KADER HOLDINGS COMPANY LIMITED

(Stock Code : 180)

ANNUAL REPORT 2005

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:
Kenneth Ting Woo-shou, JP *(Managing Director)*
Ivan Ting Tien-li

Non-executive Directors:
Dennis Ting Hok-shou, OBE, JP *(Chairman)*
Moses Cheng Mo-chi, GBS, OBE, JP

Independent Non-executive Directors:
Liu Chee-ming
Floyd Chan Tsoi-yin
Andrew Yao Cho-fai

COMPANY SECRETARY
Tang Yu-ming

AUDIT COMMITTEE
Liu Chee-ming *(Chairman)*
(Independent Non-executive Director)
Moses Cheng Mo-chi
(Non-executive Director)
Floyd Chan Tsoi-yin
(Independent Non-executive Director)
Andrew Yao Cho-fai
(Independent Non-executive Director)

REMUNERATION COMMITTEE
Kenneth Ting Woo-shou *(Chairman)*
(Executive Director)
Floyd Chan Tsoi-yin
(Independent Non-executive Director)
Andrew Yao Cho-fai
(Independent Non-executive Director)

AUTHORISED REPRESENTATIVES
Kenneth Ting Woo-shou
Ivan Ting Tien-li

QUALIFIED ACCOUNTANT
Tang Yu-ming

SOLICITORS
P.C. Woo & Co.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
22 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL BANKERS
Liu Chong Hing Bank Limited
KBC Bank N. V.
Citic Ka Wah Bank Limited
Hang Seng Bank Limited

AUDITORS
KPMG
Certified Public Accountants

PRINCIPAL REGISTRARS
The Bank of Bermuda Limited
6 Front Street
Hamilton 5-31
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of Kader Holdings Company Limited (the "Company") will be held at 12/F, 22 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong on Tuesday, 6th June, 2006 at 10:30 a.m. for the following purposes:–

1. To receive and consider the Audited Financial Statements and Reports of the Directors and Auditors for the year ended 31st December, 2005.

2. To elect directors and fix their remuneration.

3. To appoint auditors and authorise the directors to fix their remuneration.

4. As special business to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:–

   (A) **"THAT:–**

   (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period of all powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to repurchase such shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

   (b) the aggregate nominal amount of shares of the Company repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval be limited accordingly; and

   (c) for the purposes of this Resolution:

   "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:–

   (i) the conclusion of the next annual general meeting of the Company;

   (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

   (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

Notice of Annual General Meeting *(Continued)*

(B) **"THAT:–**

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period of all the powers of the Company to allot and issue shares in the capital of the Company or securities convertible into such shares, or options, warrants or similar rights to subscribe for any shares of the Company or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to subscribe for shares in the Company; or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in the Company in lieu of the whole or part of a dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed the aggregate of 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval be limited accordingly;

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register of members on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(C) **"THAT** conditional upon the passing of Resolutions No. 4(A) and 4(B) set out in the notice of the meeting of which this Resolution forms part, the general mandate granted under Resolution No. 4(B) above be extended by the addition of an amount representing the aggregate nominal amount of shares repurchased by the Company pursuant to and in accordance with the said Resolution No. 4(A) to the aggregate nominal amount of shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with the said Resolution No. 4(B)."

By Order of the Board
Tang Yu-ming
Company Secretary

Hong Kong, 19th April, 2006

Notes:

(1) A member entitled to attend and vote at the meeting convened by this Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.

(2) To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, shall be deposited at the principal place of business of the Company at 22 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting.

(3) An explanatory statement giving the details of item no. 4 of this Notice in relation to the proposed grant of general mandates to repurchase shares and to issue and allot shares of the Company will be sent to shareholders of the Company together with the 2005 Annual Report.

Chairman's Statement

I have pleasure in presenting to our shareholders the annual report of Kader Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2005.

On behalf of the Board of Directors of the Company (the "Board"), I am pleased to report that 2005 represented a year of growth for the Company. The profit attributable to shareholders in the financial year of 2005 is approximately HK$80.35 million, representing a healthy increase of 107.33% over the last year's restated figure of HK$38.75 million. The Group's turnover for the financial year ended 31st December, 2005 amounted to approximately HK$539.81 million, representing an increase of 7.72% over that reported in the last financial year.

In pursuing a prudent financial management strategy, the Board has resolved not to recommend any payment of dividend to the shareholders for the financial year under review.

Year 2005 was a fruitful year for Hong Kong's exporters. The economic recovery continued to gain momentum. Global economic growth, the continuous bloomy economy in America and Europe, as well as the vibrant economic growth of the PRC, all contributed to the robust export performance and thus favorably impact Hong Kong's economy.

In year 2005, the performance of Hong Kong's external trade has been exceptionally satisfactory. Total exports posted a substantial growth of 11.4% in 2005, while real GDP rose by 7.3%. This remarkable performance was achieved from a sustained growth of private spending and investment. For 2006, the economic growth is expected to moderate a little bit, but still forecasted for a 4% to 5% increase in GDP.

The Group has been well benefited from the booming property market in Hong Kong and globally, in terms of both the rental income improvement and capital appreciation on its investment properties. The outlook of Hong Kong and global property market is encouraging and we expect the Group's financial position will be further strengthened.

Looking ahead, basic local economic conditions are improving; interest rates become stable and unemployment rate continues to drop gradually. The Financial Secretary has just delivered a fiscal surplus in his speech made in March 2006. All these bring in promising prospects for manufacturers, further strengthening Hong Kong's position as the world's second largest toy exporter.

It was with much regret that Mr. Patrick Leung Shing-cheung has resigned as executive director and company secretary of the Company, effective 4th April, 2006. I would like to express my sincere thanks to Mr. Leung for his invaluable contribution during his service on the Board. At the same time, I welcome Mr. Ivan Ting Tien-li who has succeeded Mr. Leung to be the executive director of the Company, and Mr. Tang Yu-ming who has succeeded Mr. Leung to be the company secretary.

On behalf of the Board, I would like to take this opportunity to express our appreciation to our employees for their continuing dedication and commitment to the Group. I also take this opportunity to express our sincere thanks to our customers and shareholders for their invaluable and continuing confidence and support to the Group.

Dennis Ting Hok-shou
Chairman

Hong Kong, 19th April, 2006

Management Discussion and Analysis

RESULTS

The Board of Directors has much pleasure to announce that the profit attributable to shareholders in the financial year of 2005 is approximately HK$80.35 million, representing an increase of 107.33% over the last year's restated figure of HK$38.75 million. The Group's turnover for the financial year ended 31st December, 2005 amounted to approximately HK$539.81 million, representing an increase of 7.72% over that reported in the last financial year.

The profit from operations before tax for the year 2005 amounted to HK$102.42 million, which included valuation gain of investment property amounted to HK$58.28 million, as compared to last year's restated figures of HK$86.97 million and HK$52.76 million respectively. In addition, the share of profits of associates for the year 2005 amounted to HK$10.89 million, as compared to the last year's loss of HK$11.43 million.

During the year under review, though operating conditions remained harsh, the Group succeeded in achieving a remarkable performance through enhancing its competitiveness in terms of productivity, quality, reliability and delivery. The Group is best known for producing high-quality toys. Our success in shifting towards high value added products had contributed to the outstanding performance. Moreover, the booming in the global property markets further improved the Group's financial position in its property investment business.

BUSINESS REVIEW

Toys

The turnover for the OEM/ODM toys business for the year ended 31st December, 2005 amounted to HK$161.59 million, representing a mild increase of 2.89% as compared to the corresponding period of last year.

During the year under review, competition remained keen and operating conditions remained tough, especially with the continuous increase and volatility of raw material prices that adversely affected the profitability. However, the Group has managed to strengthen production and financial management, and expanded high value added business to improve the profit margin. Eventually, the bottom line of the Group's OEM/ODM toys business continued to improve.

The Group will follow its on-going strategy of developing and enhancing high value added products. The worldwide mega-trend is to integrate electronics and new technology with toys, thus the Group will invest more in research and development to develop innovative toys that captures the high margin market segment. On the other hand, great efforts will be placed in the area of maintaining close contact with large buyers and to keep abreast of market trends, expanding business networks, and exploring market opportunities.

Management Discussion and Analysis *(Continued)*

Model Trains

During the year under review, the model trains section continued to achieve good performance. Turnover in model trains amounted to HK$353.73 million, representing an increase of 10.68% as compared to last year.

The Group was making continuous efforts on enhancing quality, developing innovative products, expanding accessories and promoting product image and brand names, which further strengthened the Group's leading position in the model train industry. Our own brand name product lines, Bachmann Branchline, Graham Farish and Lilliput, continued to be well received in the field of model train collectors both in Europe and America. At the same time, operational efficiency and cost control has been seriously reviewed. As a result, the profit margin was remarkably increased.

Looking ahead, the Group's major focus will still be putting on research and development. One of our missions is to develop high quality products with creative ideas. Following the successful launch of Digital Command Control ("DCC") model train series in recent years, the product development team has managed to bring in the latest technology to further enhance our new DCC lines. The Group will continue to enrich our product lines and expand the variety of accessories to strengthen its business growth.

Recently the Group has tried to penetrate into the Japan market. Initial response is promising. With global growing demand for collectibles, the Group is anticipating that year 2006 will be another promising year for the Group's model train business development.

Property Investment

During the year under review, the rental income of the Group has slightly increased by 1.54% as compared to last year. Moreover, the Group recorded a revaluation gain on its investment properties amounted to HK$58.28 million.

Prosperity of the rental market in the East Kowloon district has contributed much to this improvement. As a result, the occupancy rate of the Group's major investment property, Kader Building, has increased to 93% as at the year end, as compared with 85% last year.

The rental market for commercial/industrial buildings in the East Kowloon district remains strong. With both the occupancy rate and the rental rate continuing to increase, the Board is optimistic that rental income of the Kader Building will be further improved upon the renewal of leases in the coming year.

During the year under review, global property markets were encouraging. Taking the opportunity, the Group had succeeded in disposing its rental properties in Canada, which was further strengthening the liquidity position of the Group.

Besides, the Group also realised a gain of approximately HK$2.05 million on disposing an investment property in Shenzhen, PRC before the expiry of the land use right.

Investment Holding

Following settlement of the litigation arising from the termination of the agency relating to the management of the Resort at Squaw Creek (the "Resort"), the Group's major investment in the United States, a real estate and hospitality group was admitted to the ownership and a new hotel operator was appointed to manage the Resort in April 2004.

During 2004, the ownership conducted a feasibility study on the opportunity for the condominium sale of the existing hotel guest rooms and decided to convert the Resort to a condominium hotel pursuant to which the guest rooms are structured as separate condominium units, which were marketed and sold to individual owners. The condominium owners will then contribute their unit to a rental program managed by the hotel operator.

The initial condominium sale was successfully launched in March 2005 and over 60% of the units were sold on the first day of the launch. As at 31st December, 2005, over 80% of the units were sold.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2005, the Group's current ratio was 1.01 (2004 restated: 0.99). The Group's total bank borrowings were reduced from approximately HK$214.17 million as reported last year to approximately HK$190.97 million as at year end. The financial gearing of the Group, based on the total bank borrowings to the shareholder's equity, was reduced to 31.25% (2004 restated: 42.37%). There is no significant seasonality of borrowing requirements except during peak production period in the second half of the year when the Group's trade loans will be comparatively higher.

Capital Structure

During the year ended 31st December, 2005, there were no changes in the Company's share capital. The Group's capital instruments were mainly composed of bank loans and directors' support, which were denominated in HK Dollars, Sterling Pounds and US Dollars at prevailing market rates.

Charges on Group Assets

As at 31st December, 2005, certain investment properties, leasehold land and buildings and other assets of the Group valued at approximately HK$732.76 million (2004: HK$659.59 million) were pledged to banks to secure banking facilities granted to the Group.

Material Acquisitions and Disposals

Other than the disposal of certain investment properties mentioned above, there are no material acquisitions and disposals during the year ended 31st December, 2005. At the moment, there are no major plans for acquiring substantial investments or capital assets.

Management Discussion and Analysis *(Continued)*

Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated either in Sterling Pounds, U.S. Dollars, Canadian Dollars, Renminbi Yuan or Hong Kong Dollars. During the year under review, the majority of the Group's sales proceeds were in Hong Kong Dollars, U.S. Dollars and Sterling Pounds while the majority of its raw materials and equipment purchases were required to be settled in HK Dollars. As such, the Group was facing a certain degree of exchange risk, mainly in Sterling Pounds. Efforts were taken to hedge against various transactions in foreign currency, so as to minimize possible exchange risk. During the year 2005, the Group recorded an aggregate exchange loss of approximately HK$3.23 million (2004: HK$4.19 million).

Contingent Liabilities

As at 31st December, 2005, the Group did not have any significant contingent liabilities except:–

1. As reported in the Group's 2003 and 2004 Annual Report, an action was commenced in 2003 by a supplier of resin materials (the "Supplier") against a Group company in the Hong Kong High Court for payment of a trading debt amounting to HK$643,980. HK$20,852.50 of this debt has already been paid by the Group company pursuant to a court order. About 75% of the remaining debt is not disputed by the Group company. However, this has not been paid because the court ordered that this action should be tried together with a separate action commenced by the Group company against the same supplier in 2003 for damages amounting to US$590,000 on the basis, inter alia, that bulk resin supplied by the Supplier did not reasonably correspond with the sample first provided and tested by the Group company. The effect of both actions being tried together is that the court will take into account, and set-off, any damages awarded in either action to produce a net result. The trial date was fixed for the third quarter of 2006. The directors believe the Group will not suffer any material loss as a result of these actions. Meanwhile, the Group has made adequate provisions on the anticipated legal costs to be incurred.

2. As reported in the Group's 2004 Annual Report, during the last quarter of 2003, a Mexican company commenced a law suit in the State of Arizona against the Company on the ground that the Company is a guarantor for a Lease Agreement of factory premises occupied by Siempre Novedoso De Mexico (Sinomex) S.A. de C.V. ("Sinomex") as tenant (the "Litigation"). Sinomex was a member company of the Group at that time and it was disposed of in 1996. The plaintiffs allege claimed against Sinomex and the Company of approximately US$5,000,000 for unpaid obligations of Sinomex under such Lease Agreement plus interest (in the amount of 2% per month, or 24% annually), court costs and attorney fees.

   In 2004, the Company filed a Motion to Dismiss the complaint in the Litigation based upon the applicable laws of Arizona and those of the location of the property, Hermosillo, Mexico. In the Motion, the Company primarily argued that the Arizona court did not have sufficient subject matter and personal jurisdiction over the Company under the guarantee for the case to continue in that court, and as such, the case should be dismissed in favour of the Company.

