1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 54, 25 and 26 respectively.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The financial statements are presented in Hong Kong dollars which is the functional currency of the Company. The functional currencies of the companies comprising the Group operating in Hong Kong and elsewhere are Hong Kong dollars and the foreign currencies in which those companies operate, respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates or jointly controlled entities has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

HKFRS 3	Business combinations
HKAS 38	Intangible assets
HKAS 31	Interests in jointly controlled entities
HKAS 32 and HKAS 39	Financial instruments
HKAS 17	Leases

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Business combinations

In the current year, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years/period, goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group eliminated the carrying amount of the related accumulated amortisation on 1st January, 2005 of HK$1,672,000 with a corresponding decrease in the cost of goodwill on 1st January, 2005 *(see note 22)*. The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated *(see note 3 for the financial impact)*.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the year in which the acquisition takes place. In previous years/period, negative goodwill arising on acquisitions after 1st January, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill on 1st January, 2005 (of which negative goodwill of HK$23,393,000 was previously recorded in interests in associates and another amount of HK$5,475,000 was released from the share of retained profits of an associate's own financial statements on adoption of HKFRS 3). A corresponding adjustment to the Group's retained profits of HK$28,868,000 has been made.

Intangible assets

Upon the completion of the acquisition of a subsidiary during the year, the Group has recognised intangible assets in relation to the construction licenses in accordance with HKAS 38. The intangible assets with indefinite useful lives are measured initially at cost less any identified impairment. Impairment of intangible assets is assessed on an annual basis.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Interests in jointly controlled entities

In previous years/period, interests in jointly controlled entities were accounted for using the equity method. HKAS 31 "Interests in jointly controlled entities" allows entity to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue applying the equity method to account for its interests in jointly controlled entities. As a result, there has been no change in accounting method in respect of the Group's interests in jointly controlled entities.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: disclosure and presentation" and HKAS 39 "Financial instruments: recognition and measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The adoption of HKAS 32 has no material impact on the presentation of the Group's financial instruments in the consolidated financial statements for the current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. For available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured, they are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. Investment securities classified under non-current assets with carrying amount of HK$28,302,000 and other investments classified under current assets with carrying amount of HK$99,507,000 were reclassified to available-for-sale investments and investments at fair value through profit or loss on 1st January, 2005 respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Prior to the application of HKAS 39, an interest-free non-current amount due to an associate was stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free loan is measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, the carrying amount of the amount due to an associate as at 1st January, 2005 has been decreased by HK$10,662,000 in order to state the loan at amortised cost in accordance with HKAS 39 with a corresponding decrease in interests in associates of HK$10,662,000 *(see note 3 for the financial impact)*.

Derivatives and hedging

From 1st January, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

One of the Group's associates has applied the relevant transitional provisions in HKAS 39. For derivatives that are not for hedging purposes, on 1st January, 2005, the associate recognised the difference between the previous carrying amount recognised on the balance sheet and the fair value on 1st January, 2005 in the associate's retained earnings. As a result of adoption of HKAS 39, the Group's share of the associate's retained profits at 1st January, 2005 was decreased by HK$2,105,000 with a corresponding decrease in interests in associates of HK$2,105,000 *(see note 3 for the financial impact)*.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Owner-occupied leasehold interest in land

In previous years/period, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively *(see note 3 for the financial impact)*.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Decrease in amortisation of goodwill	**3,037**	—
Decrease in negative goodwill of an associate released to income	**(18,398)**	—
Recognition of discount on acquisition of additional interest in an associate	**24,113**	—
Decrease in share of results of associates	**(16,141)**	(20,970)
Increase (decrease) in share of results of jointly controlled entities	**3,289**	(2,134)
Decrease in income tax	**7,237**	23,104
Increase in profit for the year	**3,137**	—

Analysis of increase in profit for the year by line items presented according to their function:

	2005	2004
	HK$'000	*HK$'000*
Decrease in administrative expenses	**2,508**	—
Decrease in share of results of associates	**(16,141)**	(20,970)
Decrease in amortisation of goodwill of an associate	**529**	—
Increase (decrease) in share of results of jointly controlled entities	**3,289**	(2,134)
Decrease in income tax	**7,237**	23,104
Decrease in discount on acquisition of additional interest in an associate	**24,113**	—
Decrease in negative goodwill of an associate released to income	**(18,398)**	—
	3,137	—

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The cumulative effects of the application of the new HKFRSs on 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (Originally stated)	Effect of HKAS 17	As at 31st December, 2004 (Restated)	Effect of HKFRS 3	Effect of HKAS 39	As at 1st January, 2005 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items affected:						
Property, plant and equipment	47,013	(3,203)	43,810	—	—	43,810
Prepaid lease payments on land use rights	—	3,203	3,203	—	—	3,203
Interests in associates	2,223,091	—	2,223,091	28,868	(12,767)	2,239,192
Investment securities	28,302	—	28,302	—	(28,302)	—
Available-for-sale investments	—	—	—	—	30,658	30,658
Investments at fair value through profit or loss	—	—	—	—	97,151	97,151
Other investments	99,507	—	99,507	—	(99,507)	—
Amounts due to associates	(33,159)	—	(33,159)	—	10,662	(22,497)
Total effects on assets and liabilities		—		28,868	(2,105)	
Retained profits	1,668,945	—	1,668,945	28,868	(2,105)	1,695,708
Minority interests	44,585	—	44,585	—	—	44,585
Total effects on equity		—		28,868	(2,105)	

The financial effects of the application of the new HKFRSs to the Group's equity on 1st January, 2004 are summarised below:

	As originally stated	HKAS 1	As restated
	HK$'000	*HK$'000*	*HK$'000*
Share capital	78,525	—	78,525
Share premium	730,016	—	730,016
Translation reserve	17,421	—	17,421
Special reserve	(29,530)	—	(29,530)
Retained profits	1,272,761	—	1,272,761
Minority interests	—	4,552	4,552
Total effects on equity	2,069,193	4,552	2,073,745

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new standards' amendments and interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact of these standards' amendments and interpretations and so far concluded that the application of these standards' amendments and interpretations will have no material impact on the consolidated financial statements of the Group except for HKAS 39 & HKFRS 4 (Amendments) "Financial guarantee contracts".

