2004:					
Cost or valuation	61,909	53,759	42,983	6,229	164,880
Accumulated depreciation	(11,382)	(40,467)	(19,211)	(2,562)	(73,622)
Net carrying amount	50,527	13,292	23,772	3,667	91,258
At 1 January 2004, net of accumulated depreciation	50,527	13,292	23,772	3,667	91,258
Additions	1,131	1,496	3,675	871	7,173
Acquisition of subsidiaries (note 32)	–	202	1,209	1,438	2,849
Disposals	–	(510)	(12)	(135)	(657)
Depreciation provided during the year	(1,394)	(5,171)	(9,290)	(1,483)	(17,338)
At 31 December 2004, net of accumulated depreciation	50,264	9,309	19,354	4,358	83,285
At 31 December 2004:					
Cost or valuation	63,040	54,541	47,812	8,193	173,586
Accumulated depreciation	(12,776)	(45,232)	(28,458)	(3,835)	(90,301)
Net carrying amount	50,264	9,309	19,354	4,358	83,285
Analysis of cost or valuation:					
At cost	19,540	54,541	47,812	8,193	130,086
At 31 December 1994 valuation	43,500	–	–	–	43,500
	63,040	54,541	47,812	8,193	173,586

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2005					
At 1 January 2005, net of accumulated depreciation	**33,924**	**403**	**226**	**316**	**34,869**
Additions	**–**	**–**	**52**	**233**	**285**
Disposals	**–**	**–**	**(13)**	**–**	**(13)**
Depreciation provided during the year	**(1,026)**	**(243)**	**(75)**	**(306)**	**(1,650)**
At 31 December 2005, net of accumulated depreciation	**32,898**	**160**	**190**	**243**	**33,491**
At 31 December 2005:					
Cost	**43,500**	**1,102**	**420**	**1,421**	**46,443**
Accumulated depreciation	**(10,602)**	**(942)**	**(230)**	**(1,178)**	**(12,952)**
Net carrying amount	**32,898**	**160**	**190**	**243**	**33,491**
31 December 2004					
At 1 January 2004:					
Cost	43,500	1,102	426	1,188	46,216
Accumulated depreciation	(8,550)	(394)	(133)	(634)	(9,711)
Net carrying amount	34,950	708	293	554	36,505
At 1 January 2004, net of accumulated depreciation	34,950	708	293	554	36,505
Additions	–	–	8	–	8
Disposals	–	–	(1)	–	(1)
Depreciation provided during the year	(1,026)	(305)	(74)	(238)	(1,643)
At 31 December 2004, net of accumulated depreciation	33,924	403	226	316	34,869
At 31 December 2004 and 1 January 2005:					
Cost	43,500	1,102	411	1,188	46,201
Accumulated depreciation	(9,576)	(699)	(185)	(872)	(11,332)
Net carrying amount	33,924	403	226	316	34,869

13. PROPERTY, PLANT AND EQUIPMENT (continued)

An analysis of the leasehold land and buildings, which are held under medium term leases, at the balance sheet date is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Situated in Hong Kong:				
At 1994 valuation	**43,500**	43,500	**43,500**	43,500
Situated in Singapore:				
At cost	**19,228**	18,409	**–**	–
Situated in Mainland China:				
At cost	**1,153**	1,131	**–**	–
	63,881	63,040	**43,500**	43,500

A revaluation of the leasehold land and buildings situated in Hong Kong was carried out by CB Richard Ellis Limited, an independent professionally qualified valuer, on an open market, existing use basis as at 31 December 1994. Since 1995, no further revaluations of those Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16, from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time. These land and buildings are stated at a carrying amount of HK$32,898,000 (2004: HK$33,924,000) at the balance sheet date. Had the land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$2,959,000 (2004: HK$3,063,000).

14. INVESTMENT PROPERTIES

	Group 2005 HK$'000	2004 HK$'000
Carrying amount at 1 January	**39,300**	45,540
Disposals	**–**	(6,440)
Net profit/(loss) from a fair value adjustment	**(4,900)**	200
Carrying amount at 31 December	**34,400**	39,300

The Group's investment properties were revalued on 31 December 2005 by CB Richard Ellis Limited, an independent professionally qualified valuer, on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a) to the financial statements.