In January 2005, the Arizona court denied the initial motion submitted by the Company. The Company planned to continue to vigorously defend the Litigation, and to assert the defences available to it. This would eliminate or at least significantly reduce the exposure of the Company if those defences proved to be successful.

Having considered the Litigation with the Company's legal counsel, the management and the Board believed that the Company's opposition to the plaintiffs' complaint, and its defenses, including defenses to the amount of damages awardable, were meritorious. As such, the Company intends to continue to vigorously defend the Litigation. On that basis, the Company has not made provision in relation to the claims under the Litigation, while anticipated legal cost has been sufficiently provided for in the year under review.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2005, the Group employed approximately 6,960 (2004: 5,150) full time management, administrative and production staff in Hong Kong SAR, mainland China, the United States and Europe. The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages and supports staff to engage and participate in continuing studies and self-enhancement courses.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the key accounting policies, and discussed auditing, internal controls and financial reporting matters, including a review of the annual results for the year ended 31st December, 2005.

PROSPECTS

Year 2005 was a year of challenge. The Group strived for its goals under harsh operating conditions, and finally achieved promising performance.

During the year, the prices of raw materials such as paper and plastic remained high, interest rates were rising and keen competition remained within the industry. In the PRC, especially the Guangdong Province where the Group's production plant is located, labour and electricity supply remained tight, not to mention the increasingly sophisticated customs and tax rules. All these created production pressure and lifted production costs. However, the Group faced those challenges, exercised stringent cost control and performed well even under such harsh conditions.

Looking ahead, under sound global economic climate, both consumer confidence and business sentiment is good. Locally, the Financial Secretary has delivered to us a fiscal surplus and the unemployment rate is falling. The improvement in basic economic conditions has favorably eased the operating environment for our manufacturing and export-orientated business. All these factors have attributed to an optimistic market outlook in 2006.

Management Discussion and Analysis *(Continued)*

In the coming year, the Group will emphasize on research and development because the world-trend is to focus on innovative products. Therefore, more resources will be allocated to the development of new products. Continuous efforts will be placed on production planning and financial management so as to attain operational efficiency and cost control. The Group will seize every opportunity to penetrate into new and potential markets, like the Japan market. Barring any unforeseen circumstances, the Board remains cautiously optimistic toward the business prospects of the Group.

By Order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 19th April, 2006

Corporate Governance Report

The Board regularly reviews and adopts corporate governance guidelines and developments. Throughout the year under review, the Group has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except the CG Code A.4.2, that requires every director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. Steps are being taken to amend the bye-laws of the Company with a view to ensuring full compliance with the requirements of this CG Code. One of the major steps required is to amend or repeal The Kader Holdings Company Limited Company Act 1990 of Bermuda, which is a private Act pursuant to which the Company was incorporated. The Company has retained a firm of legal advisers in Bermuda to advise on and undertake this exercise.

Apart from the above-mentioned CG Code A.4.2, none of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31st December, 2005, in compliance with the CG Code.

The corporate governance practices adopted by the Group are as follows:–

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the directors' securities transactions. All of the Directors have confirmed, following specific enquiry by the Company, that they were in compliance with the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Board comprises two executive directors (one of whom is the Managing Director), two non-executive directors (one of whom is the Chairman of the Board) and three independent non-executive directors ("INEDs"). The biographical details of all directors of the Company are set out on pages 22 to 25 of this Annual Report.

All non-executive Directors are engaged on a term of service of two years renewable for another two years upon expiry. The Board believes the non-executive directors are well qualified and competent in advising the Group on the business strategy, finance and management issues.

The INEDs are explicitly identified in all corporate communications, and one of them has significant financial and accounting expertise. Moreover, the Board also reviews the independence of INEDs on an annual basis and each INED has confirmed their independence as at the end of 2005.

Corporate Governance Report *(Continued)*

As mentioned above, the Company has taken steps to amend the bye-laws of the Company with a view to ensuring full compliance with the requirements of CG Code A.4.2. Upon the amendment of the bye-laws completes, all directors are subject to re-election by shareholders at the annual general meeting following their appointment and at least every three years on rotation basis. Where vacancies exist at the Board, candidates are proposed and put forward to the Board for consideration and approval. Upon their appointment, the new directors receive a package of orientation materials and attend extensive presentations given by senior executives to review the Group's businesses. Training and information are provided to Directors regularly to help and ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Group carrying out its businesses.

During the year 2005, the Group was seeking an insurance cover to ensure our directors and senior management are protected from any liability arising from the performance of their duties. An insurance policy on directors' and officers' liability was in force as from January 2006.

THE BOARD AND THE MANAGEMENT

The functions normally reserved to the Board are steering the Group on strategic directions; setting up any Board committee for issues the Board deem appropriate; overseeing the effectiveness of the internal control system; evaluating major corporate, strategic and operational issues that have significant impact on the Group; and evaluating major investment opportunities which management has not already identified and/or, if the investment is so major, requires the Board to make a decision.

The management, led by the Managing Director, is responsible for the management and day-to-day operation of the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group. The directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and all applicable disclosure provisions of the Listing Rules. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group has a clear division of responsibilities for its top management and adopts a dual leadership structure where the role of Chairman, Dr. Dennis Ting Hok-shou is separate from that of Chief Executive Officer and Managing Director, Mr. Kenneth Ting Woo-shou. The Chairman is responsible for managing the operations of the Board and to provide leadership for the Board, ensuring that good corporate governance practices and procedures are established and that the Board acts in the best interests of the Company. The Chief Executive Officer is responsible for the running of the Group's business. Dr. Dennis Ting Hok-shou and Mr. Kenneth Ting Woo-shou are brothers.

COMMUNICATION BETWEEN THE BOARD AND THE MANAGEMENT

The Board meets regularly, and at least four times a year. Between scheduled meetings, senior management of the Group provide to the Directors information on a timely basis on the activities and development in the businesses of the Group and when required, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors. The Company Secretary is responsible for communications with Board members.

MEETINGS AND ATTENDANCES

The Board held four meetings in 2005 with an average attendance rate of approximately 93%.

Name of Directors	Title	Attendance
Dennis Ting Hok-shou	Non-executive Chairman	4/4
Kenneth Ting Woo-shou	Managing Director	4/4
Patrick Leung Shing-cheung	Executive Director	4/4
Moses Cheng Mo-chi	Non-executive Director	2/4
Liu Chee-ming	Independent Non-executive Director	4/4
Floyd Chan Tsoi-yin	Independent Non-executive Director	4/4
Andrew Yao Cho-fai	Independent Non-executive Director	4/4

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005 with written Terms of Reference posted on the Company's website. The role and function of the Committee is to make recommendations to the Board on the Company's policy and structure for the remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Currently, the Remuneration Committee is chaired by Mr. Kenneth Ting Woo-shou. Other members of the Committee are Messrs Floyd Chan Tsoi-yin and Andrew Yao Cho-fai.

Corporate Governance Report *(Continued)*

REMUNERATION COMMITTEE *(Continued)*

The Remuneration Committee met once in 2005 to review and approve directors' remuneration. A full attendance was recorded throughout the meeting.

The directors' fees paid to the non-executive directors and the independent non-executive directors are subject to annual review and approval by the Remuneration Committee. Before proposing remuneration packages, the Remuneration Committee is responsible for reviewing all relevant remuneration data and market conditions in addition to considering the performance and responsibility of individual directors as well as the profitability of the Group. The primary objective is to retain and motivate directors by linking their compensation with performance and measure it against corporate goals. However, no director can approve his or her own remuneration.

The emoluments of each of the Directors of the Company for 2005 are set out on pages 71 to 72 of this Annual Report.

NOMINATION OF DIRECTORS

Since the composition of board of directors of the Company is not complicated, during the Board Meeting held on 12th April, 2005, the Board has resolved that "the setting up of a Nomination Committee be postponed and considered by the Board in due course". Currently, there is no Nomination Committee being formed.

Where vacancies exist at the Board or additional director is deemed necessary, the Managing Director is invited to make recommendations to the Board based on criteria endorsed by the Board. The criteria include relevant professional knowledge, proven financial and commercial experience, and personal ethics, of which the Board should consider the appropriateness. Candidates so proposed are then put forward to the Board for consideration and approval.

There was no change in the composition of board members of the Company during the year under review. After the end of the financial year, Mr. Patrick Leung Shing-cheung has resigned as executive director, effective 4th April, 2006. Moreover, Mr. Ivan Ting Tien-li has been appointed as executive director of the Company effective 4th April, 2006.

AUDITORS' REMUNERATION

Each year, the auditors are appointed by resolution of the Annual General Meeting and directors are authorized to fix their remunerations for their auditing services.

The fees for audit and audit related services provided by KPMG for the year ended 31st December, 2005 amounted to HK$1,293,000.

The auditors have not so far performed any significant non-auditing service. Should any non-auditing service be considered to be conducted by our auditors, the Audit Committee would consider that based on the policy developed by them in this regard and would then make recommendations to the Board.

AUDIT COMMITTEE

The Audit Committee was established in 1999. The respective written Terms of Reference are posted on the Company's website.

The Audit Committee comprises three INEDs and one non-executive director. All committee members have appropriate industry and/or financial experience to perform their role in the business of the Audit Committee. Currently, the Committee is chaired by Mr. Liu Chee-ming and the other members of the Committee are Messrs Moses Cheng Mo-chi, Floyd Chan Tsoi-yin and Andrew Yao Cho-fai.

Under its Terms of Reference, the duties of the Audit Committee, amongst other things, shall be to oversee the relationship with the external auditors, to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, to consider any questions of resignation or dismissal of that auditor, and to review with senior management and external auditors on the accounting principles and practices adopted, listing rules and statutory compliances, internal control, related party transactions, risk management and financial reporting matters, including interim and annual financial statements and provide recommendations to the Board.

During the year under review, the Audit Committee has met with the management to review the interim and annual financial statements and to consider key accounting policies, and discussed with the management about the Group's internal control system.

There were two Audit Committee meetings held in 2005, with an average attendance rate of approximately 75%.

Name of Committee Members	Title	Attendance
Liu Chee-ming	Chairman	2/2
Moses Cheng Mo-chi	Committee Member	2/2
Floyd Chan Tsoi-yin	Committee Member	2/2
Andrew Yao Cho-fai	Committee Member	0/2

The Audit Committee members in discharging their responsibilities in its review of financial results, and such their other duties, the audit committee members would monitor integrity of financial statements and the annual report and accounts, half-year report, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the annual report and accounts, half-year report and before submission to the Board, the Audit Committee always focus particularly on:

1. Any changes in accounting policies and practices;

2. Major judgmental areas;

Corporate Governance Report *(Continued)*

AUDIT COMMITTEE *(Continued)*

3. Significant adjustments resulting from audit;

4. The going concern assumptions and any qualifications;

5. Compliance with accounting standards;

6. Compliance with the Listing Rules and other legal requirements in relation to financial reporting; and

7. Any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the senior management.

The Audit Committee would also discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).

In discharging their responsibilities on internal control procedures, the Audit Committee has asked for formal internal control system on Compliance, Operational Control, Financial Control, and Risk Management be set up in writing and, at the appropriate time, would:–

1. Review the financial controls, internal control and risk management systems;

2. Discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

3. Consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

4. Review the draft representation letter prior to approval by the Board;

5. Review the external auditor's management letter and management's response, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

6. Ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and

7. Report to the Board on these matters as deemed appropriate.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the Group's system of internal control and for the assessment and management of risk.

INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

In meeting its responsibility the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk.

The Company has not appointed an internal auditor. Meanwhile, clear policies and procedures are well defined in written internal control manuals on compliance, operational control, financial control and risk management. The written internal control manuals had been tabled before and acknowledged by the Board. Fine-tuning of those manuals is a continuous exercise to cope with changing environment. The policies and processes adopted for the implementation of risk management are monitored and reviewed regularly by appropriate senior management so as to ensure that the above-mentioned categories of risks are effectively managed.

The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies. Business plans and budgets are prepared annually by the management of individual businesses and subject to review and approval by the executive directors. The Board is overall responsible for monitoring the operations of the business within the Group. Monitoring activities include the review and approval of business strategies, budgets, and plans, and the setting of key business performance targets. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

Periodical management and operational meetings were held with executive management teams and senior management of business operations to review business performance against budgets and forecasts.

Currently, appropriate insurance coverage has been arranged to appropriately transfer the financial impact of risk.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

To promote investor relations and communications, regular meetings are held when the interim and annual financial results are announced. Shareholders are encouraged to attend the annual general meeting for which at least 21 days' notice is given. The Chairman and directors are available to answer questions on the Group's businesses at the meeting. All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded.

The Board is committed to providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to dispatching circulars, notices, financial reports to shareholders, addition information is also available to shareholders from the Group's website.

As at 31st December, 2005, the Company had 665,411,594 shares in issue, with par value of HK$0.10 each. Share interests of directors and the chief executives of the Company are disclosed on the Report of the Directors set out on pages 20 to 31 of this Annual Report.

Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The Company is a company incorporated in Bermuda under the Companies Act 1981 with limited liability. The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are the manufacture and sale of plastic, electronic and stuffed toys and model trains, property investment, investment holding and trading.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 12 on the financial statements.

SUBSIDIARIES

Particulars of the Company's major subsidiaries at 31st December, 2005 are set out on pages 104 and 105 of the annual report.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2005.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31st December, 2005 and the state of the Company's and the Group's affairs at that date are set out in the financial statements of pages 33 to 105 of the annual report.

Movements in reserves during the year are set out in note 28 on the financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 107 and 108 of the annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales attributable to the Group's largest suppliers and customers are as follows:

	2005	2004
	%	%
Purchases		
– the largest supplier	**9**	4
– five largest suppliers combined	**19**	16
Sales		
– the largest customer	**18**	10
– five largest customers combined	**36**	29

Except as disclosed under "Directors' Interests in Contracts" below, none of the directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) were interested at any time in the year in the above suppliers or customers.

DONATIONS

Donations made by the Group during the year amounted to HK$81,000 (2004: HK$236,000).

FIXED ASSETS

Movements in fixed assets during the year are set out in note 13 on the financial statements.

PROPERTIES

Particulars of the major properties of the Group are shown on page 106 of the annual report.

BANK LOANS AND OVERDRAFTS AND OTHER BORROWINGS

Particulars of bank loans and overdrafts and other borrowings of the Group at 31st December, 2005 are set out in notes 22 and 25 on the financial statements.