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC)-Int 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC)-Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC)-Int 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment[3]
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"[4]

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date each year.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Minority interests in the net assets of the consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary, associate or jointly controlled entity at the date of acquisition. For previously capitalised goodwill, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary, associate or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after 1st January, 2005 (Continued)

Goodwill arising on the acquisition of associates or jointly controlled entities is included within the carrying amount of the associates or jointly controlled entities. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

As explained in note 2 above, all negative goodwill as at 1st January, 2005 has been derecognised with a corresponding adjustment to the Group's retained profits.

Revenue recognition

Sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the year. Variations in contact work, claims, and incentive payments are included to the extent that they have been agreed with the customer.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than property and plant under construction, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than property and plant under construction, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	4% or over the terms of the relevant leases, whichever is shorter
Leasehold improvements	33 1/3% or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% — 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Vessels	10% — 15%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Property and plant under construction is stated at cost less any impairment losses, and are not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready to use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is dereognised.

Owner-occupied leasehold interest in land

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis.

Intangible assets

On initial recognition, intangible assets acquired separately and from a business acquisition are measured at cost or fair value as at the date of acquisition respectively. Useful lives of acquired intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are measured initially at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are measured initially at cost less any identified impairment. Impairment of intangible assets is assessed on an annual basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as the contract revenue recognised. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as "Amount due from customers for contract work" or "Amount due to customers for contract work", as appropriate. Amounts billed, but not yet paid by the customers, for work performed on contracts are included in the balance sheet under "Debtors, deposits and prepayments".

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories of financial assets. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Receivables and amounts due from associates and jointly controlled entities

At each balance sheet date subsequent to initial recognition, receivables and amounts due from associates and jointly controlled entities are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits are subject to an insignificant risk of changes in value.

Bank Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Payables and amounts due to jointly controlled entities, associates, a related company and minority shareholders

Payables and amounts due to jointly controlled entities, associates, a related company and minority shareholders are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the leases or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee (Continued)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit schemes contributions

The contributions payable to the Group's Mandatory Provident Fund Schemes ("MPF Schemes") are charged as expenses as they fall due.

Impairment — other than goodwill and intangible assets with indefinite useful lives

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment — other than goodwill and intangible assets with indefinite useful lives *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment of property, plant and equipment and land use rights

The Group assesses annually whether property, plant and equipment and land use rights have any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of property, plant and equipment and land use rights have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted.

Recoverability of intangible assets with indefinite useful lives

During the year, management considered the recoverability of the intangible assets (i.e. construction licenses with indefinite useful lives) arising from the acquisition of a subsidiary, which is included in the consolidated balance sheet at 31st December, 2005 at HK$32,858,000. The construction projects continue to progress in a very satisfactory manner, and the recent new projects successfully secured by the Group has reconfirmed management's previous estimates of anticipated revenues generated from the acquired construction licenses. However, increased market competition has caused management to reconsider its assumptions regarding future market shares and anticipated margins on these construction projects. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the intangible assets will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments will be made in future periods if future market activity indicates such adjustments are appropriate.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. As at 31st December, 2005, the carrying amount of goodwill is HK$35,950,000. Details of the recoverable amount calculation are disclosed in note 24.

Income tax

As at 31st December, 2005, a deferred tax asset of HK$46,792,000 in relation to unused tax losses has not been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal or recognition takes place.

Construction contracts

For the year ended 31st December, 2005, the Group recognised losses from construction contracts of HK$39,609,000, which were derived from the latest available budgets of the construction contracts which were prepared by the management of the Group based on the overall performance of each construction contract.

For the year ended 31st December, 2005, the Group shared profits of its jointly controlled entities of HK$56,696,000, which were principally derived from the construction contracts carrying out by the jointly controlled entities. These figures were also derived from the latest available budgets of the construction contracts which were prepared by the management of respective jointly controlled entity and the Group that based on the overall performance of each construction contract.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debtors, equity investments, short term deposits and cash, creditors, borrowings and amounts due from(to) related parties. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Group's interest rate risk relates primarily to variable-rate bank borrowings which exposed the Group to cash flow interest rate risk *(see note 39)*. The Group currently does not have an interest rate hedging policy. However, the management monitors closely the interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(ii) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The revenue and the borrowings of the Group are predominately in Hong Kong dollars. Therefore, the Group has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's measurement currency.

(iii) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group had delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high-credit-ratings assigned by international credit rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(iv) Price risk

The Group's listed investments at fair value through profit or loss and available-for-sale investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

(v) Liquidity risk

The objective of the Group is to maintain a balance between the continuity of funding and the flexibility through the use of bank borrowings and advances from related parties. In addition, banking facilities have been put in place for general funding purposes.