Details of the investment properties, which are held under medium term leases, are as follows:

Location	**Use**	**Attributable interest of the Group**
Part of the second floor and the entire third floor, A No. 1 Jian Guo Men Wai Avenue, Chao Yang District, Beijing, PRC	Office building	85.5%

15. GOODWILL

	Group 2005 HK$'000	2004 HK$'000
Cost and carrying amount:		
At 1 January	**134,221**	135,296
Acquisitions of subsidiaries (note 32)	**7,372**	6,060
Release upon disposal of partial interests in subsidiaries	**(629)**	(7,135)
At 31 December	**140,964**	134,221

15. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units in terms of principal subsidiaries for impairment testing.

		Group	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
北京北控電信通信息技術有限公司	(a)	**85,236**	85,236
Beijing Enterprises Jetrich Holdings Limited	(a)	**18,734**	18,734
Astoria Innovations Limited, Wisdom Elite Holdings Limited and Xteam Software International Limited	(a)	**28,077**	28,706
廣州市東山區富臨飯店	(a)	**1,545**	1,545
北京博大電信通網絡技術有限公司	(a)	**1,527**	–
Asren Holdings Limited	(b)	**5,845**	–
		140,964	134,221

Notes:

(a) The recoverable amount of each of these cash-generating units is determined based on a value in use calculation. The calculation used cash flow projections based on financial budgets covering a five-year period as approved by the senior management. The discount rate applied to the cash flow projections is 10%. Budgeted gross margins are based on both the historical gross margin of the information technology and restaurant business and the expected market growth rate. The values assigned to the key assumptions are consistent with external information sources.

(b) The recoverable amount of the cash-generating unit is determined based on a value in use calculation. The calculation used cash flow projections based on financial budgets covering a five-year period as approved by the senior management. The discount rate applied to the cash flow projection is 10%. The Group determined the values based on the management's past experience in the information technology market and their expectations for market development.

Key assumptions were used in the value in use calculations of each of the cash-generating units for 31 December 2005 and 31 December 2004. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

16. OTHER INTANGIBLE ASSETS

Group

	Management information systems *HK$'000*	Licences *HK$'000*	Total *HK$'000*
31 December 2005			
Cost at 1 January 2005, net of accumulated amortisation	**12,893**	**1,478**	**14,371**
Additions	**–**	**472**	**472**
Amortisation provided during the year	**(1,887)**	**(424)**	**(2,311)**
Exchange realignment	**212**	**29**	**241**
At 31 December 2005	**11,218**	**1,555**	**12,773**
At 31 December 2005:			
Cost	**19,231**	**2,404**	**21,635**
Accumulated amortisation	**(8,013)**	**(849)**	**(8,862)**
Net carrying amount	**11,218**	**1,555**	**12,773**
31 December 2004			
At 1 January 2004:			
Cost	18,868	1,886	20,754
Accumulated amortisation	(4,088)	(31)	(4,119)
Net carrying amount	14,780	1,855	16,635
Cost at 1 January 2004, net of accumulated amortisation	14,780	1,855	16,635
Amortisation provided during the year	(1,887)	(377)	(2,264)
At 31 December 2004	12,893	1,478	14,371
At 31 December 2004 and at 1 January 2005:			
Cost	18,868	1,886	20,754
Accumulated amortisation	(5,975)	(408)	(6,383)
Net carrying amount	12,893	1,478	14,371

17. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**218,924**	218,924
Due from subsidiaries	**213,491**	231,359
	432,415	450,283
Less: Provision for impairment	**(3,836)**	(3,836)
Provision against amounts due from subsidiaries	**(67,000)**	(67,000)
	361,579	379,447

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Ah Yat Abalone Food Industry Pte. Ltd. (note (a))	Singapore	S$2	**51**	51	Manufacture and sale of canned food and sauces
Ah Yat Abalone Forum Restaurant Holdings Pte. Ltd. (note (a))	Singapore	S$250,000	**51**	51	Restaurant operations and investment holding
Ah Yat Seafood Market Pte. Ltd. (note (a))	Singapore	S$200,000	**23@**	23@	Restaurant operations
Asren Holdings Limited (note (b))	British Virgin Islands/ Hong Kong	US$200	**28.1@**	–	Establishing a PRC subsidiary