SHARE CAPITAL

There was no change in the authorised and issued share capital during the year.

Report of the Directors *(Continued)*

DIRECTORS

The Board of Directors during the financial year were:

Executive Directors:
Kenneth Ting Woo-shou
Patrick Leung Shing-cheung
(Resigned on 4th April, 2006)

Non-executive Directors:
Dennis Ting Hok-shou
Moses Cheng Mo-chi

Independent Non-executive Directors:
Liu Chee-ming
Floyd Chan Tsoi-yin
Andrew Yao Cho-fai

The following Executive Director was appointed after the end of the financial year:
Ivan Ting Tien-li *(Appointed on 4th April, 2006)*

The Company has received from each of its Independent Non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers its Independent Non-executive Directors to be independent. Members of the Board clearly understand their responsibilities and obligations. Four meetings of the Board were convened during the financial year to review the Group's management accounts, accounting procedures and internal control system, with the attendance of Independent Non-executive Directors.

At the Annual General Meeting, Dr. Dennis Ting Hok-shou and Mr. Floyd Chan Tsoi-yin will retire by rotation in accordance with the Company's Bye-laws 109(A) and 189(ix), and Mr. Ivan Ting Tien-li will retire in accordance with the Company's Bye-laws 109(A) and 189(v) and being eligible, offer themselves for re-election.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Chairman

Dr. Dennis Ting Hok-shou, OBE, JP, aged 72, has been the Non-executive Chairman of the Company since its incorporation in 1989. He has been a director of Kader Industrial Company Limited since 1961.

Dr. Ting has served a number of trade organisations and public committees. At present, he is the President of the Hong Kong Plastics Manufacturers' Association, the Honorary President of the Federation of Hong Kong Industries and the Chairman of the Board of Trustees of Hong Kong Shue Yan College.

Dr. Ting is a director of H.C. Ting's Holdings Limited which is a substantial shareholder of the Company. He is the brother of Mr. Kenneth Ting Woo-shou and uncle of Mr. Ivan Ting Tien-li.

Executive Directors

Mr. Kenneth Ting Woo-shou, JP, aged 63, has been the Managing Director and Chief Executive Officer of the Company since its incorporation in 1989. He has been a director of Kader Industrial Company Limited since 1971 and was appointed the Chairman in 1993. He is responsible for the overall policy and development of the Group.

Mr. Ting currently serves as the Chairman of the Federation of Hong Kong Industries, the Non-executive Director of the Mandatory Provident Fund Schemes Authority, the Chairman of the Vocational Training Council – Plastics Training Board, the President of the Hong Kong Plastics Manufacturers' Association Limited, the Honorary President of the Chinese Manufacturers' Association of Hong Kong and the Honorary President of the Toys Manufacturers' Association of Hong Kong Limited.

He also serves as a member of a number of other trade organisations and public committees such as the Hong Kong General Chamber of Commerce, the Hong Kong Trade Development Council, the Manpower Development Council, the Economic and Employment Council, and the Hong Kong Polytechnic University Court. He also serves as member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (Dong Shan District).

Mr. Ting is a director of H.C. Ting's Holdings Limited which is a substantial shareholder of the Company. He is the brother of Dr. Dennis Ting Hok-shou and father of Mr. Ivan Ting Tien-li.

Mr. Ivan Ting Tien-li *(Appointed on 4th April, 2006)*, aged 31, holds a Bachelor Degree in International Politics and Economics. He has been the Executive Director of Kader Industrial Company Limited, the major subsidiary of the Company since 1998. Apart from this, he also serves as director of certain other subsidiaries of the Company. Mr. Ting currently serves as the Vice Chairman of the Hong Kong Exporters' Association. He is also the Vice Chairman of Young Entrepreneurs' Organization – Hong Kong Chapter. He is the son of Mr. Kenneth Ting Woo-shou, the Managing Director and Chief Executive Officer of the Company, and the nephew of Dr. Dennis Ting Hok-shou, the Non-executive Chairman of the Company.

Mr. Patrick Leung Shing-cheung *(Resigned on 4th April, 2006)*, aged 50, holds a Master's Degree in Business Administration and is an associate member of the Chartered Institute of Management Accountants, the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Bankers and the Institute of Chartered Secretaries and Administrators.

Report of the Directors *(Continued)*

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Non-executive Director

Mr. Moses Cheng Mo-chi, GBS, OBE, JP, aged 56, was appointed as an Independent Non-executive Director of the Company in March 1999, and was re-designated as Non-executive Director of the Company in September 2004. He is the senior partner of P.C. Woo & Co., a firm of solicitors and notaries in Hong Kong, the Chairman of the Council and Court of the Hong Kong Baptist University and the Football Betting and Lotteries Commission. He is also the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Mr. Cheng was appointed a member of the Legislative Council of Hong Kong from 1991 to 1995.

Mr. Cheng serves on the boards of various listed companies both as independent non-executive director and non-executive director.

Independent Non-executive Directors

Mr. Liu Chee-ming, aged 55, has been an Independent Non-executive Director of the Company since June 1998. Mr. Liu is the Managing Director of Platinum Securities Company Limited. Prior to setting up Platinum, Mr. Liu was a member of the Executive Committee of Jardine Fleming Holdings Limited where he had worked for 19 years. He was the head of Corporate Finance Division between 1992 and 1996.

Mr. Liu is an independent non-executive director of StarHub Ltd (listed on the Singapore Exchange Ltd) and L. K. Technology Holdings Limited. He is also a non-executive director of Media Asia Entertainment Group Ltd (listed on the Singapore Exchange Ltd) and a director of Yantai Raffles Shipyard Pte Ltd. He has been a member of the Takeovers Appeal Committee and Takeovers and Mergers Panel of the Securities and Futures Commission in Hong Kong since May 1995.

Mr. Floyd Chan Tsoi-yin, aged 62, is a member of the American Institute of Certified Public Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. He has been a partner of BDO Seidman in the United States for many years. He is the Asia Pacific Regional Coordinator of BDO International and a member of BDO McCabe Lo Limited's executive committee in Hong Kong. He has significant experience in assisting clients in exploring business opportunities in the Asia Pacific region, particularly the Southeast Asian developing countries and the People's Republic of China. He is also closely involved with assisting clients in developing business in North America and Europe and avoiding some of the pitfalls associated with international business. Save as disclosed above, Mr. Chan has not held any other directorship in other listed companies during the past three years or had other major appointments. Mr. Chan joined the Board as Independent Non-executive Director on 30th September, 2004.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Independent Non-executive Directors *(Continued)*

Mr. Andrew Yao Cho-fai, aged 40, graduated from the University of California, Berkeley and Harvard Graduate School of Business, is Chairman & CEO of Van Shung Chong Holdings Ltd ("VSC"), Hong Kong listed company 1001, also the director of iSteelAsia Holdings Limited (now renamed North Asia Strategic Holdings Ltd). He is married with 3 children aged 6 (daughter) and 4 (twin sons).

VSC, founded in 1961, is a leading distributor and processor of quality construction and industrial materials, playing a significant role in the building, the infrastructure development and the manufacturing industries in Hong Kong and Mainland China.

Mr. Yao is the General Committee Member of Federation of Hong Kong Industries and he is also a Member of the Shanghai Municipal Committee of the 10th Session of China People's Political Consultative Conference, Committee Member of the 10th Session of China Youth Federation, Vice Chairman of Shanghai Youth Federation, Director and First Vice Chairman of Hong Kong United Youth Association, Director of Fudan University in Shanghai, Director of Harvard Business School, Chairman of HBS Global Alumni Conference 2004 in Shanghai, Founder of Young President Organization (YPO) Shanghai Chapter, General Committee Member of Young Presidents' Organization (YPO) Hong Kong Chapter. He was awarded "Young Industrialist Awards of Hongkong" in the year of 2004. He is also appointed as a member of the University Court of The University of Hong Kong by the Secretary for Education and Manpower for a period of three years until November 2008.

DIRECTORS' SERVICE CONTRACTS

All Non-executive Directors are engaged on a term of service of two years renewable for another two years upon expiry, and subject to re-election upon retirement by rotation at the forthcoming Annual General Meeting under the Company's Bye-laws 109(A) and 189(ix).

Report of the Directors *(Continued)*

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Share Capital of the Company and the Associated Corporations

The Directors of the Company who held office at 31st December, 2005 had the following interests in the shares of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO:

Interests in the Company

	Number of Ordinary Shares @ HK$0.10 each				
Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total number of shares held	% of total issued shares
Kenneth Ting Woo-shou	94,225,385	586,629 *(i)*	244,175,800 *(ii)*	338,987,814	50.94%
Dennis Ting Hok-shou	9,692,817	275,000 *(iii)*	236,969,800 *(iv)*	246,937,617	37.11%
Patrick Leung Shing-cheung	338	–	–	338	0.00%
Moses Cheng Mo-chi	11,000	–	–	11,000	0.00%
Liu Chee-ming	–	–	1,000,000	1,000,000	0.15%
Floyd Chan Tsoi-yin	–	–	–	–	–
Andrew Yao Cho-fai	–	–	–	–	–

Notes:

(i) The spouse of Mr. Kenneth Ting Woo-shou is the beneficial shareholder.

(ii) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by its substantial shareholder, H.C. Ting's Holdings Limited, in which Messrs. Dennis Ting Hok-shou and Kenneth Ting Woo-shou together have a controlling interest; and 34,504,800 shares of the Company held by its substantial shareholder, Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest.

(iii) The spouse of Dr. Dennis Ting Hok-shou is the beneficial shareholder.

(iv) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by its substantial shareholder, H.C. Ting's Holdings Limited, in which Messrs. Dennis Ting Hok-shou and Kenneth Ting Woo-shou together have a controlling interest; and shares of the Company, DISCLOSURE OF INTERESTS *(Continued)*

Interests in associated corporations

Name of associated corporation	Beneficial interests	Class of shares	No. of shares held Personal Interests	Family Interests	Corporate Interests	% of interests in associated corporation
Allman Holdings Limited	Kenneth Ting Woo-shou	Ordinary shares of US$1.00 each	–	–	920 *(i)*	63.89%
Pacific Squaw Creek, Inc.	Kenneth Ting Woo-shou	Ordinary shares of US$1.00 each	–	–	1,000 *(ii)*	100%
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable *(iii)*	–	–	–	62% *(iv)*
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable *(iii)*	–	–	–	8% *(v)*

Notes:

(i) These interests are held by Tyrol Investments Limited which is wholly owned by Mr. Kenneth Ting Woo-shou.

(ii) These interests are held by Allman Holdings Limited. Mr. Kenneth Ting Woo-shou's beneficial interest in Allman Holdings Limited was disclosed in Note (i) above.

(iii) Squaw Creek Associates, LLC does not have issued share capital, percentage of interest in SCA represents interest in capital account balance.

(iv) These interests are held by Pacific Squaw Creek, Inc., Mr. Kenneth Ting Woo-shou's beneficial interests in Pacific Squaw Creek, Inc. was disclosed above.

(v) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

Report of the Directors *(Continued)*

DISCLOSURE OF INTERESTS *(Continued)*

Interests in associated corporations *(Continued)*

All the interests stated above represent long positions. As at 31st December, 2005, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 31st December, 2005, none of the directors or chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholder's Interests

As at 31st December, 2005, save for certain directors' interests in the share capital of the Company as disclosed above, no other person was recorded in the register kept by the Company under section 336 of the SFO, as having an interest of 5% or more of the issued share capital of the Company.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

The Group has interests in associates, Allman Holdings Limited, Pacific Squaw Creek, Inc. and Squaw Creek Associates, LLC, in which Mr. Kenneth Ting Woo-shou has beneficial interests.

During the year, the Group had dealings in packaging printing with New Island Printing Company Limited ("New Island") which are carried out at arm's length and in the ordinary course of business of the Group. Mr. Kenneth Ting Woo-shou was interested in these transactions as a non-executive director and shareholder of New Island. Purchases from New Island during the year amounted to HK$5.02 million which accounted for approximately 2.2% of the Group's total purchases.

DIRECTORS' INTERESTS IN COMPETING BUSINESS(ES)

During the year and up to the date of this report, Messrs Kenneth Ting Woo-shou and Dennis Ting Hok-shou, Shareholders and Directors of the Company, are considered to have interests in Qualidux Industrial Company Limited, a company engaging in toys manufacturing long before the listing of the Company on The Stock Exchange of Hong Kong Limited, which competes or is likely to compete with the business of the Group pursuant to the Listing Rules.

As the Board of Directors of the Company is independent from the boards of the abovementioned company and none of the above Directors can control the Board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such company.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31st December, 2005, the Group provided certain financial assistance to affiliated companies which is disclosed below in accordance with Chapter 13 of the Listing Rules.

Advances to Affiliated Companies

As at 31st December, 2005, the Company advanced a total sum of HK$78,246,000 to its affiliated companies, the details of which are as follows:–

Affiliated Companies	Interest Rate of Advances	Amount of Advances
		HK$'000
Allman Holdings Limited and its subsidiary	Interest-free	63,066
Hip Wah Industrial (Development) Limited	Interest-free	7,462
The Melville Street Trust	Interest-free	7,718
		78,246

All the said advances were unsecured, repayable on demand and were funded by internal resources and/or bank borrowings and were made for the purpose of providing investment funds and/or working capital.

Report of the Directors *(Continued)*

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES *(Continued)*

Advances to Affiliated Companies *(Continued)*

Set out below is a proforma combined balance sheet of the above affiliated companies as at 31st December, 2005 (being the latest practicable date for determining the relevant figures) required to be disclosed under Chapter 13 of the Listing Rules:–

Proforma Combined Balance Sheet as at 31st December, 2005

	HK$'000
Fixed assets	753,845
Net current assets	69,119
Bank loans and shareholders' loans – long term	(312,412)
Surplus in shareholders' funds	510,552

The aggregate of the Group's advances to affiliated companies as at 31st December, 2005 amounted to HK$78,246,000 which represents approximately 7.4% of the Group's total assets as at 31st December, 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31st December, 2005.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board regularly reviews and adopts corporate governance guidelines and developments. Throughout the year ended 31 December 2005, the Group has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules except that CG Code A.4.2 requires that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Steps are being taken to amend the bye-laws of the Company with a view to ensuring full compliance with the requirements of this CG Code provision. One of the major steps required is to amend or repeal The Kader Holdings Company Limited Company Act 1990 of Bermuda, which is a private Act pursuant to which the Company was incorporated. The Company has retained a firm of legal advisers in Bermuda to advise on and undertake this.