7. TURNOVER

	2005	2004
	HK$'000	*HK$'000*
Group turnover	**595,306**	508,029
Share of turnover of jointly controlled entities	**151,407**	363,640
Group turnover and share of turnover of jointly controlled entities	**746,713**	871,669
Group turnover analysed by revenue from:		
Civil construction	**544,960**	377,122
Quarrying	**32,224**	119,526
Bio-technology	**18,122**	11,381
	595,306	508,029

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's turnover and profit for the year ended 31st December, 2005 and 2004 by business segments (primary) and geographical segments are as follows:

(a) Business segments

For management purposes, the Group classifies its businesses into four operating divisions - civil construction, quarrying, bio-technology, highway and expressway operations, and other operations, in which highway and expressway is operated through an associate of the Group. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Civil construction
— construction of civil engineering projects

Quarrying
— production and sale of quarry products

Bio-technology
— research, development, production and sale of bio-technology products

Highway and expressway operations
— investment in, development, operation and management of highways and expressways

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Civil construction *HK$'000*	Quarrying *HK$'000*	Bio-technology *HK$'000*	Highway and expressway operations *HK$'000*	Others *HK$'000*	Elimination on inter-segment sales *HK$'000*	Total *HK$'000*
Year ended 31st December, 2005							
Turnover							
Group turnover	544,960	32,224	18,122	—	—	—	595,306
Add: Inter-segment sales	—	2,717	—	—	—	(2,717)	—
Segment turnover	544,960	34,941	18,122	—	—	(2,717)	595,306

Inter-segment sales are charged at prevailing market rates.

	Civil construction *HK$'000*	Quarrying *HK$'000*	Bio-technology *HK$'000*	Highway and expressway operations *HK$'000*	Others *HK$'000*	Elimination on inter-segment sales *HK$'000*	Total *HK$'000*
Results							
Segment results	(35,170)	4,616	(11,457)	—	(6,480)		(48,491)
Unallocated net expenses							(18,410)
Finance costs							(5,136)
Share of results of associates	1,654	—	—	197,386	3,876		202,916
Share of results of jointly controlled entities	63,451	—	—	—	—		63,451
Discount on acquisition of additional interest in an associate	—	—	—	24,113	—		24,113
Loss on deemed disposals of partial interest in an associate	—	—	—	(7,516)	—		(7,516)
Profit before tax							210,927
Income tax credit							35
Profit for the year							210,962
As at 31st December, 2005							
Assets							
Segment assets	321,599	77,280	66,666	—	24,079		489,624
Interests in associates	(22,029)	—	—	2,408,247	4,286		2,390,504
Interests in jointly controlled entities	54,154	—	—	—	—		54,154
Unallocated corporate assets							166,558
Total consolidated assets							3,100,840
Liabilities							
Segment liabilities	194,462	28,277	34,547	—	4,017		261,303
Unallocated corporate liabilities							167,336
Total consolidated liabilities							428,639
Other information							
Intangible assets addition	32,858	—	—	—	—		32,858
Capital additions	8,742	—	27,678	—	970		37,390
Depreciation	6,607	1,347	2,513	—	451		10,918
Amortisation of prepaid lease payments on land use rights	—	—	67	—	—		67

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Civil construction *HK$'000*	Quarrying *HK$'000*	Bio-technology *HK$'000*	Highway and expressway operations *HK$'000*	Others *HK$'000*	Elimination on inter-segment sales *HK$'000*	Total *HK$'000*
Year ended 31st December, 2004							
Turnover							
Group turnover	377,122	119,526	11,381	—	—	—	508,029
Add: Inter-segment sales	—	389	—	—	—	(389)	—
Segment turnover	377,122	119,915	11,381	—	—	(389)	508,029
Inter-segment sales are charged at prevailing market rates.							
Results							
Segment results	(95,124)	(36,623)	(12,147)	—	(4,670)		(148,564)
Unallocated net expenses							(13,205)
Gain on disposal of interest in a property development project	—	—	—	—	475,309*		475,309
Finance costs							(1,526)
Share of results of associates	1,437	—	—	165,572	(3,610)		163,399
Share of results of jointly controlled entities	171,617	—	—	—	—		171,617
Negative goodwill released to income	—	—	—	—	3,181		3,181
Negative goodwill of an associate released to income	—	—	—	9,698	—		9,698
Amortisation of goodwill of an associate	(529)	—	—	—	—		(529)
Loss on deemed disposals of partial interest in an associate	—	—	—	(6,964)	—		(6,964)
Profit before tax							652,416
Income tax expense							(19,770)
Profit for the year							632,646
As at 31st December, 2004							
Assets							
Segment assets	316,703	89,475	54,669	—	75,300		536,147
Interests in associates	4,535	—	—	2,211,521	7,035		2,223,091
Interests in jointly controlled entities	50,312	—	—	—	—		50,312
Unallocated corporate assets							78,869
Total consolidated assets							2,888,419
Liabilities							
Segment liabilities	255,959	44,048	27,975	—	6,765		334,747
Unallocated corporate liabilities							36,984
Total consolidated liabilities							371,731
Other information							
Goodwill addition	37,622	—	—	—	—		37,622
Capital additions	7,371	525	1,284	—	—		9,180
Allowance for prepaid royalties	—	34,000	—	—	—		34,000
Amortisation of goodwill	1,672	—	—	—	—		1,672
Depreciation	4,063	2,519	902	—	787		8,271
Amortisation of prepaid lease payments on land use rights	—	—	66	—	—		66

* The gain arose from the disposal of the Group's interest in a property development project with the Government of Hong Kong Special Administrative Region ("HKSAR").