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Astoria Innovations Limited	British Virgin Islands/PRC	US$1,000	**37.4@**	38.3@	Investment holding
B E Information Technology Group Limited	British Virgin Islands/PRC	US$1,000	**72**	72	Investment holding
BD Ah Yat Abalone Group Limited (note (c))	Hong Kong	HK$6,800,000	**51**	51	Investment holding and restaurant operations
Beijing Development Properties (Hong Kong) Limited (note (c))	Hong Kong	HK$100,000	**100**	100	Property investment
Beijing Singapore Investments Pte. Ltd. (note (a) and (c))	Singapore	S$800,000	**90**	90	Property and investment holding
Business Net Limited (note (c))	British Virgin Islands/PRC	US$100	**100**	100	Investment holding
Go Good Holdings Limited (note (d))	British Virgin Islands/ Hong Kong	US$100	**55.1**	–	Investment holding
Wisdom Elite Holdings Limited	British Virgin Islands/ Hong Kong	US$100	**55.1**	56.3	Investment holding
Xteam Software (Hong Kong) Limited	Hong Kong	HK$100	**55.1**	56.3	Office management
Xteam Software International Limited (listed on the Stock Exchange)	Cayman Islands/ Hong Kong	HK$38,426,064	**55.1**	56.3	Investment holding

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Shanghai Pantosoft Company Limited (note (e))	PRC	HK$10,000,000	**55.1**	56.3	Development and sale of computer software and the provision of system integration and related services
北京北控三興信息技術有限公司 (note (e))	PRC	RMB3,000,000	**37.4@**	38.3@	Development and sale of computer software and the provision of system integration and related services
北京北控偉仕軟件工程技術有限公司 (note (e))	PRC	RMB2,000,000	**55.1**	56.3	Development and sale of computer software and the provision of system integration and related services
北京北控電信通信息技術有限公司 (note (e))	PRC	RMB100,000,000	**72**	72	Construction of information networks and the provision of IT technical support and consultation services
北京市電信通系統集成有限公司 (note (f))	PRC	RMB1,000,000	**36.7@**	36.7@	Provision of networking services
北京阿一鮑魚酒家有限公司 (note (e))	PRC	US$1,400,000	**48.5@**	48.5@	Restaurant operations

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
北京捷通瑞奇信息技術有限公司 (note (g))	PRC	RMB5,000,000	**63**	63	Construction of information networks and the provision of IT technical support services
北京發展物業投資管理有限公司 (note (e))	PRC	US$4,000,000	**85.5**	85.5	Property investment
北京電信通智能科技有限公司 (note (e))	PRC	RMB1,100,000	**57.6**	57.6	Provision of system integration services
北京博大電信通網絡技術有限公司 (note (g) and (h))	PRC	RMB8,000,000	**36.7@**	–	Lease of underground optical fiber pores
北控捷通(北京)科技發展有限公司 (note (e))	PRC	US$2,450,000	**72**	72	Provision of total education solutions
北控軟件有限公司 (note (e))	PRC	RMB50,000,000	**68.4**	68.4	Provision of management information system services
湖南教育信息服務有限公司 (note (g))	PRC	RMB10,000,000	**41@**	41@	Construction of information networks and the provision of IT technical support services
埃力生阿一鮑魚酒家（上海）有限公司 (note (e))	PRC	US$200,000	**51**	51	Restaurant operations
溫州阿一鮑魚酒家有限公司 (note (g))	PRC	RMB1,000,000	**24.7@**	24.7@	Restaurant operations

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
廣州市東山區富臨飯店 (note (i))	PRC	RMB220,000	**24.7@**	24.7@	Restaurant operations
衝浪平台(中國)軟件技術有限公司 (note (e))	PRC	US$3,000,000	**55.1**	56.3	Sale of computer software and the provision of related services

@ These entities are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over the entities.

Notes:

(a) Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

(b) Acquired by the Company during the year. Further details of the acquisition are included in note 32(a) to the financial statements.