Apart from the above-mentioned non-compliance of CG Code A.4.2, none of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31st December, 2005 in compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Throughout the period under review, all Directors have confirmed, following specific enquiry by the Company, that they were in compliance with the Model Code.

AUDITORS

A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 19th April, 2006

Report of the Auditors

To the shareholders of Kader Holdings Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 33 to 105 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 31st December, 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

Hong Kong, 19th April, 2006

Consolidated Income Statement

For the year ended 31st December, 2005

	Note	2005	2004 (restated)
		HK$'000	HK$'000
Turnover	4&12	**539,814**	501,106
Valuation gains on investment property		**58,279**	52,762
Net gain on disposal of investment property		**216**	–
Other revenue	5(a)	**9,480**	15,734
Other net expense	5(b)	**(3,133)**	(5,281)
Cost of listed investments		**–**	(144)
Changes in inventories of finished goods and work in progress		**(3,273)**	(14,718)
Cost of purchase of finished goods		**(23,206)**	(18,256)
Raw materials and consumables used		**(150,828)**	(150,155)
Staff costs		**(165,005)**	(142,514)
Depreciation expenses		**(32,165)**	(20,812)
Amortisation of land lease premium		**(53)**	(115)
Other operating expenses		**(127,703)**	(130,633)
Profit from operations		**102,423**	86,974
Finance costs	6(a)	**(17,062)**	(13,767)
Share of profits less losses of associates		**10,891**	(11,431)
Profit before taxation	6	**96,252**	61,776
Income tax	7	**(15,905)**	(23,023)
Profit for the year	28	**80,347**	38,753
Attributable to:–			
Equity shareholders of the Company		**80,347**	38,753
Minority interests		**–**	–
Profit for the year		**80,347**	38,753
Earnings per share			
Basic	11(a)	**12.07¢**	5.82¢
Diluted	11(b)	**N/A**	N/A

The notes on pages 42 to 105 form part of these financial statements.

Consolidated Balance Sheet

At 31st December, 2005

	Note	2005	2004 (restated)
		HK$'000	*HK$'000*
Non-current assets			
Fixed assets			
– Investment property	*13*	**504,871**	464,030
– Other property, plant and equipment	*13*	**127,005**	104,035
– Interests in leasehold land held for own use under operating lease	*13*	**920**	4,891
		632,796	572,956
Intangible assets	*14*	**637**	670
Interests in associates	*16*	**161,205**	166,538
Interest in a jointly controlled entity	*17*	**2,536**	–
Other non-current financial assets	*18*	**100**	2,487
Deferred tax assets	*27(b)*	**18,202**	12,444
		815,476	755,095
Current assets			
Inventories	*19*	**116,799**	120,710
Properties held for resale	*20*	**4,509**	1,547
Current tax recoverable	*27(a)*	**1,386**	1,496
Trade and other receivables	*21*	**86,122**	88,744
Cash and cash equivalents	*22*	**36,491**	18,814
		245,307	231,311
Current liabilities			
Trade and other payables	*23*	**(95,775)**	(71,434)
Bank loans and overdrafts	*25*	**(140,485)**	(152,184)
Obligations under finance leases	*26*	**(1,318)**	(1,410)
Current tax payable	*27(a)*	**(4,123)**	(7,930)
		(241,701)	(232,958)
Net current assets/(liabilities)		**3,606**	(1,647)
Total assets less current liabilities carried forward		**819,082**	753,448

Consolidated Balance Sheet *(Continued)*

At 31st December, 2005

	Note	2005	2004 (restated)
		HK$'000	*HK$'000*
Total assets less current liabilities brought forward		**819,082**	753,448
Non-current liabilities			
Interest-bearing borrowings	*24*	**(147,700)**	(212,111)
Rental deposits		**(4,738)**	(5,685)
Obligations under finance leases	*26*	**(2,460)**	(898)
Deferred tax liabilities	*27(b)*	**(51,667)**	(27,721)
Accrued employee benefits		**(1,498)**	(1,531)
		(208,063)	(247,946)
NET ASSETS		**611,019**	505,502
CAPITAL AND RESERVES	*28*		
Share capital		**66,541**	66,541
Reserves		**544,478**	438,961
Total equity attributable to equity shareholders of the Company		**611,019**	505,502
Minority interests		**–**	–
TOTAL EQUITY		**611,019**	505,502

Approved and authorised for issue by the Board of Directors on 19th April, 2006

Kenneth Ting Woo-shou
Director

Ivan Ting Tien-li
Director

The notes on pages 42 to 105 form part of these financial statements.

Balance Sheet

At 31st December, 2005

	Note	2005 HK$'000	2004 HK$'000
Non-current assets			
Investments in subsidiaries	15	**623,454**	620,359
Current assets			
Cash and cash equivalents	22	**287**	19
Current liabilities			
Trade and other payables	23	**(12,392)**	(580)
Net current liabilities		**(12,105)**	(561)
Total assets less current liabilities		**611,349**	619,798
Non-current liability			
Accrued employee benefits		**(98)**	(63)
NET ASSETS		**611,251**	619,735
CAPITAL AND RESERVES	28(b)		
Share capital		**66,541**	66,541
Reserves		**544,710**	553,194
TOTAL EQUITY		**611,251**	619,735

Approved and authorised for issue by the Board of Directors on 19th April, 2006

Kenneth Ting Woo-shou
Director

Ivan Ting Tien-li
Director

The notes on pages 42 to 105 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2005

	Note	2005	2004 (restated)
		HK$'000	HK$'000
Total equity at 1st January			
As previously reported			
– attributable to equity shareholders of the the Company	28	**505,968**	441,532
– minority interests	28	**–**	–
	28	**505,968**	441,532
Prior period adjustments arising from changes in accounting policies	28	**(466)**	15,915
At 1st January, after prior period adjustments	28	**505,502**	457,447
Net (expense)/income recognised directly in equity:			
Exchange differences on translation of the financial statements of foreign entities	28	**(9,835)**	5,313
Surplus on revaluation of investment property, net of deferred tax:			
Attributable to equity shareholders of the Company as previously reported	28		52,322
Prior period adjustments arising from changes in accounting policies under HKAS 40			(52,322)
Surplus on revaluation of investment property, net of deferred tax (2004: as restated)	28	**–**	–
Surplus on revaluation of land and building held for own use, net of deferred tax:			
Attributable to equity shareholders of the Company as previously reported			–
Prior period adjustments arising from changes in accounting policies under HKAS 16 and HKAS 40			586
Surplus on revaluation of land and building held for own use, net of deferred tax (2004: as restated)		**35,005**	586
		25,170	5,899

KADER HOLDINGS COMPANY LIMITED

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31st December, 2005

	Note	**2005**	2004 (restated)
		HK$'000	*HK$'000*
Net profit for the year:			
Attributable to equity shareholders of the Company as previously reported			3,398
Prior period adjustments arising from changes in accounting policies	*2*		35,355
Net profit for the year (2004: as restated)	*2, 28*	**80,347**	38,753
Total recognised income and expense for the year (2004: as restated)			
Attributable to equity shareholders of the Company		**105,517**	44,652
Movement in contributed surplus			
Write off of goodwill	*28*	**–**	3,403
Total equity at 31st December	*28*	**611,019**	505,502
Restatements of total recognised income and expense for the year are attributable to:			
Equity shareholders of the Company			(16,967)
Minority interests			–
			(16,967)
Arising from restatements of:			
Net income recognised directly in equity			(52,322)
Net profit for the year			35,355
			(16,967)

The notes on pages 42 to 105 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December, 2005

	2005	2004
		(restated)
	HK$'000	*HK$'000*
Operating activities		
Profit before taxation	**96,252**	61,776
Adjustments for:		
Valuation gain on investment property	**(58,279)**	(52,762)
Depreciation of fixed assets	**32,165**	20,812
Amortisation of land lease premium	**53**	115
Amortisation of intangible assets	**33**	–
Impairment of fixed assets	**3,195**	10,078
Finance costs	**17,062**	13,767
Dividend income	**(4)**	(5)
Interest income	**(222)**	(172)
Share of profits less losses of associates	**(10,891)**	11,431
Gain from partnership	**–**	(753)
Net gain on disposal of investment property	**(216)**	–
Net (gain)/loss on disposal of fixed assets	**(101)**	1,844
Gain on sales of listed investments	**–**	(94)
Write off of goodwill	**–**	3,403
Foreign exchange (gain)/loss	**(7,119)**	4,761
Operating profit before changes in working capital	**71,928**	74,201
Decrease in inventories	**3,911**	23,428
Decrease/(increase) in trade and other receivables	**2,622**	(17,554)
Increase/(decrease) in creditors and accrued charges	**13,767**	(3,867)
Increase/(decrease) in rental deposits received	**249**	(341)
Decrease in accrued employee benefits	**(33)**	(356)
Cash generated from operations	**92,444**	75,511
Tax paid		
Hong Kong profits tax paid	**(240)**	(753)
Overseas tax paid	**(8,119)**	(9,260)
Net cash generated from operating activities	**84,085**	65,498

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31st December, 2005

	Note	2005	2004 (restated)
		HK$'000	*HK$'000*
Investing activities			
Payment for investment in jointly controlled entity		**(2,536)**	–
Payment for purchase of fixed assets	*(a)*	**(27,205)**	(24,194)
Proceeds from sales of investment properties		**28,776**	–
Proceeds from disposals of fixed assets		**2,598**	418
Proceeds from sale of properties held for resale		**–**	3,125
Proceeds from sales of listed investments		**–**	238
Interest received		**222**	172
Dividend received		**4**	5
Distributions received from investment in partnership		**2,387**	–
Decrease/(increase) in investments in associates		**16,068**	(7,197)
Decrease in amounts due from associates		**155**	441
Net cash generated from/(used in) investing activities		**20,469**	(26,992)
Financing activities			
Proceeds from new bank loans		**246,649**	338,322
Repayment of bank loans		**(294,310)**	(338,513)
Capital element of finance lease rentals paid		**(2,285)**	(6,078)
Proceeds from new loans from shareholders		**–**	49,715
Repayment of loans from shareholders and directors		**(38,902)**	(38,800)
Increase in amounts due to related companies		**10**	–
Proceeds from new loans from directors		**–**	11,122
Interest paid		**(21,507)**	(21,455)
Interest element of finance lease rentals paid		**(187)**	(179)
Net cash used in financing activities		**(110,532)**	(5,866)
Net (decrease)/increase in cash and cash equivalents		**(5,978)**	32,640
Cash and cash equivalents at 1st January		**(5,485)**	(38,468)
Effect of foreign exchange rates changes		**(1,187)**	343
Cash and cash equivalents at 31st December	*22*	**(12,650)**	(5,485)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31st December, 2005, the Group entered into finance leases amounting to HK$3,755,000 (2004: HK$1,204,000) for the purchase of fixed assets.

The notes on pages 42 to 105 form part of these financial statements.

Notes on the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31st December, 2005 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and a jointly controlled entity.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property (see note 1(h)) are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 35.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

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

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(l)).

Notes on the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year (see note 1(e) and 1(l)).

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(l)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(l)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 1(l)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments.

(g) Interest in partnership

Interest in partnership is stated at cost less impairment losses (see note 1(l)), where appropriate, together with profits less losses attributable to the Group.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(v)(iii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(k).

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(l)):

– land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease;

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(k)); and

– other items of plant and equipment.

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Other property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

(i) Leasehold land and buildings situated thereon over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

(ii) Other fixed assets at the following rates:

Plant and machinery	–	20% to 25% per annum
Furniture and fixtures	–	20% to 25% per annum
Moulds and tools	–	10% to 30% per annum
Vehicles and pleasure craft	–	30% per annum

(iii) No depreciation is provided in respect of construction in progress until it is ready for its intended use.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 1(l)). Amortisation of intangible assets is charged to profit or loss on a straight line basis over the assets' estimated useful lives. Club memberships are amortised from the date they are available for use and their estimated useful lives are 20 years. Both the useful life and method of amortisation are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and if classified as investment property, is accounted for as if held under a finance lease (see note 1(h)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Notes on the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries, associates and jointly controlled entities; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit and loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the FIFO cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Properties held for resale

Properties held for resale are stated at the lower of specific identified cost and estimated net realisable value. Net realisable value represents the estimated selling price less estimated costs to be incurred in selling the property.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(l)).

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow economic benefits is remote.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(iv) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1st January, 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1st January, 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(x) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(y) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1st January, 2005.

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarised in note 1. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36).

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement and balance sheet and other significant related disclosure items as previously reported for the year ended 31st December, 2004. The effects of the changes in accounting policies on the balances at 1st January, 2004 and 2005 are disclosed in note 28.