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(b) Geographical segments

The following is an analysis of the group turnover by the geographical market:

	2005	2004
	HK$'000	*HK$'000*
Hong Kong	560,182	384,549
Other regions in the People's Republic of China (the "PRC")	23,950	96,983
Middle East	11,174	—
Taiwan	—	26,497
	595,306	508,029

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of total assets		Additions to property, plant and equipment and intangible assets	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets located in:				
Hong Kong	273,841	346,033	34,012	7,115
Other regions in the PRC	186,509	178,800	35,687	2,065
Middle East	22,167	—	549	—
Taiwan	7,107	11,314	—	—
Total segment assets	489,624	536,147	70,248	9,180
Interests in associates	2,390,504	2,223,091		
Interests in jointly controlled entities	54,154	50,312		
Unallocated corporate assets	166,558	78,869		
Total consolidated assets	3,100,840	2,888,419		

9. OTHER INCOME

	2005	2004
	HK$'000	*HK$'000*
Other income includes the following:		
Unrealised gain on revaluation of investments	**—**	3,120
Interest on bank deposits	**859**	491
Interest on investments at fair value through profit or loss/other investments	**462**	1,508
Interest on finance lease receivables	**174**	—
Interest income on amounts due from associates	**—**	1,292
Interest on other debtors	**—**	26
Dividend income from investments at fair value through profit or loss/ other investments	**2,886**	1,440
Gain on disposal of property, plant and equipment, net	**3,340**	—
Gain on disposal of investments	**—**	1,271
Management fee income from jointly controlled entities	**—**	8,094
Rental income from property, plant and equipment	**214**	141
Service income from jointly controlled entities for management services rendered	**4,487**	—
Exchange gains, net	**2,275**	115
Refund of VAT	**1,309**	—
Service income from associates for secretarial and management services rendered	**850**	—
Technical consultancy fee income	**708**	—

10. GAIN ON DISPOSAL OF INTEREST IN A PROPERTY DEVELOPMENT PROJECT

Pursuant to an agreement dated 3rd February, 2004, Main Success Investments Limited, a wholly-owned subsidiary of the Company, disposed of the entire issued share capital of Asian Reward Development Limited, a wholly-owned subsidiary of the Company, through which the Group held a 50% interest in a jointly controlled entity that owned a property development project. Completion of the agreement took place on 26th February, 2004 and the net assets disposed of on 26th February, 2004 are as follows:

	HK$'000
Interest in a jointly controlled entity	85,343
Deferred tax assets *(Note 41)*	8,000
Net assets disposed of	93,343
Gain on disposal	475,309
Total consideration	568,652
SATISFIED BY:	
Cash received	596,652
Expenses related to the disposal paid	(23,000)
Net cash received	573,652
Accrued legal costs	(5,000)
	568,652

11. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	**4,232**	1,486
Imputed interest expense on non-current interest free loan from a former shareholder of a subsidiary	**892**	—
Finance lease and sale and leaseback arrangement	**12**	40
	5,136	1,526

12. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

During the year, the Group acquired, in aggregate, an additional 1.4% of the issued share capital of an associate, Road King Infrastructure Limited ("Road King"), at a consideration of HK$47,161,000, while the fair value of the identifiable assets and liabilities of the associate acquired by the Group at the respective dates of acquisition, in aggregate, amounted to HK$71,274,000. The excess of the fair value over the cost of acquisition represents the discount credited to the consolidated income statement for the year.

13. PROFIT BEFORE TAX

	2005	2004
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Auditors' remuneration		
Provision for the current year	3,000	2,600
(Over)underprovision in prior years	(96)	78
	2,904	2,678
Depreciation:		
Owned assets	11,456	9,360
Assets held under finance lease and sale and leaseback arrangement	47	290
	11,503	9,650
Less: Amount attributable to inventories and construction contracts	585	1,379
	10,918	8,271
Amortisation of prepaid lease payments on land use rights	67	66
Amortisation of goodwill *(Note 22)*	—	1,672
Consultancy fee paid to an associate	11,313	717
Unrealised loss on revaluation of investments at fair value through profit or loss	7,682	—
Loss on disposal of investments at fair value through profit or loss	1,431	—
Write-down of inventories	1,357	—
Allowance for doubtful debts	616	—
Hire charges for plant and machinery	42,548	28,240
Less: Amount attributable to construction contracts	42,548	28,240
	—	—
Share of tax of associates (included in share of results of associates)	10,526	20,970
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	(3,289)	2,134
Staff costs:		
Directors' remuneration *(Note 15)*	13,024	14,586
Other staff costs	185,331	171,804
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$192,000 (2004: HK$409,000)	8,821	6,335
	207,176	192,725
Less: Amount attributable to construction contracts	122,313	84,213
	84,863	108,512
Operating lease rentals in respect of land and buildings	5,048	3,580
Less: Amount attributable to construction contracts	68	—
	4,980	3,580

14. INCOME TAX (CREDIT) EXPENSE

	2005	2004
	HK$'000	*HK$'000*
Income tax for the year		
Hong Kong	**2,221**	12,540
Other jurisdictions	**172**	322
(Over)underprovision in prior years		
Hong Kong	**(2,567)**	5,481
Other jurisdictions	**139**	1,427
	(35)	19,770

Details of deferred tax are set out in note 41.