(c) Directly held by the Company.

(d) Set up during the year.

(e) Registered as wholly-foreign-owned enterprises under the PRC law.

(f) Registered a Sino-foreign joint venture under the PRC law.

(g) Registered as limited liability companies under the PRC law.

(h) Acquired by the Company during the year. Further details of the acquisition are included in note 32(b) to the financial statements.

(i) Registered as a co-operative joint-stock enterprise under the PRC law.

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

18. INTERESTS IN ASSOCIATES

	Group 2005 HK$'000	Group 2004 HK$'000
Share of net assets	**2,129**	140
Due from an associate	**15,366**	14,813
	17,495	14,953
Less: Provision against an amount due from an associate	**(4,974)**	(474)
	12,521	14,479

The balance with the associate is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of this balance approximates to its fair value.

Particulars of the principal associates, all of which are indirectly held by the Company, are as follows:

Name	Particulars of issued shares held	Place of registration/ incorporation and operations	Percentage of ownership interest attributable to the Group 2005	Percentage of ownership interest attributable to the Group 2004	Principal activities
Overseas Union Investments Limited	Ordinary shares of HK$1 each	Hong Kong	**50**	50	Investment holding
北京千龍網都科技有限公司	RMB2,500,000	PRC	**25**	25	Sale of IT products
北京得來速科技服務有限公司	RMB200,000	PRC	**20**	20	Design of telephone ordering systems
北京北控電信通智能科技有限公司 (note)	RMB2,500,000	PRC	**25**	–	Provision for system integration services

Note: Set up during the year.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

18. INTERESTS IN ASSOCIATES (continued)

The Group has discontinued the recognition of its share of losses of 北京千龍網都科技有限公司 because the share of losses of this associate exceeded the Group's interest in the associate. The Group's unrecognised share of losses of this associate for the current year and cumulatively was HK$550,000 (2004: Nil).

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

	2005	2004
	HK$'000	*HK$'000*
Total assets	**51,909**	26,627
Total liabilities	**23,685**	37,278
Revenues	**11,104**	629
Net loss for the year	**(4,403)**	(4,414)

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**42,514**	43,586
Goodwill on acquisition	**23,067**	23,067
Due from a jointly-controlled entity	**2,135**	498
	67,716	67,151

The balance with the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of this balance approximates to its fair value.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal jointly-controlled entities, all of which are indirectly held by the Company, are as follows:

Name	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
北京教育信息網服務中心有限公司	PRC	36	50	36	Provision of information network services
北京市政交通一卡通有限公司(「一卡通」)	PRC	43	44.4	43	Operations of contactless multipurpose electronic payment cards

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

The following table illustrates the summarised information of the Group's jointly-controlled entities:

	2005 *HK$'000*	2004 *HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**39,982**	41,295
Non-current assets	**88,029**	67,747
Current liabilities	**(21,411)**	(9,881)
Non-current liabilities	**(64,086)**	(55,575)
Net assets	**42,514**	43,586

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Share of the jointly-controlled entities' results:

	2005	2004
	HK$'000	*HK$'000*
Turnover	**19,829**	15,953
Other revenue	**373**	647
Total revenue	**20,202**	16,600
Total expenses	**(20,234)**	(16,625)
Tax	**(232)**	(91)
Loss after tax	**(264)**	(116)

The amount of goodwill in the consolidated balance sheet arising from the acquisition of a jointly-controlled entity, 一卡通, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Cost and carrying amount at 1 January and 31 December	**23,067**	23,067

Impairment testing of goodwill

The recoverable amount of the jointly-controlled entity, 一卡通, has been determined based on a value in use calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by senior management. A five-year period is used in the forecast because the business requires the establishment of a sophisticated IT infrastructure and it is expected that the business can generate revenue in the long term. The discount rate applied to cash flow projections is 10%, which reflects specific risks relating to the industry of which 一卡通 is operated. Other assumptions used in the forecast include the penetration rate of the multipurpose electronic payment cards and the rollout plan for the use of the payment cards in the public transportation system. The values assigned to the key assumptions are consistent with external information sources.