Consolidated income statement for the year ended 31st December, 2004

	2004 (as previously reported)	Effect of new policy (increase/ (decrease) in profit for the year)			2004 (as restated)
		HKAS 17	HKAS 40	Sub-total	
		(note 2(d))	*(note 2(e))*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	501,106	–	–	–	501,106
Valuation gains on investment property	–	–	52,762	52,762	52,762
Other revenue	15,734	–	–	–	15,734
Other net expense	(5,281)	–	–	–	(5,281)
Cost of listed investments	(144)	–	–	–	(144)
Changes in inventories of finished goods and work in progress	(14,718)	–	–	–	(14,718)
Cost of purchase of finished goods	(18,256)	–	–	–	(18,256)
Raw materials and consumables used	(150,155)	–	–	–	(150,155)
Staff costs	(142,514)	–	–	–	(142,514)
Depreciation expenses	(20,951)	139	–	139	(20,812)
Amortisation of land lease premium	–	(115)	–	(115)	(115)
Other operating expenses	(130,633)	–	–	–	(130,633)
Profit from operations	34,188	24	52,762	52,786	86,974
Finance costs	(13,767)	–	–	–	(13,767)
Share of losses of associates	(11,431)	–	–	–	(11,431)
Profit before taxation	8,990	24	52,762	52,786	61,776
Income tax	(5,592)	–	(17,431)	(17,431)	(23,023)
Profit after taxation	3,398	24	35,331	35,355	38,753
Minority interests	–	–	–	–	–
Profit for the year	3,398	24	35,331	35,355	38,753

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Restatement of prior periods and opening balances *(Continued)*

Consolidated income statement for the year ended 31st December, 2004 *(Continued)*

	2004 (as previously reported)	Effect of new policy (increase/ (decrease) in profit for the year) HKAS 17	HKAS 40	Sub-total	2004 (as restated)
		(note 2(d))	*(note 2(e))*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Attributable to:					
Equity shareholders of the Company	3,398	24	35,331	35,355	38,753
Minority interests	–	–	–	–	–
Profit for the year	3,398	24	35,331	35,355	38,753
Earnings per share					
Basic	0.51¢	–	5.31¢	5.31¢	5.82¢
Diluted	N/A	N/A	N/A	N/A	N/A

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Restatement of prior periods and opening balances *(Continued)*

Consolidated balance sheet at 31st December, 2004

	2004 (as previously reported)	Effect of new policy (increase/ (decrease) in net assets)			Reclassi-fication	2004 (as restated)
		HKAS 17 *(note 2(d))*	HKAS 40 *(note 2(e))*	Sub-total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets						
Investment property	464,030	–	–	–	–	464,030
Other property, plant and equipment	108,491	(4,456)	–	(4,456)	–	104,035
Interests in leasehold land held for own use under operating lease	–	4,891	–	4,891	–	4,891
Intangible assets	–	–	–	–	670	670
Interests in associates	166,538	–	–	–	–	166,538
Other non-current assets	2,487	–	–	–	–	2,487
Deferred taxation	12,444	–	–	–	–	12,444
	753,990	435	–	435	670	755,095
Current assets	231,981	–	–	–	(670)	231,311
Current liabilities	(232,958)	–	–	–	–	(232,958)
Net current liabilities	(977)	–	–	–	(670)	(1,647)
Total assets less current liabilities	753,013	435	–	435	–	753,448
Non-current liabilities	(247,045)	–	(901)	(901)	–	(247,946)
	505,968	435	(901)	(466)	–	505,502
Minority interests	–	–	–	–	–	–
NET ASSETS	505,968	435	(901)	(466)	–	505,502

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Restatement of prior periods and opening balances *(Continued)*

Consolidated balance sheet at 31st December, 2004 *(Continued)*

	2004 (as previously reported)	Effect of new policy (increase/ (decrease) in net assets) HKAS 17	HKAS 40	Sub-total	Reclassi-fication	2004 (as restated)
		(note 2(d))	*(note 2(e))*			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CAPITAL AND RESERVES						
Attributable to equity shareholders of the Company						
Share capital	66,541	–	–	–	–	66,541
Revaluation reserves						
– Land and buildings	–	–	586	586	–	586
– Investment property	70,040	–	(70,040)	(70,040)	–	–
Other reserves	304,511	–	–	–	–	304,511
Retained profits	64,876	435	68,553	68,988	–	133,864
	505,968	435	(901)	(466)	–	505,502
Attributable to minority interests	–	–	–	–	–	–
	505,968	435	(901)	(466)	–	505,502

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Estimated effect of changes in accounting policies on the current period

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and balance sheet and the Company's balance sheet and other significant related disclosure items for the year ended 31st December, 2005 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

Estimated effect on the consolidated income statement for the year ended 31st December, 2005:

	Estimated effect of new policy (increase/(decrease) in profit for the year)			
	HKFRS 3	**HKAS 17**	**HKAS 40**	**Total**
	(note 2(c))	*(note 2(d))*	*(note 2(e))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Valuation gains on investment property	–	–	58,279	58,279
Amortisation of land lease premium	–	11	–	11
Profit from operations	–	11	58,279	58,290
Share of profits less losses of associates	485	–	–	485
Profit before taxation	485	11	58,279	58,775
Income tax	–	–	(14,206)	(14,206)
Profit for the year	485	11	44,073	44,569
Attributable to:				
Equity shareholders of the Company	485	11	44,073	44,569
Minority interests	–	–	–	–
Profit for the year	485	11	44,073	44,569
Earnings per share				
Basic	0.08¢	–	6.62¢	6.70¢
Diluted	N/A	N/A	N/A	N/A

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Estimated effect of changes in accounting policies on the current period *(Continued)*

Estimated effect on the consolidated balance sheet at 31st December, 2005:

	Estimated effect of new policy (increase/(decrease) in net assets)			
	HKFRS 3	**HKAS 17**	**HKAS 40**	**Total**
	(note 2(c))	*(note 2(d))*	*(note 2(e))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Interests in leasehold land held for own use under operating leases	–	11	–	11
Interests in associates	485	–	–	485
Non-current liabilities				
Deferred tax liabilities	–	–	(14,858)	(14,858)
NET ASSETS	485	11	(14,858)	(14,362)
CAPITAL AND RESERVES				
Effect attributable to equity shareholders of the Company				
Investment property revaluation reserve	–	–	(55,153)	(55,153)
Retained profits	485	11	40,295	40,791
	485	11	(14,858)	(14,362)
Effect attributable to minority interests	–	–	–	–
	485	11	(14,858)	(14,362)

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

In prior periods:

– positive or negative goodwill which arose prior to 1st January, 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

– positive goodwill which arose on or after 1st January, 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill which arose on or after 1st January, 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition, in such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1st January, 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive or negative goodwill but tests it at least annually for impairment. Also with effect from 1st January, 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in profit or loss as it arises. Further details of these new policies are set out in note 1(e).

The new policy in respect of the amortisation of positive and negative goodwill has been applied prospectively in accordance with the transitional arrangement under HKFRS 3. The adjustments for each consolidated financial statement line item affected for the year ended 31st December, 2005 are set out in note 2(b).

Also in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1st January, 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under any other circumstances.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(d) Leasehold land and buildings (HKAS 17, Leases)

(i) Leasehold land and buildings held for own use

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and accumulated impairment losses.

With effect from 1st January, 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the carrying value of the interest in any buildings situated on the leasehold land could be identified separately from the carrying value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Further details of the new policy are set out in notes 1(i) and 1(k). Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment and stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Description of transitional provisions and effect of adjustments

The new accounting policies have been adopted retrospectively. The adjustments for each financial statement line item affected for 31st December, 2004 and 2005 are set out in notes 2(a) and 2(b).

(e) Investment property (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)

Changes in accounting policies relating to investment properties are as follows:

(i) Timing of recognition of movements in fair value in the income statement

In prior years movements in the fair value of the Group's investment property were recognised directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in profit or loss had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in profit or loss.

Upon adoption of HKAS 40 as from 1st January, 2005, all changes in the fair value of investment property are recognised directly in profit or loss in accordance with the fair value model in HKAS 40.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(e) Investment property (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets) *(Continued)*

(ii) Measurement of deferred tax on movements in fair value

In prior years the Group was required to apply the tax rate that would be applicable to the sale of investment property to determine whether any amounts of deferred tax should be recognised on the revaluation of investment property. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on disposal.

As from 1st January, 2005, in accordance with HK(SIC) Interpretation 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model. Further details of the policy for deferred tax are set out in note 1(t).

(iii) Description of transitional provisions and effect of adjustments

All of the above changes in accounting policies have been adopted retrospectively. The adjustments for each financial statement line affected for 31st December, 2004 and 2005 are set out in notes 2(a) and 2(b).

Further details of the new policy for investment property are set out in note 1(h).

(f) Definition of related parties (HKAS 24, Related Party Disclosures)

As a result of the adoption of HKAS 24, Related Party Disclosures, the definition of related parties as disclosed in note 1(y) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related Party Disclosures, still been in effect.

3. CHANGE IN ACCOUNTING ESTIMATE

The Group changed its depreciation method with effect from 1st January, 2005 from the reducing balance method to the straight line method. The new depreciation method is as disclosed in note 1(i). Management considers that the new depreciation method provides a more accurate reflection of the consumption of the economic benefits to be derived from the use of the assets. This change in accounting estimate has been applied prospectively as from 1st January, 2005 resulting in an increase in the depreciation charged for the year ended 31st December, 2005 of HK$10,129,000.

Disclosure of the impact of the change in accounting estimate on future periods has not been made as it is not practicable to do so.

4. TURNOVER

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of plastic, electronic and stuffed toys and model trains, property investment, investment holding and trading.

Turnover represents the sales value of goods supplied to customers, rental income, proceeds from sales of investments and investment income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2005	2004
	HK$'000	*HK$'000*
Sale of goods	**515,319**	476,744
Gross rentals from investment properties	**24,491**	24,119
Proceeds from sales of listed investments	**–**	238
Investment income	**4**	5
	539,814	501,106

5. OTHER REVENUE AND NET EXPENSE

	2005	2004
	HK$'000	*HK$'000*
(a) Other revenue		
Interest income	**222**	172
Air conditioning, management and maintenance service charges from tenants	**4,965**	4,546
Waiver of amount due to related parties and related companies	**–**	1,257
Compensation received for withdrawal from joint venture	**–**	4,717
Others	**4,293**	5,042
	9,480	15,734
(b) Other net expense		
Net gain/(loss) on disposal of fixed assets	**101**	(1,844)
Net exchange loss	**(3,234)**	(4,190)
Income from partnership	**–**	753
	(3,133)	(5,281)

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2005	2004 (restated)
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank advances repayable within 5 years	**8,688**	5,882
Interest on advances from directors	**4,913**	4,022
Interest on advances from shareholders	**2,897**	3,098
Interest on amounts due to related companies	**130**	126
Interest on other loans	**247**	460
Finance charges on obligations under finance leases	**187**	179
	17,062	13,767
(b) Other items		
Cost of inventories	**339,902**	341,641
Write off of goodwill	**–**	3,403
Amortisation		
– goodwill	**–**	485
– intangible assets	**33**	–
Depreciation		
– owned assets	**31,394**	20,291
– assets held under finance leases	**771**	521
Impairment:		
– fixed assets	**3,195**	10,078
– goodwill (included in share of profits less losses of associates)	**9,037**	–
Auditors' remuneration	**1,758**	1,638
Operating lease charges		
– rental on land and buildings	**12,505**	12,693
– other rental	**513**	488
Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK$58,000 (2004: HK$100,000) *(note 32)*	**5,731**	5,573
Dividend income from listed investments	**–**	(1)
Dividend income from unlisted investments	**(4)**	(4)
Rentals receivable from investment properties less direct outgoings of HK$2,333,000 (2004: HK$3,107,000)	**(21,503)**	(21,012)
Share of associates' taxation	**24**	–

6. PROFIT BEFORE TAXATION *(Continued)*

Cost of inventories includes HK$123,314,000 (2004: HK$99,706,000) relating to staff costs, depreciation charges, impairment loss in respect of fixed assets and operating lease charges, which amount is also included in the respective total amounts disclosed separately above and in the income statement for each of these types of expenses.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2005	2004
		(restated)
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**17**	480
Current tax – Overseas including the PRC		
Provision for the year	**7,446**	9,874
Over-provision in respect of prior years	**(2,311)**	(36)
	5,135	9,838
Deferred tax		
Origination and reversal of temporary differences	**10,753**	12,705
	15,905	23,023

The provision for Hong Kong Profits Tax for 2005 is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2005	2004 (restated)
	HK$'000	*HK$'000*
Profits before tax	**96,252**	61,776
Notional tax on profits before tax, calculated at the rates applicable to profits in the countries concerned	**15,043**	18,113
Tax effect on non-deductible expenses	**8,563**	7,621
Tax effect of non-taxable income	**(5,762)**	(3,959)
Tax effect of unused tax losses not recognised	**(19)**	1,079
Over-provision in prior years	**(2,311)**	(36)
Others	**391**	205
Actual tax expense	**15,905**	23,023

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**2005 Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive Directors:					
Kenneth Ting Woo-shou	70	588	–	59	717
Patrick Leung Shing-cheung	60	1,200	100	68	1,428
Non-executive Directors:					
Dennis Ting Hok-shou	60	334	–	33	427
Moses Cheng Mo-chi	50	–	–	–	50
Independent Non-executive Directors:					
Liu Chee-ming	100	–	–	–	100
Floyd Chan Tsoi-yin	100	–	–	–	100
Andrew Yao Cho-fai	100	–	–	–	100
	540	2,122	100	160	2,922

Notes on the Financial Statements *(Continued)*

8. DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2004 Total (restated) $'000
Executive Directors:					
Kenneth Ting Woo-shou	40	588	–	59	687
Patrick Leung Shing-cheung	3	167	–	–	170
William Li Kai-wan	37	1,889	–	138	2,064
Non-Executive Directors:					
Dennis Ting Hok-shou	40	334	–	33	407
Moses Cheng Mo-chi	20	–	–	–	20
Independent Non-executive Directors:					
Liu Chee-ming	20	–	–	–	20
Floyd Chan Tsoi-yin	5	–	–	–	5
Andrew Yao Cho-fai	5	–	–	–	5
	170	2,978	–	230	3,378

9. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2004: one) is a Director whose emoluments are set out in note 8. The aggregate of the emoluments in respect of the other four (2004: four) individuals are as follows:

	2005 ***HK$'000***	2004 *HK$'000*
Salaries and other emoluments	**4,754**	4,302
Discretionary bonuses	**766**	626
Retirement scheme contributions	**330**	492
	5,850	5,420

9. INDIVIDUAL WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the four (2004: four) individuals with the highest emoluments are within the following bands:

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

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

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$8,484,000 (2004: profit HK$416,664,000) which has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$80,347,000 (2004 (restated): HK$38,753,000) and the weighted average of 665,412,000 ordinary shares (2004: 665,412,000 shares) in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share is not presented as the Company does not have dilutive potential ordinary shares outstanding during both 2004 and 2005.

Notes on the Financial Statements *(Continued)*

12. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Toys and model trains:	The manufacture and sale of plastic, electronic and stuffed toys and model trains.
Property investment:	The leasing of office premises, industrial building and residential units to generate rental income and to gain from the appreciation in the properties' value in the long-term.
Investment holding and trading:	The investment in partnership and trading of listed securities.