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

Income tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Income tax (credit) expense for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2005	2004
		(Restated)
	HK$'000	*HK$'000*
Profit before tax	**210,927**	652,416
Income tax expense at the applicable rate of 17.5% (2004: 17.5%)	**36,912**	114,173
Income tax effect of expenses not deductible in determining taxable profit	**8,789**	21,481
Income tax effect of tax losses not recognised	**10,001**	6,272
Income tax effect of income that is not taxable in determining taxable profit	**(9,718)**	(90,830)
(Over)underprovision in prior years	**(2,428)**	6,908
Income tax effect of utilisation of tax losses not previous recognised	**(3,388)**	(7,450)
Effect of different tax rates for the operations in other jurisdictions	**(1,016)**	169
Income tax effect of share of results of associates	**(34,558)**	(29,224)
Income tax effect of share of results of jointly controlled entities	**(3,581)**	(1,326)
Others	**(1,048)**	(403)
Income tax (credit) expense for the year	**(35)**	19,770

15. DIRECTORS' REMUNERATION

Details of the directors' remuneration are as follows:

	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December, 2005					
Executive directors:					
Zen Wei Pao, William	—	316	4,000	305	4,621
Zen Wei Peu, Derek	—	2,117	4,000	271	6,388
Chiu Wai Yee, Anriena	—	336	26	34	396
Fong Shiu Leung, Keter	—	631	217	46	894
	—	3,400	8,243	656	12,299
Non-executive directors:					
Lam Wai Hon, Patrick	145	—	—	—	145
Cheng Chi Pang, Leslie	145	—	—	—	145
	290	—	—	—	290
Independent non-executive directors:					
Wong Che Ming, Steve	145	—	—	—	145
Wan Siu Kau, Samuel	145	—	—	—	145
Wong Man Chung, Francis	145	—	—	—	145
	435	—	—	—	435
	725	3,400	8,243	656	13,024

15. DIRECTORS' REMUNERATION *(Continued)*

	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31st December, 2004					
Executive directors:					
Zen Wei Pao, William	—	312	4,000	309	4,621
Zen Wei Peu, Derek	—	2,020	4,000	265	6,285
Fong Shiu Leung, Keter	—	1,160	1,845	95	3,100
	—	3,492	9,845	669	14,006
Non-executive directors:					
Lam Wai Hon, Patrick	145	—	—	—	145
Cheng Chi Pang, Leslie	145	—	—	—	145
	290	—	—	—	290
Independent non-executive directors:					
Wong Che Ming, Steve	145	—	—	—	145
Wan Siu Kau, Samuel	145	—	—	—	145
	290	—	—	—	290
	580	3,492	9,845	669	14,586

The performance related incentive payment is determined as a percentage of the profit of the Group for the two years ended 31st December, 2005.

There was no arrangement under which a director waived or agreed to waive any remuneration and no payment of inducement fees and compensation for loss of office as director during both the current and last year.

16. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals included two directors (2004: three directors) set out above. The emoluments of the remaining three (2004: two) highest paid individuals are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salary and other benefits	**4,484**	3,297
Performance related incentive payments	**1,751**	3,177
Retirement benefits scheme contributions	**298**	211
	6,533	6,685

The emoluments were within the following bands:

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

17. DIVIDENDS AND DISTRIBUTION

	2005	2004
	HK$'000	*HK$'000*
Final dividend paid for the year ended 31st December, 2004: HK6 cents (2003: HK5 cents) per share	**47,588**	39,641
Special dividend paid: Nil (2004: HK15 cents) per share	—	118,924
Interim dividend paid for the year ended 31st December, 2005: HK6 cents (2004: HK5 cents) per share	**47,587**	39,646
	95,175	198,211

A final dividend for the year ended 31st December, 2005 of HK9 cents (2004: HK6 cents) per ordinary share, amounting to approximately HK$71,381,000 (2004: HK$47,587,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

Other than paying the dividends in cash, a special distribution of 2,219,627,295 shares of Build King Holdings Limited ("Build King"), the Company's subsidiary whose shares are listed on the Stock Exchange, was declared and made during the year ended 31st December, 2004 on the basis of 14 shares of Build King per 5 shares of the Company and resulted in a reduction in the retained profits by HK$14,437,000.

18. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the following data:

	2005	2004
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**199,891**	608,832

	Number of shares	
Number/weighted average number of ordinary shares for the purpose of basic earnings per share	**793,124,034**	791,090,495
Effect of dilutive potential ordinary shares:		
Options	—	1,552,729
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**793,124,034**	792,643,224

All the outstanding share options granted by the Company were exercised during the year ended 31st December, 2004.

Impact of changes in accounting policies

Changes in Group's accounting policies during the year are described in detail in note 2. To the extent that changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2005	2004	**2005**	2004
	HK cents	*HK cents*	***HK cents***	*HK cents*
Figures before adjustments	**24.80**	76.96	**24.80**	76.81
Adjustments arising from changes in accounting policies	**0.40**	—	**0.40**	—
As reported	**25.20**	76.96	**25.20**	76.81