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2005 HK$'000	2004 HK$'000
Unlisted equity investments, at cost	**1,415**	1,415
Provision for impairment	**(206)**	(107)
Exchange realignment	**23**	–
	1,232	1,308
Golf club debenture, at fair value	**651**	651
Exchange realignment	**13**	–
	664	651
	1,896	1,959

The Group's unlisted equity investments are measured at cost. Their fair values cannot be measured reliably because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

21. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Materials	**66,827**	76,395

22. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	Group 2005 HK$'000	2004 HK$'000
Amounts due from customers for contract works	**7,585**	5,575
Amounts due to customers for contract works	**(14,074)**	(8,359)
	(6,489)	(2,784)
Contract costs incurred plus recognised profits less recognised losses to date	**8,631**	15,385
Less: Progress billings	**(15,120)**	(18,169)
	(6,489)	(2,784)

23. TRADE AND BILLS RECEIVABLES

	Group 2005 HK$'000	2004 HK$'000
Due from third parties:		
Trade receivables	**194,547**	259,370
Bills receivables	**601**	924
	195,148	260,294
Due from a jointly-controlled entity	**3,251**	3,952
Due from related companies	**16,845**	25,079
	215,244	289,325
Portion classified as current assets	**(182,042)**	(220,015)
Long term portion	**33,202**	69,310

The balances with the jointly-controlled entity and related companies are unsecured, interest-free and have no fixed terms of repayment.

The various Group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. Certain customers are allowed to settle the construction contract sum by three annual instalments. An aged analysis of trade receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade and bills receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at balance sheet date, based on the payment due date and net of impairment, is as follows:

	Group 2005 HK$'000	2004 HK$'000
Current and within 3 months	**177,682**	228,518
4 to 6 months	**4,022**	616
7 to 12 months	**12,668**	40,344
Over 1 year	**20,872**	19,847
	215,244	289,325

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**5,171**	6,504	**420**	24
Deposits and other receivables	**54,214**	58,904	**174**	296
Due from subsidiaries	**–**	–	**74,805**	64,765
Due from fellow subsidiaries	**2,488**	2,455	**732**	732
Due from an associate	**4**	–	**–**	–
Due from related companies	**9,400**	23,437	**–**	–
Due from minority shareholders	**24**	3,165	**–**	–
	71,301	94,465	**76,131**	65,817
Portion classified as current assets	**(63,755)**	(75,640)	**(76,131)**	(65,817)
Long term portion	**7,546**	18,825	**–**	–

The balances with subsidiaries, fellow subsidiaries, associate and minority shareholders are unsecured, interest-free and have no fixed terms of repayment, except for two of the amounts due from subsidiaries of HK$5,769,000 which bear interest at 4.5% per annum and are repayable in 2006 and HK$34,643,000 which bear interest at 4.75% per annum. Certain balances with related companies are repayable by instalment up to the year 2008.

25. TRADE AND BILLS PAYABLES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Due to third parties:		
Trade payables	**40,594**	55,975
Bills payable	**18,137**	40,753
	58,731	96,728
Due to a jointly-controlled entity	**1,016**	–
Due to associates	**2,892**	–
	62,639	96,728

The balances with the jointly-controlled entity and associates are unsecured, interest-free and have no fixed terms of repayment.

The trade payables are non-interest-bearing and normally settled on 30 to 90 days.

25. TRADE AND BILLS PAYABLES (continued)

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within 3 months	**47,754**	88,924
4 to 6 months	**2,332**	192
7 to 12 months	**3,038**	1,646
Over 1 year	**9,515**	5,966
	62,639	96,728

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**40,331**	42,492	**1,240**	1,170
Accruals	**41,299**	30,834	**1,439**	1,642
Due to an intermediate holding company	**50,623**	–	**50,623**	–
Due to a subsidiary	**–**	–	**2,001**	–
Due to a jointly-controlled entity	**49**	10	**–**	–
Due to an associate	**12**	–	**–**	–
Due to related companies	**2,990**	2,433	**–**	–
Due to minority shareholders	**11,198**	11,885	**–**	–
	146,502	87,654	**55,303**	2,812

The balances with the intermediate holding company, subsidiary, jointly-controlled entity, associate, related companies and minority shareholders are unsecured, interest-free and have no fixed terms of repayment, except for an amount due to an intermediate holding company of HK$50,000,000 which bears interest at 4% per annum and is repayable in 2006.