	Toys and model trains		Property investment		Investment holding and trading		Unallocated		Inter-segment elimination		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004 (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**515,319**	476,744	**24,491**	24,119	**4**	243	**–**	–	**–**	–	**539,814**	501,106
Inter-segment revenue	**–**	–	**892**	687	**–**	–	**–**	–	**(892)**	(687)	**–**	–
Other revenue from external customers	**2,350**	3,229	**5,525**	4,558	**82**	–	**1,301**	6,518	**–**	–	**9,258**	14,305
Total	**517,669**	479,973	**30,908**	29,364	**86**	243	**1,301**	6,518	**(892)**	(687)	**549,072**	515,411
Segment result	**33,783**	19,696	**82,723**	73,603	**(14,214)**	(6,852)	**(408)**	2,156			**101,884**	88,603
Unallocated operating income and expenses											**539**	(1,629)
Profit from operations											**102,423**	86,974
Finance costs											**(17,062)**	(13,767)
Share of profits less losses of associates							**10,891**	(11,431)			**10,891**	(11,431)
Income tax											**(15,905)**	(23,023)
Profit after taxation											**80,347**	38,753
Depreciation and amortisation for the year	**28,184**	16,735	**3,347**	3,419	**33**	–	**687**	773	**–**	–	**32,251**	20,927
Impairment loss in respect of fixed assets	**3,195**	10,078	**–**	–	**–**	–	**–**	–	**–**	–	**3,195**	10,078

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	Toys and model trains		Property investment		Investment holding and trading		Unallocated		Inter-segment elimination		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004 (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**347,423**	330,291	**525,423**	468,888	**739**	2,487	**273,762**	315,296	**(269,895)**	(311,469)	**877,452**	805,493
Interests in associates and jointly controlled entity											**163,741**	166,538
Unallocated assets											**19,590**	14,375
Total assets											**1,060,783**	986,406
Segment liabilities	**307,759**	310,659	**43,168**	46,610	**51,729**	68,989	**261,211**	330,464	**(269,895)**	(311,469)	**393,972**	445,253
Unallocated liabilities											**55,792**	35,651
Total liabilities											**449,764**	480,904
Capital expenditure incurred during the year	**30,960**	25,398	**–**	–	**–**	–	**–**	–	**–**	–	**30,960**	25,398

Notes on the Financial Statements *(Continued)*

12. SEGMENT REPORTING *(Continued)*

Geographical segments

The Group's business is managed on a worldwide basis, but participates in four principal economic environments. Hong Kong and China is a major market for the Group's toys and model trains and property investment, and it is the location of most of its toys and model trains manufacturing. Toys and model trains are also sold to North America. The Group also has investment and investment properties in North America. In Europe and other locations, the major business is sale of toys and model trains.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Hong Kong and China		**North America**		**Europe**		**Others**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**62,182**	73,367	**171,649**	216,545	**289,604**	191,139	**16,379**	20,055
Segment assets	**913,240**	867,088	**144,334**	138,284	**89,773**	111,590	**–**	–
Capital expenditure incurred during the year	**26,585**	18,003	**525**	1,607	**3,850**	5,788	**–**	–

13. FIXED ASSETS

The Group

	Land and buildings held for own use carried at cost		Construction			Investment property			Interests in leasehold land held for own use under	
	In Hong Kong	Outside Hong Kong	in progress	Equipment	Sub-total	In Hong Kong	Outside Hong Kong	Sub-total	operating lease	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:										
At 1st January, 2004 (restated)	7,168	26,691	–	439,588	473,447	345,950	66,851	412,801	6,963	893,211
Exchange adjustments	–	1,205	–	1,758	2,963	–	–	–	–	2,963
Transfer	(1,800)	–	–	–	(1,800)	1,800	–	1,800	–	–
Additions	–	542	2,679	22,177	25,398	–	–	–	–	25,398
Disposals	–	–	–	(15,957)	(15,957)	–	–	–	–	(15,957)
Surplus on revaluation	–	–	–	–	–	46,211	6,551	52,762	–	52,762
At 31st December, 2004 (restated)	5,368	28,438	2,679	447,566	484,051	393,961	73,402	467,363	6,963	958,377
Representing										
Cost	5,368	28,438	2,679	447,566	484,051	–	10,000	10,000	6,963	501,014
Valuation – 2004	–	–	–	–	–	393,961	63,402	457,363	–	457,363
	5,368	28,438	2,679	447,566	484,051	393,961	73,402	467,363	6,963	958,377
At 1st January, 2005 (restated)	**5,368**	**28,438**	**2,679**	**447,566**	**484,051**	**393,961**	**73,402**	**467,363**	**6,963**	**958,377**
Exchange adjustments	**–**	**(1,948)**	**–**	**(2,652)**	**(4,600)**	**–**	**107**	**107**	**–**	**(4,493)**
Transfer	**26,359**	**4,734**	**(4,734)**	**–**	**26,359**	**17,311**	**(2,962)**	**14,349**	**(5,622)**	**35,086**
Additions	**–**	**155**	**2,055**	**28,750**	**30,960**	**–**	**–**	**–**	**–**	**30,960**
Disposals	**–**	**–**	**–**	**(34,511)**	**(34,511)**	**(1,680)**	**(33,547)**	**(35,227)**	**–**	**(69,738)**
Surplus on revaluation	**–**	**–**	**–**	**–**	**–**	**57,279**	**1,000**	**58,279**	**–**	**58,279**
At 31st December, 2005	**31,727**	**31,379**	**–**	**439,153**	**502,259**	**466,871**	**38,000**	**504,871**	**1,341**	**1,008,471**
Representing										
Cost	**1,038**	**31,379**	**–**	**439,153**	**471,570**	**–**	**–**	**–**	**1,341**	**472,911**
Valuation – 2005	**30,689**	**–**	**–**	**–**	**30,689**	**466,871**	**38,000**	**504,871**	**–**	**535,560**
	31,727	**31,379**	**–**	**439,153**	**502,259**	**466,871**	**38,000**	**504,871**	**1,341**	**1,008,471**
Accumulated depreciation:										
At 1st January, 2004 (restated)	3,834	8,908	–	352,765	365,507	–	–	–	1,957	367,464
Exchange adjustments	–	156	–	1,201	1,357	–	–	–	–	1,357
Transfer	(710)	–	–	–	(710)	–	–	–	–	(710)
Charge for the year	158	557	–	16,764	17,479	–	3,333	3,333	115	20,927
Impairment loss	–	–	–	10,078	10,078	–	–	–	–	10,078
Written back on disposals	–	–	–	(13,695)	(13,695)	–	–	–	–	(13,695)
At 31st December, 2004 (restated)	3,282	9,621	–	367,113	380,016	–	3,333	3,333	2,072	385,421
At 1st January, 2005 (restated)	**3,282**	**9,621**	**–**	**367,113**	**380,016**	**–**	**3,333**	**3,333**	**2,072**	**385,421**
Exchange adjustments	**–**	**(237)**	**–**	**(1,859)**	**(2,096)**	**–**	**–**	**–**	**–**	**(2,096)**
Transfer	**(2,678)**	**–**	**–**	**–**	**(2,678)**	**–**	**–**	**–**	**(1,704)**	**(4,382)**
Charge for the year	**532**	**765**	**–**	**27,534**	**28,831**	**–**	**3,334**	**3,334**	**53**	**32,218**
Impairment loss	**–**	**–**	**–**	**3,195**	**3,195**	**–**	**–**	**–**	**–**	**3,195**
Written back on disposals	**–**	**–**	**–**	**(32,014)**	**(32,014)**	**–**	**(6,667)**	**(6,667)**	**–**	**(38,681)**
At 31st December, 2005	**1,136**	**10,149**	**–**	**363,969**	**375,254**	**–**	**–**	**–**	**421**	**375,675**
Net book value:										
At 31st December, 2005	**30,591**	**21,230**	**–**	**75,184**	**127,005**	**466,871**	**38,000**	**504,871**	**920**	**632,796**
At 31st December, 2004 (restated)	2,086	18,817	2,679	80,453	104,035	393,961	70,069	464,030	4,891	572,956

13. FIXED ASSETS *(Continued)*

(a) The analysis of net carrying value of investment properties is as follows:

	2005	2004
	HK$'000	*HK$'000*
At valuation:		
In Hong Kong		
Medium-term leases	**466,871**	393,961
Outside Hong Kong		
Short-term leases	**–**	6,667
Medium-term leases	**38,000**	37,000
Freehold	**–**	26,402
	38,000	70,069

All investment properties of the Group were revalued as at 31st December, 2005 on an open market basis, by either making reference to the comparable sales evidence in the relevant locality, or otherwise, by capitalising the current rent passing derived from the existing tenancies with the provision for any reversionary income potential. The valuations were carried out by an independent firm of surveyors, DTZ Debenham Tie Leung, who have among their staff, Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being revalued.

(b) The analysis of net book value of other properties is as follows:

	2005	2004
		(restated)
	HK$'000	*HK$'000*
Medium-term leases in Hong Kong	**31,511**	6,977
Freehold outside Hong Kong	**21,230**	18,817
	52,741	25,794
Representing:		
Land and buildings carried at cost	**51,821**	20,903
Interest in leasehold land held for own use under operating lease	**920**	4,891
	52,741	25,794

13. FIXED ASSETS *(Continued)*

(b) The analysis of net book value of other properties is as follows: *(Continued)*

During the year certain land and buildings held for own use by the Group were leased out to third parties for rental income. In accordance with HKAS 16 and HKAS 40, the property was transferred from land and buildings to investment property at fair value with the surplus on revaluation net of deferred tax of HK$35,005,000 (2004: HK$586,000) being recognised in the land and buildings revaluation reserve, see note 28.

(c) Impairment loss

During the year, the Group assessed the recoverable amount of the Group's moulds and equipment. Based on this assessment, the carrying amount of certain moulds and equipment was written down by HK$3,195,000 (2004: HK$10,078,000) (included in "Other operating expenses"). The estimates of recoverable amount were based on the moulds' and equipments' fair value less costs to sell, determined by reference to anticipated future use.

(d) Secured assets

Certain fixed assets of the Group were mortgaged to various banks to secure banking facilities granted to the Group. Details are disclosed in note 25.

(e) Fixed assets held under finance leases

The Group leases production plant and machinery under finance leases expiring in four to five years. At the end of the lease term the Group has the option to purchase the equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals. The net book value of plant and machinery held under finance leases of the Group was HK$4,409,000 (2004: HK$2,736,000).

(f) Fixed assets leased out under operating leases

The Group leases out investment property under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease at after that date which time all terms are renegotiated. None of the leases includes contingent rentals.

The carrying amount of the investment properties of the Group held for use in operating leases was HK$504,871,000 (2004: HK$464,030,000). All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

13. FIXED ASSETS *(Continued)*

(f) Fixed assets leased out under operating leases *(Continued)*

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Within 1 year	**18,800**	19,513
After 1 year but within 5 years	**10,354**	19,601
	29,154	39,114

14. INTANGIBLE ASSETS

	Club memberships
	HK$'000
Cost:	
At 1st January, 31st December, 2004 and 31st December, 2005	670
Accumulated amortisation:	
At 1st January, 2004 and 31st December, 2004	–
Charge for the year	33
At 31st December, 2005	33
Net book value:	
At 31st December, 2005	**637**
At 31st December, 2004	670

The amortisation charge for the year is included in "other operating expenses" in the consolidated income statement.

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**244,480**	244,480
Add: amounts due from subsidiaries	**612,041**	617,817
Less: impairment losses	**(233,067)**	(241,938)
	623,454	620,359

Details of the major subsidiaries at 31st December, 2005 which principally affected the results, assets or liabilities of the Group are listed on pages 104 and 105. All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group financial statements.

16. INTERESTS IN ASSOCIATES

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**82,959**	78,235
Amounts due from associates	**78,246**	79,266
Goodwill	**–**	9,037
	161,205	166,538

The following list contains only the particulars of associates at 31st December, 2005, all of which are unlisted corporate entities, principally affected the results or assets of the Group:

Name of associates	**Form of business structure**	**Place of incorporation and operation**	**Proportion of ownership interest by a Subsidiary**	**Principal activities**
Allman Holdings Limited ("Allman")	Incorporated	British Virgin Islands	36% *(see below)*	Investment holding
The Melville Street Trust	Incorporated	Canada	27.3%	Property investment
Squaw Creek Associates, LLC ("SCA")	Limited Liability Company	USA	10% *(see below)*	Resort operation, and the sale and management of condominium apartments

Notes on the Financial Statements *(Continued)*

16. INTERESTS IN ASSOCIATES *(Continued)*

In January 2004, Allman disposed of 10% ownership interest in SCA to a third party, as a result of the disposal, the Group's effective interest in SCA decreased from approximately 36% to 32%.

Goodwill of HK$9,707,000 arose when the Group changed its ownership interest and SCA became an associate. The goodwill represents the excess of the carrying value of the investment immediately prior to the change over the Group's share of the fair value of the identifiable assets and liabilities acquired. In accordance with the Group's previous accounting policy, goodwill was amortised through the consolidated income statement over its estimated useful life of 20 years.

As explained further in note 2(c), with effect from 1st January, 2005 the Group no longer amortises goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Based on a discounted cash flow forecast prepared by management covering a five-year period, an impairment loss on goodwill of HK$9,037,000 was recognised during the year. Key assumptions used in the preparation of forecasted cash flows included zero growth in revenues and a discount rate of 7%. The discount rate used is pre-tax and reflects specific risks relating to the underlying assets.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Unlisted equity, at cost	**2,536**	–

Details of the Group's investment in a jointly controlled entity as at 31st December, 2005 is as follows:

Name	**Form of business structure**	**Place of and operation**	**Particulars of issued and paid up capital**	**Proportion of ownership interest held by a subsidiary**	**Principal activity**
Precise Moulds (Shenzhen) Company Limited 精機模具(深圳)有限公司	Registered	PRC	RMB4,258,000	62%	Manufacture of moulds

18. OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Interest in partnership	**–**	2,387
Unlisted equity securities	**100**	100
	100	2,487

The partnership ceased operations during the year and the remaining equity was distributed to the partners.

19. INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**27,326**	23,362
Work in progress	**3,579**	3,568
Finished goods	**85,894**	93,780
	116,799	120,710

Finished goods amounting to HK$76,849,000 (2004: HK$86,769,000) were pledged to banks to secure banking facilities granted to the Group, see note 25.

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**333,472**	345,028
Write down/(write back) of inventories	**6,430**	(3,387)
	339,902	341,641

20. PROPERTIES HELD FOR RESALE

During 2002, certain land held for resale was sold for cash consideration of RMB30,000,000 and three residential units in the PRC initially valued at RMB5,000,000. Two of these residential units were sold to third parties in prior years and the remaining residential unit is included in "property held for resale" as at 31st December, 2004 and 2005.

During 2005, a residential unit in Canada with a net carrying value of HK$2,962,000 was reclassified from "investment property" to "properties held for resale" and sold subsequent to the year end with no material gain or loss on the sale.