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Vessels	Property and plant under construction	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*
COST								
At 1st January, 2004								
— as originally stated	64,385	12,452	237,763	24,596	12,783	96,200	—	448,179
— adjustments on adoption of HKAS 17 *(Note 2)*	(3,285)	—	—	—	—	—	—	(3,285)
— as restated	61,100	12,452	237,763	24,596	12,783	96,200	—	444,894
Exchange realignment	—	—	253	51	148	641	—	1,093
Acquisition of subsidiaries	—	—	—	—	51	—	—	51
Additions	—	67	1,442	834	84	6,753	—	9,180
Disposals	—	(93)	(4,295)	(331)	(3,074)	(227)	—	(8,020)
At 31st December, 2004	61,100	12,426	235,163	25,150	9,992	103,367	—	447,198
Exchange realignment	78	—	170	46	15	—	—	309
Acquisition of subsidiaries	—	46	—	191	—	—	—	237
Additions	18,817	727	7,932	1,101	716	572	7,525	37,390
Disposals	—	—	(13,538)	(43)	(460)	(3,015)	—	(17,056)
At 31st December, 2005	79,995	13,199	229,727	26,445	10,263	100,924	7,525	468,078
DEPRECIATION								
At 1st January, 2004								
— as originally stated	55,305	11,257	220,342	22,563	11,098	77,758	—	398,323
— adjustments on adoption of HKAS 17 *(Note 2)*	(16)	—	—	—	—	—	—	(16)
— as restated	55,289	11,257	220,342	22,563	11,098	77,758	—	398,307
Exchange realignment	—	—	162	38	98	291	—	589
Provided for the year	356	851	4,312	627	490	3,014	—	9,650
Eliminated on disposals	—	(8)	(2,713)	(229)	(2,069)	(139)	—	(5,158)
At 31st December, 2004	55,645	12,100	222,103	22,999	9,617	80,924	—	403,388
Exchange realignment	5	—	58	29	11	—	—	103
Provided for the year	957	630	3,456	765	155	5,540	—	11,503
Eliminated on disposals	—	—	(13,538)	(21)	(414)	(2,862)	—	(16,835)
At 31st December, 2005	56,607	12,730	212,079	23,772	9,369	83,602	—	398,159
CARRYING VALUES								
At 31st December, 2005	**23,388**	**469**	**17,648**	**2,673**	**894**	**17,322**	**7,525**	**69,919**
At 31st December, 2004 (restated)	5,455	326	13,060	2,151	375	22,443	—	43,810

The carrying value of property, plant and equipment in respect of assets held under finance lease and sale and leaseback arrangement is HK$38,000 (2004: HK$86,000).

Note: Pursuant to the Build, Operate and Transfer Agreement ("BOT Agreement") entered into in April 2005 between Wuxi Qianhui Sewage Treatment Co., Ltd ("Wuxi Qianhui"), a non-wholly owned subsidiary of the Group and the People's Government of Qian Qiao Zhen, Hui Shan District and Wu Xi City, Wuxi Qianhui was granted the right to construct and operate a sewage treatment plant for a term of 30 years. The construction cost of the sewage treatment plant is estimated to be approximately HK$42,000,000. The construction work of the sewage treatment plant is expected to be completed within one year upon signing the BOT Agreement and the sewage treatment plant shall commence operation thereafter.

20. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2005 *HK$'000*	2004 *HK$'000*
The Group's prepaid lease payments on land use rights comprise:		
Medium-term leasehold land in PRC	**5,533**	3,203
Analysed for reporting purposes as:		
Non-current asset	**5,419**	3,137
Current asset	**114**	66
	5,533	3,203

21. INTANGIBLE ASSETS

The amount represents the fair value of the construction licenses (with indefinite useful lives) held by a subsidiary acquired by the Group during the year (the "acquired subsidiary") as set out in note 47.

The construction licenses are granted by the Environment, Transport, and Works Bureau of HKSAR to the acquired subsidiary through which the acquired subsidiary is eligible to undertake government construction contracts of all five categories of public works, namely port works, site formation, road and drainage, water works and buildings with no limitation in contract sum. The construction licenses basically have no legal life but are renewable every year as long as the acquired subsidiary is able to comply with certain provisions and requirements set out by the Environment, Transport, and Works Bureau of HKSAR throughout the relevant period.

Various studies including sensitivity analysis and market trends have been carried out by the management of the Group, which supports that the construction licenses have no foreseeable limit to the period over which the construction licenses are expected to generate net cash flows for the Group. As a result, the construction licenses are considered by the management of the Group as having an indefinite useful life because it is expected to contribute net cash flows indefinitely. The construction licenses will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding the impairment testing on intangible assets are disclosed in note 24.

22. GOODWILL

	HK$'000
COST	
Arising on acquisition of a subsidiary and balance at 1st January, 2005	37,622
Elimination of accumulated amortisation upon the application of HKFRS 3 *(Note 2)*	(1,672)
At 31st December, 2005	35,950
AMORTISATION	
Charged for the year ended 31st December, 2004 and balance at 1st January, 2005	1,672
Elimination of accumulated amortisation upon the application of HKFRS 3 *(Note 2)*	(1,672)
At 31st December, 2005	—
CARRYING VALUE	
At 31st December, 2005	**35,950**
At 31st December, 2004	35,950

Particulars regarding impairment testing on goodwill are disclosed in note 24.

Until 31st December, 2004, goodwill had been amortised over its estimated useful life of fifteen years.

23. NEGATIVE GOODWILL

	HK$'000
GROSS AMOUNT	
Arising on acquisition and balance at 31st December, 2004	3,181
RELEASED TO INCOME	
Released during the year and balance at 31st December, 2004	(3,181)
CARRYING VALUE	
At 31st December, 2004	—

24. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

As explained in note 8, the Group uses business segment as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill set out in note 22 has been allocated to cash generating units ("CGUs"), including all subsidiaries, associates and jointly controlled entities in the civil construction segment, except for one subsidiary which was acquired during the year and holds the construction licenses granted by the Environment, Transport, and Works Bureau of HKSAR.