Other payables are non-interest-bearing and have an average term of 3 to 6 months.

27. BANK LOANS

	Effective interest rate	Maturity	Group 2005 HK$'000	Group 2004 HK$'000	Company 2005 HK$'000	Company 2004 HK$'000
Current						
Bank overdrafts						
– unsecured	Prime – 1%	On demand	**8,068**	13,576	**8,068**	13,576
Bank loans						
– unsecured						
In United States dollars	LIBOR + 1.2%	2006	**–**	38,026	**–**	38,026
In Renminbi	5% – 7%	2006	**99,038**	144,339	**–**	–
			99,038	182,365	**–**	38,026
Bank loans						
– secured						
In Hong Kong dollars	Prime – 1.25%	2006	**–**	1,421	**–**	1,421
In Singaporean dollars	SIBOR + 0.25%	2006	**508**	522	**–**	–
In Renminbi	5.36%	2006	**673**	–	**–**	–
			1,181	1,943	**–**	1,421
			108,287	197,884	**8,068**	53,023
Non-Current						
Bank loans						
– secured						
In Singaporean dollars	SIBOR + 0.75%	2012	**4,020**	4,324	**–**	–
			112,307	202,208	**8,068**	53,023

	Group 2005 HK$'000	Group 2004 HK$'000	Company 2005 HK$'000	Company 2004 HK$'000
Analysed into amounts repayable:				
Within one year	**108,287**	197,884	**8,068**	53,023
In the second year	**566**	542	**–**	–
In the third to fifth years, inclusive	**1,877**	1,772	**–**	–
After five years	**1,577**	2,010	**–**	–
	112,307	202,208	**8,068**	53,023

27. BANK LOANS (continued)

Certain of the Group's banking facilities are secured by:

(i) the Group's leasehold land and buildings which had an aggregate net book value at the balance sheet date of HK$45,732,000 (2004: HK$49,147,000);

(ii) the Group's bank deposits at the balance sheet date of HK$499,000 (2004: HK$10,596,000); and

(iii) the Group's properties held for sale which had an aggregate carrying value of HK$1,250,000 at 31 December 2004.

The carrying amounts of the Group's and the Company's borrowings approximate to their fair values.

28. DEFERRED TAX

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

	Decelerated tax depreciation	**Impairment of trade receivables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January and 31 December 2004	–	–	–
Deferred tax credited to the income statement during the year (note 10)	119	600	719
Exchange realignment	2	12	14
At 31 December 2005	**121**	**612**	**733**

The Group has tax losses arising in Hong Kong and Singapore of HK$135,298,000 (2004: HK$120,184,000) that are available indefinitely, and in Mainland China of HK$31,467,000 (2004: HK$17,153,000) that are available for a maximum of five years, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

At 31 December 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint-controlled entities.

29. SHARE CAPITAL

	Company 2005 HK$'000	2004 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$1 each	**1,000,000**	1,000,000
Issued and fully paid:		
493,981,150 ordinary shares of HK$1 each	**493,981**	493,981

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") to give executives and key employees of the Group an interest in preserving and maximising shareholders' value in the longer term, to enable the Company and the relevant subsidiaries to attract and retain individuals with experience and ability and to reward individuals for future performance. Eligible participants of the Scheme include the executive directors and employees of the Company or any of its subsidiaries. The Scheme became effective on 18 June 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date on which the offer of the share options is accepted or on the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

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

30. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant		Number of share options		
Directors	Notes	**At 1 January 2005**	**Forfeited during the year**	**At 31 December 2005**
Mr. Li Kangying#	(b)	2,700,000	–	2,700,000
Mr. E Meng	(a)	1,600,000	–	1,600,000
	(b)	1,200,000	–	1,200,000
		2,800,000	–	2,800,000
Mr. Cao Wei#	(b)	2,500,000	–	2,500,000
Mr. Ng Kong Fat, Brian	(a)	2,300,000	–	2,300,000
	(b)	1,200,000	–	1,200,000
		3,500,000	–	3,500,000
Mr. Zhao Jifeng*		2,800,000	(2,800,000)	–
Other employees	(a)	4,240,000	(180,000)	4,060,000
	(b)	12,500,000	–	12,500,000
		16,740,000	(180,000)	16,560,000
		31,040,000	(2,980,000)	28,060,000

Mr. Li Kangying and Mr. Cao Wei were appointed as directors on 15 March 2005.