21. TRADE AND OTHER RECEIVABLES

	The Group	
	2005	2004 (restated)
	HK$'000	*HK$'000*
Debtors and prepayments	**86,122**	88,744

All trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Current	**67,116**	71,821
1 to 3 months overdue	**10,519**	7,854
More than 3 months overdue but less than 12 months overdue	**630**	963
More than 12 months overdue	**202**	799
	78,467	81,437

The Group's credit policy is set out in note 29(a). Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		The Group	
		2005	2004
United States Dollars	USD'000	**790**	2,073
Renminbi Yuan	RMB'000	**1,643**	1,502

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents in the balance sheet	**36,491**	18,814	**287**	19
Bank overdrafts *(note 25)*	**(49,141)**	(24,299)		
Cash and cash equivalents in the consolidated cash flow statement	**(12,650)**	(5,485)		

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		The Group	
		2005	2004
United States Dollars	USD'000	**123**	73
Sterling Pounds	GBP'000	**361**	73
Renminbi Yuan	RMB'000	**7,198**	1,692

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts due to directors	**14,653**	5,427	**–**	–
Amounts due to shareholders	**319**	859	**–**	–
Amounts due to related companies	**3,314**	3,174	**–**	–
Amount due to related party	**1,200**	1,200	**–**	–
Amounts due to subsidiaries	**–**	–	**3,298**	–
Creditors and accrued charges	**73,685**	59,366	**9,094**	580
Rental deposits	**2,604**	1,408	**–**	–
	95,775	71,434	**12,392**	580

Included in amounts due to directors and shareholders and related companies is an amount of HK$4,286,000 (2004: HK$9,460,000) representing interest on advances from the respective parties. The principal amounts outstanding not expected to be settled within one year are included under non-current interest-bearing borrowings (note 24). The interest is repayable semi-annually or monthly.

23. TRADE AND OTHER PAYABLES *(Continued)*

Amounts due to related companies of HK$1,447,000 (2004: HK$2,791,000) and amount due to related party are unsecured, interest free and have no fixed terms of repayment.

All trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Due within 1 month or on demand	**8,218**	12,708
Due after 1 month but within 3 months	**8,812**	6,417
Due after 3 months but within 6 months	**264**	780
Due after 6 months	**1,239**	123
	18,533	20,028

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		The Group	
		2005	2004
United States Dollars	USD'000	**238**	179

24. NON-CURRENT INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of non-current interest-bearing borrowings is as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Bank loans *(note 25)*	**50,480**	61,989
Advances from directors	**45,293**	86,695
Advances from shareholders	**46,621**	58,121
Amounts due to related companies	**5,306**	5,155
Amount due to a related party	**–**	151
	147,700	212,111

None of the non-current interest-bearing borrowings are expected to be settled within one year.

24. NON-CURRENT INTEREST-BEARING BORROWINGS *(Continued)*

(b) Significant terms and repayment schedule of non-bank borrowings

Amounts due to directors, shareholders and related companies are unsecured, interest bearing at 3% or Hong Kong prime rate less 1% to prime plus 0.5% per annum and repayable after 31st December, 2006.

25. BANK LOANS AND OVERDRAFTS

At 31st December, 2005, bank loans and overdrafts were repayable as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Within 1 year or on demand	**140,485**	152,184
After 1 year but within 2 years	**16,387**	18,857
After 2 years but within 5 years	**33,228**	23,356
After 5 years	**865**	19,776
	50,480	61,989
	190,965	214,173

At 31st December, 2005, bank loans and overdrafts were secured as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Bank overdrafts		
– secured	**48,428**	21,430
– unsecured	**713**	2,869
	49,141	24,299
Bank loans		
– secured	**141,526**	171,760
– unsecured	**298**	18,114
	141,824	189,874
	190,965	214,173

25. BANK LOANS AND OVERDRAFTS *(Continued)*

At 31st December, 2005, certain investment properties, leasehold land and buildings and other assets of the Group with net book value of HK$732,762,000 (2004: HK$659,592,000) were mortgaged to various banks to secure banking facilities granted to the Group. Details of the secured assets are as follows:

	The Group	
	2005	2004
		(restated)
	HK$'000	*HK$'000*
Investment properties	**504,871**	457,363
Land and buildings	**52,741**	25,794
Inventories	**76,849**	86,769
Property held for resale	**2,962**	–
Other assets	**95,339**	89,666
	732,762	659,592

Included in bank loans and overdrafts are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		The Group	
		2005	2004
United States Dollars	USD'000	**417**	612

26. OBLIGATIONS UNDER FINANCE LEASES

At 31st December, 2005, the Group had obligations under finance leases repayable as follows:

	2005			2004		
	Present value of minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	Present value of minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	**1,318**	**147**	**1,465**	1,410	49	1,459
After 1 year but within 2 years	**1,380**	**85**	**1,465**	255	29	284
After 2 years but within 5 years	**1,080**	**52**	**1,132**	643	31	674
	2,460	**137**	**2,597**	898	60	958
	3,778	**284**	**4,062**	2,308	109	2,417

Notes on the Financial Statements *(Continued)*

27. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax for the year	**17**	480
Provisional Profits Tax paid	**–**	(722)
	17	(242)
Balance of Profits Tax provision relating to prior years	**(482)**	–
	(465)	(242)
Overseas taxation payable	**3,202**	6,676
	2,737	6,434
Representing:		
Tax recoverable	**(1,386)**	(1,496)
Tax payable	**4,123**	7,930
	2,737	6,434

27. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowance in excess of related depreciation	Revaluation of investment property	Revaluation of land and buildings	Interests in associates	Provisions and allowances	Future benefit of tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004 (restated)	16,228	10,593	–	12,833	(7,698)	(29,508)	2,448
Charged/(credited) to profit or loss	(798)	11,021	–	(829)	(3,020)	6,331	12,705
Charged to reserves *(note 28)*	–	–	124	–	–	–	124
At 31st December, 2004 (restated)	15,430	21,614	124	12,004	(10,718)	(23,177)	15,277
At 1st January, 2005 (restated)	**15,430**	**21,614**	**124**	**12,004**	**(10,718)**	**(23,177)**	**15,277**
Charged/(credited) to profit or loss	**2,342**	**10,015**	**–**	**1,873**	**(6,780)**	**3,303**	**10,753**
Charged to reserves *(note 28)*	**–**	**–**	**7,425**	**–**	**–**	**–**	**7,425**
Exchange difference	**–**	**–**	**–**	**–**	**10**	**–**	**10**
At 31st December, 2005	**17,772**	**31,629**	**7,549**	**13,877**	**(17,488)**	**(19,874)**	**33,465**

27. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

Representing:

	The Group	
	2005	2004 (restated)
	HK$'000	*HK$'000*
Net deferred tax asset recognised on the balance sheet	**(18,202)**	(12,444)
Net deferred tax liability recognised on the balance sheet	**51,667**	27,721
	33,465	15,277

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group and the Company have not recognised deferred tax assets in respect of respective cumulative tax losses of HK$44,652,000 (2004 restated: HK$44,760,000) and HK$7,473,000 (2004: HK$5,703,000). The tax losses do not expire under current tax legislation.

28. CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the Company										
						Revaluation reserves					
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Land and buildings HK$'000	Investment properties HK$'000	Revenue reserves HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
At 1st January, 2004:											
– as previously reported	66,541	109,942	10,815	169,994	5,044	–	17,718	61,478	441,532	–	441,532
– prior period adjustments in respect of											
– HKAS 17	–	–	–	–	–	–	–	411	411	–	411
– HKAS 40	–	–	–	–	–	–	(17,718)	33,222	15,504	–	15,504
– as restated	66,541	109,942	10,815	169,994	5,044	–	–	95,111	457,447	–	457,447
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	5,313	–	–	–	5,313	–	5,313
Revaluation surplus, net of deferred tax (restated)	–	–	–	–	–	586	–	–	586	–	586
Write off of goodwill	–	–	–	3,403	–	–	–	–	3,403	–	3,403
Profit for the year (as restated)	–	–	–	–	–	–	–	38,753	38,753	–	38,753
At 31st December, 2004 (as restated)	66,541	109,942	10,815	173,397	10,357	586	–	133,864	505,502	–	505,502
At 1st January, 2005:											
– as previously reported	**66,541**	**109,942**	**10,815**	**173,397**	**10,357**	**–**	**70,040**	**64,876**	**505,968**	**–**	**505,968**
– prior period adjustments in respect of											
– HKAS 17	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**435**	**435**	**–**	**435**
– HKAS 40	**–**	**–**	**–**	**–**	**–**	**586**	**(70,040)**	**68,553**	**(901)**	**–**	**(901)**
– as restated	**66,541**	**109,942**	**10,815**	**173,397**	**10,357**	**586**	**–**	**133,864**	**505,502**	**–**	**505,502**
Exchange difference on translation of financial statements of overseas subsidiaries	**–**	**–**	**–**	**–**	**(9,835)**	**–**	**–**	**–**	**(9,835)**	**–**	**(9,835)**
Revaluation surplus, net of deferred tax	**–**	**–**	**–**	**–**	**–**	**35,005**	**–**	**–**	**35,005**	**–**	**35,005**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**80,347**	**80,347**	**–**	**80,347**
At 31st December, 2005	**66,541**	**109,942**	**10,815**	**173,397**	**522**	**35,591**	**–**	**214,211**	**611,019**	**–**	**611,019**

28. CAPITAL AND RESERVES *(Continued)*

(a) The Group *(Continued)*

Exchange reserves and revenue reserves of the Group are retained as follows:

	The Group			
	Exchange reserves		Revenue reserves	
	2005	2004	**2005**	2004 (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By the Company and its subsidiaries	**840**	10,673	**202,048**	135,408
By associates	**(318)**	(316)	**12,163**	(1,544)
Total at 31st December	**522**	10,357	**214,211**	133,864

Apart from the above, all other reserves of the Group are retained by the Company and its subsidiaries.

(b) The Company

	Share capital	Share premium	Capital reserve	Contributed surplus	(Accumulated losses)/ retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004	66,541	109,942	9,347	175,594	(158,353)	203,071
Profit for the year	–	–	–	–	416,664	416,664
At 31st December, 2004	66,541	109,942	9,347	175,594	258,311	619,735
At 1st January, 2005	**66,541**	**109,942**	**9,347**	**175,594**	**258,311**	**619,735**
Loss for the year	**–**	**–**	**–**	**–**	**(8,484)**	**(8,484)**
At 31st December, 2005	**66,541**	**109,942**	**9,347**	**175,594**	**249,827**	**611,251**

28. CAPITAL AND RESERVES *(Continued)*

(c) Share capital

	2005		2004	
	Number of shares		Number of shares	
	('000)	***HK$'000***	*('000)*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid:				
At 1st January and 31st December	**665,412**	**66,541**	665,412	66,541

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

(ii) Capital reserve and contributed surplus

The capital reserve and contributed surplus have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill, and discounts arising on subsidiaries, associates and jointly controlled entities.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(iv) Revaluation reserve

The revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for land and buildings in notes 1(i) and 13(b).

(e) Distributability of reserves

At 31st December, 2005, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$425,421,000 (2004: HK$433,905,000).

Notes on the Financial Statements *(Continued)*

29. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Company's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Debtors are due within 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to the approval by the parent Company's board in respect of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

29. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

In respect of income-bearing financial assets and interest-bearing financial liabilities, the following indicates the effective interest rate at the balance sheet date and the periods in which they reprice or the maturity date if earlier.

The Group

	2005						2004					
	Effective interest rate %	Total HK$'000	One year or less HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Effective interest rate %	Total HK$'000	One year or less HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000
Repricing dates for assets/(liabilities) which reprice before maturity												
Cash and cash equivalents	3.23%	36,491	36,491	–	–	–	0.90%	18,814	18,814	–	–	–
Bank overdrafts	7.32%	(49,141)	(49,141)	–	–	–	5.45%	(24,299)	(24,299)	–	–	–
Bank loans	5.60%	(141,824)	(91,344)	(16,387)	(33,228)	(865)	2.52%	(189,874)	(127,885)	(18,857)	(23,356)	(19,776)
Advances from directors	7.25%	(59,946)	(14,653)	(45,293)	–	–	4.10%	(92,122)	(5,427)	(86,695)	–	–
Advances from shareholders	6.82%	(46,940)	(319)	(46,621)	–	–	4.45%	(58,980)	(859)	(58,121)	–	–
		(261,360)	(118,966)	(108,301)	(33,228)	(865)		(346,461)	(139,656)	(163,673)	(23,356)	(19,776)
Repricing dates for liabilities which do not reprice before maturity												
Amount due to related company	3.00%	(5,820)	(514)	(5,306)	–	–	3.00%	(5,689)	(383)	(5,306)	–	–
Finance lease liabilities	4.64%	(3,778)	(1,318)	(1,380)	(1,080)	–	3.78%	(2,308)	(1,410)	(255)	(643)	–
		(9,598)	(1,832)	(6,686)	(1,080)	–		(7,997)	(1,793)	(5,561)	(643)	–

The Company

The Company did not have any income-bearing financial assets and interest-bearing financial liabilities as at 31st December 2005 and 2004.

29. FINANCIAL INSTRUMENTS *(Continued)*

(d) **Foreign currency risk**

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies involved primarily are United States Dollars and Renminbi.

As the HKD is pegged to the USD, and the RMB pegged to the USD within a narrow band, the Company does not expect any significant movements in the USD/HKD or RMB/HKD exchange rate.

The Group's foreign operations do not undertake significant transactions in a currency other than their respective functional currencies. Funds are retained by the foreign operations for use within the respective operations. Based on this, management considers the foreign exchange exposure to be low.

(e) All significant financial assets and liabilities are carried at amounts not materially different from their fair value as at 31st December, 2005 and 2004.

30. COMMITMENTS

(a) **Capital commitments outstanding at 31st December, 2005 not provided for in the financial statements were as follows:**

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Contracted for	**1,669**	4,334

At 31st December, 2005 and 2004, the Company did not have any capital commitments.

(b) **At 31st December, 2005, the total future lease payments under non-cancellable operating leases are payable as follows:**

	The Group			
	Land and buildings		**Others**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**10,203**	4,868	**267**	53
After 1 year but within 5 years	**2,493**	2,395	**429**	379
	12,696	7,263	**696**	432

At 31st December, 2005 and 2004, the Company did not have any commitments under operating leases.

30. COMMITMENTS *(Continued)*

Significant leasing arrangements in respect of land and buildings classified as being held under finance leases and land held under operating leases are described in notes 13 and 20.

Apart from these leases, the Group is the lessee in respect of a number of properties and items of equipment under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31. CONTINGENT LIABILITIES

At 31st December, 2005, there were contingent liabilities in respect of the following:

(a) The Company has issued guarantees to banks to secure banking facilities of subsidiaries amounting to HK$363,760,000 (2004: HK$371,318,000).

(b) The Company has issued letters of support in connection with certain wholly owned subsidiaries with deficiencies in shareholders' funds of HK$265,230,000 (2004: HK$212,158,000) as at 31st December, 2005.

(c) Litigation

(i) Around May 2003, a Group company was brought into litigation with a supplier of resin materials. The supplier took action against the Group company for settlement of a trading debt amounting to HK$643,980. The Group company counter claimed against the supplier for US$590,000 as the resin materials supplied did not meet the required specifications. A trial date has been fixed for the third quarter of 2006. The directors believe that the Group will not suffer any material loss as a result of these claims. Provision has been made for anticipated legal costs to be incurred.