For the purpose of impairment testing, intangible assets with indefinite useful lives set out in note 21 have been allocated to the CGU of the remaining subsidiary acquired during the year, which holds the construction licences granted by the Environment, Transport, and Works Bureau of HKSAR and through which it is eligible to undertake government construction contracts for all five categories of public works.

During the year ended 31st December, 2005, the management of the Group determined that there are no impairments of any of its CGUs containing goodwill and intangible assets.

The recoverable amounts of the above CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, and a discount rate of 10%. Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

25. INTERESTS IN ASSOCIATES

	2005 *HK$'000*	2004 *HK$'000*
Cost of investment in associates		
Listed in Hong Kong	**1,402,247**	1,355,086
Unlisted	**4**	28,057
Share of post-acquisition profits and reserves, net of dividends received	**988,253**	854,212
	2,390,504	2,237,355
Goodwill *(Note a)*	**—**	9,129
Negative goodwill *(Note a)*	**—**	(23,393)
	2,390,504	2,223,091

Details of the associates of the Group at 31st December, 2005 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of nominal value of issued capital/ attributable interest held by the Group %	Principal activities
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	18.92 *(Note c)*	Civil engineering
Kong On Waste Management Limited	Incorporated	Hong Kong	27.03 *(Note c)*	Environmental and waste management
Oceanblue Holdings Limited	Incorporated	British Virgin Islands	40	Not yet commenced business
Road King Infrastructure Limited	Incorporated	Bermuda	46.036	Investment in and development, operation and management of highways and expressways
Supertime Holdings Limited	Incorporated	Hong Kong	50	Property development

25. INTERESTS IN ASSOCIATES *(Continued)*

Notes:

(a) Movements in the goodwill and negative goodwill included in interests in associates are as follows:

	Goodwill *HK$'000*	Negative goodwill *HK$'000*
GROSS AMOUNT		
At 1st January, 2004	10,584	—
Arising on the additional acquisition of interests in associates	—	(33,091)
At 31st December, 2004	10,584	(33,091)
At 1st January, 2005		
— as originally stated	10,584	(33,091)
— derecognised on adoption of HKFRS 3 *(Note 2)*	—	33,091
— as restated	10,584	—
Elimination of accumulated amortisation upon the application of HKFRS 3 *(Note 2)*	(1,455)	—
Reclassified upon acquisition of additional interests in an associate *(Note e)*	(9,129)	—
At 31st December, 2005	—	—
AMORTISATION/RELEASED TO INCOME		
At 1st January, 2004	926	—
Charged (released) for the year	529	(9,698)
At 31st December, 2004	1,455	(9,698)
At 1st January, 2005		
— as originally stated	1,455	(9,698)
— derecognised on adoption of HKFRS 3 *(Note 2)*	—	9,698
— as restated	1,455	—
Elimination of accumulated amortisation upon the application of HKFRS 3 *(Note 2)*	(1,455)	—
At 31st December, 2005	—	—
CARRYING VALUE		
At 31st December, 2005	—	—
At 31st December, 2004	9,129	(23,393)

In accordance with HKFRS 3, goodwill has not been amortised since 1st January, 2005 and is subject to annual impairment test.

As explained in note 2, all negative goodwill arising on acquisitions prior to 1st January, 2005 was derecognised as a result of the application of HKFRS 3.

25. INTERESTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

(b) The summarised financial information in respect of the Group's associates which are accounted for using the equity method is set out below:

Operating results:

	2005	2004 (Restated)
	HK$'000	*HK$'000*
Turnover	**239,388**	327,411
Profit for the year	**439,730**	400,503
Profit for the year attributable to the Group	**202,916**	163,399

Financial position:

	2005	2004 (Restated)
	HK$'000	*HK$'000*
Non-current assets	**5,339,179**	4,878,775
Current assets	**2,109,944**	2,270,551
Current liabilities	**(654,050)**	(328,303)
Non-current liabilities	**(1,561,916)**	(1,794,990)
Minority interests	**(35,215)**	(45,778)
Net assets	**5,197,942**	4,980,255
Net assets attributable to the Group	**2,390,504**	2,237,355

(c) The Group holds the effective interests in the associates through Build King, the Company's 54.06% subsidiary whose shares are listed on the Main Board of the Stock Exchange.

(d) The Group has contractual obligations to share the net liabilities amounted to HK$22,029,000 of certain associates.

(e) As set out in note 47, the Group acquired additional interest in an associate during the year resulting in the associate becoming a subsidiary. On the acquisition date, the carrying amount of interest in the associate including goodwill of HK$9,129,000 amounting to HK$17,561,000 were reclassified to relevant items in the consolidated balance sheet.

26. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2005 *HK$'000*	2004 *HK$'000*
Share of net assets of jointly controlled entities	**54,154**	50,312

At 31st December, 2005, the Group had interests in the following principal jointly controlled entities:

Name of jointly controlled entity	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group %	Principal activities
Balfour Beatty-Zen Pacific Joint Venture	Unincorporated	Hong Kong	27.03 *(Note a)*	Civil engineering
China Railway Tenth Group Third Engineering Co., Ltd.	Incorporated	PRC	13.52 *(Notes a and b)*	Civil engineering
Dragages (HK) Joint Venture	Unincorporated	Hong Kong	7.57 *(Notes a and b)*	Civil engineering
Kier-STAMsteel Joint Venture	Unincorporated	Hong Kong	27.03 *(Note a)*	Civil engineering
Kier/Zen Pacific Joint Venture	Unincorporated	Hong Kong	27.03 *(Note a)*	Civil engineering
Shanxi Jin Ya Road and Bridge Construction Co., Ltd.	Incorporated	PRC	27.57 *(Note a)*	Road construction
Taiwan Track Partners Joint Venture	Unincorporated	Taiwan	4.32 *(Notes a and b)*	Civil engineering
Taiwan Track Partners Rheda Joint Venture	Unincorporated	Taiwan	4.32 *(Notes a and b)*	Civil engineering
常州利駿建築工程有限公司	Incorporated	PRC	21.62 *(Note a)*	Property construction

26. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Notes:

(a) The Group holds the effective interests in the jointly controlled entities through Build King, the Company's 54.06% subsidiary whose shares are listed on the Main Board of the Stock Exchange.