* Mr. Zhao Jifeng resigned as a director on 15 March 2005.

Notes:

(a) These options were granted on 19 June 2001 at an exercise price of HK$1.13 per share. The options can be exercised in two or three equal portions. The first portion is exercisable at any time commencing on 1 January 2002, and each further portion becomes exercisable at any time commencing on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 26 June 2006.

(b) These options were granted on 18 January 2002 at an exercise price of HK$1.00 per share. The options can be exercised in three equal portions. The first portion is exercisable at any time commencing on 18 January 2002, and each further portion becomes exercisable at any time commencing on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 17 January 2007.

30. SHARE OPTION SCHEME (continued)

No share options were exercised during the year. At the balance sheet date and the date of approval of these financial statements, the Company had 28,060,000 share options outstanding under the Scheme, which represented approximately 5.7% of the Company's shares in issue. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 28,060,000 additional ordinary shares of the Company and additional share capital of HK$28,060,000 and share premium of HK$1,035,000 (before issue expenses).

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 26 of the financial statements.

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Group's subsidiaries in the PRC has been transferred to PRC reserve funds which are restricted as to use.

(b) Company

	Asset revaluation reserve *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2004	33,643	(111,015)	(77,372)
Profit for the year	–	7,763	7,763
Transfer to accumulated losses	(922)	922	–
At 31 December 2004	32,721	(102,330)	(69,609)
Loss for the year	–	(16,468)	(16,468)
Transfer to accumulated losses	(922)	922	–
At 31 December 2005	**31,799**	**(117,876)**	**(86,077)**

32. BUSINESS COMBINATIONS

(a) Acquisition of Asren Holdings Limited ("Asren")

On 7 December 2005, Go Good Holdings Limited, a non-wholly-owned subsidiary of the Group, acquired a 51% equity interest in Asren from independent third parties. The purchase consideration for the acquisition was in the form of 84,134,616 new shares of Xteam Software International Limited at its market price of HK$0.058 per share on 7 December 2005 and promissory note amounting to HK$9,615,000 issued by the Group to Asren.

(b) Acquisition of 北京博大電信通網絡技術有限公司(“北京博大”)

On 1 January 2005, the Group acquired from independent third parties a 51% equity interest in 北京博大 for a cash consideration of approximately HK$3,849,000.

The fair values of the identifiable assets and liabilities of Asren and 北京博大 acquired as at the dates of acquisition and the corresponding carrying amounts immediately before the acquisitions were as follows:

	Notes	Fair value recognised on acquisitions and carrying amount **2005** ***HK$'000***	 2004 *HK$'000*
Property, plant and equipment	13	**72**	2,849
Cash and bank balances		**6,850**	4,969
Trade receivables		**9**	3,078
Inventories		**25**	2,496
Other receivables, prepayments and deposits		**10,007**	7,386
Trade payables		**–**	(2,201)
Other payables and accruals		**(2,813)**	(11,280)
Minority interests		**(7,633)**	(7,749)
		6,517	(452)
Goodwill on acquisition	15	**7,372**	6,060
		13,889	5,608

32. BUSINESS COMBINATIONS (continued)

	2005	2004
	HK$'000	*HK$'000*
Satisfied by:		
Cash	**3,849**	1,546
Promissory note	**9,615**	–
Costs associated with the acquisition	**425**	4,062
	13,889	5,608

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

Cash paid	**(4,274)**	(5,608)
Cash and bank balances acquired	**6,850**	4,969
Net cash inflow/(outflow)	**2,576**	(639)

Since the acquisition, Asren and 北京博大 contributed HK$3,319,000 to the Group's turnover and HK$355,000 of net profit to the Group's consolidated loss for the year ended 31 December 2005.