(ii) During the last quarter of 2003, a Mexican company commenced a law suit in the State of Arizona against the Company based on their claims that the Company is a guarantor for a Lease Agreement of factory premises occupied by Siempre Novedoso De Mexico (Sinomex) S.A. de C.V. ("Sinomex") as tenant ("Litigation"). Sinomex was a member company of the Group that was disposed in 1996. The plaintiff claimed against Sinomex and the Company for approximately US$5,000,000 for unpaid obligations of Sinomex under the Lease Agreement in addition to interest at 2% per month, court costs and attorney fee.

In 2004, the Company filed a Motion to Dismiss the complaint in the Litigation based upon the applicable laws of Arizona and that of the location of the property, Hermosillo, Mexico. In that Motion, the Company argued that the Arizona court did not have sufficient subject matter and personal jurisdiction over the Company under the Guarantee for the case to continue in that court, and as such, the case should be dismissed in favour of the Company.

Notes on the Financial Statements *(Continued)*

31. CONTINGENT LIABILITIES *(Continued)*

(c) Litigation *(Continued)*

In January, 2005, the Arizona court denied the initial motion submitted by the Company. The Company plans to continue to vigorously defend the Litigation, and to assert the defences available to it. This would eliminate or at least significantly reduce the exposure of the Company if those defences prove to be successful.

Having considered the Litigation with Company's legal counsel, the management and the Board believe that the Company's opposition to the plaintiffs' complaint, and its defenses, including defenses to the amount of damages awardable, were meritorious. As such, the Company intends to continue to vigorously defend the Litigation. On that basis, the Company has not made provision in relation to the claims under the Litigation, while anticipated legal costs have been provided for in the consolidated financial statements.

32. EMPLOYEE RETIREMENT BENEFITS

In Hong Kong, the Group has a defined contribution retirement scheme ("ORSO scheme") for all qualifying employees. Effective from 1st December, 2000, all Hong Kong based employees are also covered under a Mandatory Provident Fund ("MPF") scheme, and the existing ORSO scheme has been modified to provide extra benefits for existing and new employees. The amount of employer's and employees' contributions to the ORSO scheme are reduced by the amount required to be paid to the MPF scheme. The contributions to the ORSO scheme are supplementary contributions, over and above the minimum MPF requirements. The assets of the ORSO scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the ORSO scheme, the employees are required to make contributions to the ORSO scheme calculated at 5% of their basic salaries on a monthly basis whilst the employer's contributions are varied with the number of years of service of the employees from 5% to 10% of the basic monthly salary. The employees are entitled to 100% of the employer's contributions to the ORSO scheme and the accrued interest after 10 complete years' service, or at an increasing scale of between 50% to 90% after completion of 5 to 9 years' service.

Where there are employees who leave the ORSO scheme prior to vesting fully in the contributions, in accordance with the rules of the ORSO scheme, the forfeited employer's contributions shall be used to reduce the future contributions of the employer.

Employees in the People's Republic of China are covered by a retirement insurance policy.

Employees in the United States of America are covered by a profit sharing plan under section 401(k) of the Internal Revenue Code covering all eligible employees. The plan provides for contributions from both the employer and eligible employees. Employer's contributions are voluntary and are determined each year at the discretion of management.

As regards employees in Europe, contributions are made by the employer to a money purchase defined contribution scheme for certain of its employees. The assets of the scheme are held separately by an independent administered fund.

33. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) One of the directors of the Company is also a director and shareholder of a supplier which sold packaging and printing materials to the Group under the same terms as those available to other customers in the ordinary course of business. Total purchases from the supplier amounted to HK$5,020,000 (2004: HK$6,401,000) during the year. The amount due to the supplier at the year end amounted to HK$1,311,000 (2004: HK$1,551,000).

(b) During the year, the Group had net interests in certain associates amounting to HK$158,584,000 (2004: HK$173,231,000) in which a director of the Company has beneficial interests. Further details of the associates are given in note 16 on the financial statements.

(c) During the year, the Group has obtained funding from certain directors, shareholders, related companies and related parties to finance its operations. Details of the terms of the advances and the balances outstanding are disclosed in notes 6, 23 and 24 on the financial statements.

(d) During the year ended 31st December, 2004, an ex-director and minority interests of the Group's subsidiary waived the amount due from this subsidiary of HK$930,000 and HK$327,000 respectively.

(e) The Group has provided funding to associates. Details of the balance outstanding are disclosed in note 16 on the financial statements.

34. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 2.

Club memberships with an aggregate carrying value of HK$670,000 for the Group, which were included in "Trade and other receivables" in the 2004 financial statements, have been reclassified to "Intangible assets" to conform with the current year's presentation. The directors of the Company consider that the revised presentation reflects more appropriately the nature of these assets.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 16 and 29 contain information about the assumptions and their risk factors relating to impairment of interests in associates and financial instruments. The Group believes the following critical accounting policy involves the most significant judgements and estimates used in the preparation of the financial statements

Impairments

If circumstances indicate that the carrying value of fixed assets and receivables may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of fixed assets and receivables are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount is reduced to recoverable amount. The recoverable amount of fixed assets is the greater of the net selling price and the value in use. The recoverable amount of receivables is the estimated future cash flows discounted at the current market rate of return of similar assets. It is difficult to precisely estimate selling price because quoted market prices for the Group's asset are not available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31ST DECEMBER, 2005

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31st December, 2005 and which have not been adopted in these financial statements:

	Effective for accounting periods beginning on or after
HK(IFRIC) 4, Determining whether an arrangement contains a lease	1st January, 2006
Amendment to HKAS 19, Employee benefits	
– Actuarial Gains and Losses, Group Plans and Disclosures	1st January, 2006
Amendments to HKAS 39, Financial instruments: Recognition and measurement:	
– Cash flow hedge accounting of forecast intragroup transactions	1st January, 2006
– The fair value option	1st January, 2006
– Financial guarantee contracts	1st January, 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
– HKAS 1, Presentation of financial statements	1st January, 2006
– HKAS 27, Consolidated and separate financial statements	1st January, 2006
– HKFRS 3, Business combinations	1st January, 2006
HKFRS 7, Financial instruments: disclosures	1st January, 2007
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1st January, 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1st December, 2005 and would be first applicable to the Group's financial statements for the period beginning 1st January, 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial applicable. So far it has concluded that the adoption of HKFRS 6 and HK(IFRIC) 5 and the amendments to HKAS 1, HKAS 27 and HKFRS 3 made as a result of the Hong Kong Companies (Amendment) Ordinance 2005 are not applicable to any of the Group's operations and that the adoption of the rest of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Principal Subsidiaries

At 31st December, 2005

	Name	Place of incorporation	Place of operation	Issued and fully paid up share capital (all being ordinary shares except otherwise stated)	Principal activity	Proportion of ownership interest held by Company	Subsidiaries
	Bachmann Asia Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	Agent for sale of toys	100%	–
	Bachmann (China) Limited	Hong Kong	China	10,000 shares of HK$1 each	Marketing and distribution	–	100%
	Bachmann Europe Plc	UK	UK	2,050,000 shares of £1 each	Marketing and distribution	100%	–
*	Bachmann Industries, Inc.	USA	USA	4,010,100 shares of US$1 each	Marketing and distribution	–	100%
	Bridge Duke Limited	Hong Kong	China	2 shares of HK$1 each	Property investment	–	100%
	Bridge Shine Limited	Hong Kong	China	2 shares of HK$1 each	Property investment	–	100%
	Deltahill Company Limited	Hong Kong	Hong Kong	100 shares of HK$1 each 1,001,000 non-voting deferred shares of HK$1 each	Property investment	–	100%
*	Dongguan Kader Electronics Company Limited *(Note 1)*	China	China	Registered capital HK$10,000,000	Manufacture of toys	–	70%
	Express Tech Limited	Hong Kong	China	2 shares of HK$1 each	Property investment	–	100%
	Extend Charm Limited	Hong Kong	China	2 shares of HK$1 each	Property investment	–	100%
*	GHI, Inc.	USA	USA	1,000 shares of US$1 each	Investment holding	–	100%

Principal Subsidiaries

At 31st December, 2005

Name	Place of incorporation	Place of operation	Issued and fully paid up share capital (all being ordinary shares except otherwise stated)	Principal activity	Proportion of ownership interest held by Company	Proportion of ownership interest held by Subsidiaries
Great Hope Investments Limited	British Virgin Islands	British Virgin Islands	1 share of US$1 each	Investment holding	100%	–
Joy Gain Limited	Hong Kong	China	2 shares of HK$1 each	Property investment	–	100%
Kader Enterprises Limited	Hong Kong	China	1,500,000 shares of HK$10 each	Property investment	–	100%
Kader Industrial Company Limited	Hong Kong	Hong Kong	412,532,000 shares of HK$0.5 each	Manufacture of toys and property investment	100%	–
Nice Cheer Limited	Hong Kong	China	2 shares of HK$1 each	Property investment	–	100%
Noble Fine Limited	Hong Kong	China	2 shares of HK$1 each	Property investment	–	100%
Starrex Investment Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	Investment holding	–	100%
Sun Marsh Limited	Hong Kong	China	2 shares of HK$1 each	Property investment	–	100%
* Tentdraft Holdings Limited	British Virgin Islands	British Virgin Islands	25,000 shares of US$1 each	Property investment	–	100%
Tinco Toys Company Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	Investment holding and manufacture of soft toys	–	100%
* Technic International Development Limited	Hong Kong	Hong Kong	1 shares of US$1 each	Investment holding	–	100%

Notes:

1. Dongguan Kader Electronics Company Limited is a wholly foreign owned enterprise registered in the PRC.

* *Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total turnover constituting approximately 8.3% and 29.4% respectively of the related consolidated totals.*

Group Properties

Details of the major properties of the Group are as follows:

	Location	Existing use	Term of lease
1.	Major properties held for investment		
	The whole building 22 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong.	Industrial	Medium-term
	Whole of Level 16 of China Merchants Tower, 161 Lujiazui Dong Lu, Lujiazui Finance & Trade Zone, Pudong, Shanghai, The People's Republic of China.	Commercial	Medium-term
	Flat B on First Floor, No. 53 Caperidge Drive, Crestmont Villa, Peninsula Village, Discovery Bay City, Lantau Island, Hong Kong.	Residential	Medium-term
	Flat 1915, Block U Telford Garden Kowloon Bay, Kowloon	Residential	Medium-term
2.	Major property held for resale		
	House 32 Bauhinia Court, New Century Lijiang Villas, Phase II, Guanlong Road, Jingshan Section, Chashan Town, Dongguan City, Guangdong Province, The People's Republic of China.	Residential	Medium-term

Five Year Summary

	2001	2002	2003	2004	**2005**
				(restated)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
CONSOLIDATED INCOME STATEMENT					
Turnover	430,637	353,049	495,325	501,106	**539,814**
Profit from operations	23,365	5,230	26,983	86,974	**102,423**
Finance costs	(31,390)	(19,959)	(16,731)	(13,767)	**(17,062)**
Share of profits less losses of associates	(2,035)	(13,979)	(9,373)	(11,431)	**10,891**
Profit/(loss) before taxation	(10,060)	(28,708)	879	61,776	**96,252**
Income tax	(14,779)	(10,734)	(6,209)	(23,023)	**(15,905)**
Profit/(loss) for the year	(24,839)	(39,442)	(5,330)	38,753	**80,347**
Minority interests	–	–	–	–	**–**
Profit/(loss) attributable to shareholders	(24,839)	(39,442)	(5,330)	38,753	**80,347**
Attributable to:					
Equity shareholders of the Company	(24,839)	(39,442)	(5,330)	38,753	**80,347**
Minority interest	–	–	–	–	**–**
Profit/(loss) for the year	(24,839)	(39,442)	(5,330)	38,753	**80,347**
EARNINGS/(LOSS) PER SHARE	(3.73¢)	(5.93¢)	(0.80¢)	5.82¢	**12.07¢**
DIVIDEND PER SHARE	Nil	Nil	Nil	Nil	**Nil**

Five Year Summary *(Continued)*

	2001	2002	2003	2004 (restated)	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
CONSOLIDATED BALANCE SHEET					
Assets and liabilities					
Fixed assets	525,732	520,740	525,336	572,956	**632,796**
Intangible assets	–	–	–	670	**637**
Interests in associates	94,928	88,817	171,552	166,538	**161,205**
Interest in a jointly controlled entity	–	–	–	–	**2,536**
Other non-current financial assets	94,948	88,718	1,734	2,487	**100**
Other non-current assets	2,496	5,856	9,334	12,444	**18,202**
Net current (liabilities)/assets	(64,602)	(53,321)	(63,074)	(1,647)	**3,606**
Total assets less current liabilities	653,502	650,810	644,882	753,448	**819,082**
Non-current liabilities	(161,245)	(216,946)	(203,350)	(247,946)	**(208,063)**
NET ASSETS	492,257	433,864	441,532	505,502	**611,019**
Capital and reserves					
Share capital	66,541	66,541	66,541	66,541	**66,541**
Reserves	425,716	367,323	374,991	438,961	**544,478**
Total equity attributable to equity shareholders of the Company	492,257	433,864	441,532	505,502	**611,019**
Minority interests	–	–	–	–	**–**
TOTAL EQUITY	492,257	433,864	441,532	505,502	**611,019**
NET ASSET VALUE PER SHARE	HK$0.74	HK$0.65	HK$0.66	HK$0.76	**HK$0.92**

NOTES TO THE FIVE YEAR SUMMARY

1. The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning or after 1st January, 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs is provided in note 2 to the financial statements. Figures for 2004 and 2005 have been adjusted for these new and revised policies in accordance with the transitional provisions and as disclosed in note 2. Earlier years have only been restated to the extent that the new accounting policies are adopted retrospectively as disclosed in note 2.

2. Pursuant to the revised (December 2001) Hong Kong Statement of Standard Accounting Practice No. 11 "Foreign currency translation", the Group changed its accounting policy for translation of the results of foreign entities in 2002. Figures for 2001 have not been adjusted for comparison purposes as the effect of this change in accounting policy is not material.

3. Hong Kong Statement of Standard Accounting Practice No. 12 (revised) "Income taxes" was first effective for accounting periods beginning on or after 1st January, 2003. In order to comply with this revised statement, the Group adopted a new accounting policy for deferred tax in 2003. Figures for prior years have not been adjusted as there was no material impact of the change in accounting policy on the Company's financial statements.