Had the combination taken place at the beginning of the year, there would have been no significant impact on the revenue from continuing operations of the Group and the loss of the Group for the year.

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2005	2004
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**222,456**	265,284

At 31 December 2005, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$100,681,000 (2004: HK$189,190,000).

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**1,968**	1,964
In the second to fifth years, inclusive	**756**	1,600
	2,724	3,564

34. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties, restaurant premises and staff quarters under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 10 years. Under certain lease agreements for the restaurant premises, contingent rentals in excess of the minimum lease payments are payable if the turnover of such restaurants reaches the pre-determined level.

At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**22,635**	19,449	**297**	324
In the second to fifth years, inclusive	**28,320**	33,196	**–**	297
After five years	**2,627**	5,645	**–**	–
	53,582	58,290	**297**	621

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group's share of the jointly-controlled entities' own capital commitments is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Contracted, but not provided for	**22,797**	25,702

36. PLEDGE OF ASSETS

Details of the Group's borrowings secured by the assets of the Group are set out in note 27 to the financial statements.

Bank deposits of HK$3,113,000 (2004: HK$13,595,000) were pledged as guarantees for tenders and contracts.

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	Group 2005 HK$'000	2004 HK$'000
Interest expense on loan from an intermediate holding company	(i)	**623**	–
Subcontracting fees paid to an associate	(ii)	**4,686**	–
Jointly-controlled entities:			
Sale of products	(iii)	**5,157**	9,689
Purchases of products	(iii)	**1,457**	–
Entities in which directors of the Group have beneficial interests:			
Sales of products		**–**	1,094
Service income		**–**	1,132
Provision against an amount due from a minority shareholder		**3,365**	–

Notes:

(i) The interest expense on loan from an intermediate holding company was charged at 4% per annum on the outstanding loan principal.

(ii) The subcontracting fees paid to an associate were determined with reference to fees charged by third parties.

(iii) The sale to and purchases from related parties were priced at the estimated market prices.

(b) Compensation of key management personnel of the Group:

	2005 HK$'000	2004 HK$'000
Short term employee benefits	**7,391**	6,720
Post-employment benefits	**179**	103
Total compensation paid to key management personnel	**7,570**	6,823

Further details of directors' emoluments are included in note 8 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits and interest-bearing loans. These financial instruments are used for the Group's working capital. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's exposure to the risk of change in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

Foreign currency risk

The sale and purchases made by each subsidiary of the Group are conducted in the local currencies and hence, the Group's transactional currency exposure is minimal.

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group places its cash deposits with major international banks in Hong Kong and South East Asia, and state-owned banks in Mainland China. This investment policy limits the Group's exposure to concentrations of credit risk.

Since the Group trades only with recognised and creditworthy third parties, there is usually no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and loans from an intermediate holding company.

39. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, opening balance adjustments have been made to conform with the current year's presentation and accounting treatment.

40. APROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 April 2006.

FIVE YEAR FINANCIAL SUMMARY

31 December 2005

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	2005	2004	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**531,298**	531,848	481,345	387,377	221,791
Profit/(loss) before tax	**(25,450)**	31,719	32,796	18,611	(3,078)
Tax	**(3,088)**	(2,800)	(522)	2,284	(1,119)
Profit/(loss) for the year from continuing operations	**(28,538)**	28,919	32,274	20,895	(4,197)
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**–**	–	–	–	3,639
Profit/(loss) for the year	**(28,538)**	28,919	32,274	20,895	(558)
Attributable to:					
Equity holders of the parent	**(35,042)**	14,886	21,721	15,416	(1,600)
Minority interests	**6,504**	14,033	10,553	5,479	1,042
	(28,538)	28,919	32,274	20,895	(558)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**855,033**	948,473	842,277	700,372	583,189
Total liabilities	**(338,473)**	(397,395)	(330,360)	(285,022)	(193,409)
Minority interests	**(80,543)**	(71,067)	(49,742)	(18,487)	(6,729)
	436,017	480,011	462,175	396,863	383,051