(b) The Group holds less than 20% interests in these entities through Build King. However, under the joint venture agreements, the entities are jointly controlled by the Group and the other significant joint venture partners. Therefore, these entities are classified as jointly controlled entities.

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

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

Share of results attributable to the Group:

	2005	2004
	HK$'000	*HK$'000*
Turnover	**151,407**	363,640
Other income	**2,051**	3,842
Total revenue	**153,458**	367,482
Total expenses	**(93,296)**	(193,731)
Profit before tax	**60,162**	173,751
Income tax	**3,289**	(2,134)
Profit for the year	**63,451**	171,617

Share of assets and liabilities attributable to the Group:

	2005	2004
	HK$'000	*HK$'000*
Non-current assets	**18,343**	14,852
Current assets	**203,999**	254,711
Current liabilities	**(168,188)**	(219,155)
Non-current liabilities	**—**	(96)
Net assets	**54,154**	50,312

27. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES

	2005	2004
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**34,474**	29,102
Less: Impairment loss recognised	**800**	800
	33,674	28,302
Analysed for reporting purposes as:		
Non-current available-for-sale investments/investment securities *(Note a)*	**3,016**	28,302
Current available-for-sale investments *(Note b)*	**30,658**	—
	33,674	28,302

Notes:

(a) The balance represents investments in unlisted equity securities issued by private entities. Such investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(b) The balance includes 4.41% equity investment amounting to HK$28,302,000 in the registered capital of Shanghai Environment Investment Company Limited ("SEICL"), a company established in the PRC. SEICL is an investment holding company whose investment targets are companies undertaking waste management projects in the PRC, including operating incinerators and landfill. The 4.41% equity investment in SEICL is pledged to another equity holder of SEICL to secure a loan of HK$28,302,000 as disclosed in note 38.

During the year, the Group decided to divest its entire equity interest in the SEICL and an active programme was initiated to identify potential buyer. The Group expects to divest the investment within next twelve months from the balance sheet date and accordingly, the amount is classified under current assets as "available-for-sale investments" in accordance with HKAS 39. No adjustment has been made to the carrying amount of the investment in SEICL as, in the opinion of the directors, the cost less any identified impairment for the investment in SEICL should not be less than its existing carrying amount.

28. PREPAID ROYALTIES

Prepaid royalties are analysed as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**2,397**	4,444
In the second to fifth year inclusive	**42,340**	42,690
	44,737	47,134
Less: Allowance	**34,000**	34,000
	10,737	13,134
Less: Amount recoverable within one year shown under current assets	**2,397**	4,444
Amount recoverable after one year	**8,340**	8,690

This amount represents the cost of construction work to be recoverable from the local government of Wanshan, the PRC, which would be settled by a waiver of royalty fees arising from the sale of quarry products from a quarry of the Group in the PRC. Hence, it is royalty prepayment in substance. The directors have considered the prospects of the construction industry and reassessed the likelihood of the settlement of these prepaid royalties in full through the waiver of royalty fees arising from the sale of quarry products. Based on the anticipated sales of quarry products, the directors are of the opinion that the prepaid royalties will not be recoverable in full, and accordingly an allowance of HK$34,000,000 was recognised in the income statement in 2004. Additionally, in accordance with directors' best estimation, prepaid royalties expected to be utilised within next twelve months are classified under current assets, whereas the remaining amount is classified under non-current assets.

29. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**834**	—	**714**	—
In the second to fifth year inclusive	**695**	—	**660**	—
	1,529	—	**1,374**	—
Less: Unearned finance income	**155**	—	**—**	—
Present value of minimum lease payments receivable	**1,374**	—	**1,374**	—
Less: Current finance lease receivables recoverable within next twelve months			**714**	—
Non-current finance lease receivables recoverable after next twelve months			**660**	—

The Group has leased out certain of its plant and machinery. All interest rates inherent in the leases are fixed at the contract date over the lease terms. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Effective interest rates of the above finance leases range from 4% to 6% per annum.

The fair value of the finance lease receivables at 31st December, 2005 approximates to the carrying amount of the receivables.

30. INVENTORIES

	2005	2004
	HK$'000	*HK$'000*
Raw materials	**7,345**	4,907
Work in progress	**338**	174
Consumables	**4,468**	4,771
Finished goods	**9,585**	11,369
	21,736	21,221

The cost of inventories recognised as an expense during the year is HK$40,199,000 (2004: HK$53,352,000).

31. AMOUNT DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2005 HK$'000	2004 HK$'000
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	**2,291,919**	1,512,867
Less: Progress billings	**(2,268,300)**	(1,492,555)
	23,619	20,312
Represented by:		
Due from customers included in current assets	**39,780**	33,189
Due to customers included in current liabilities	**(16,161)**	(12,877)
	23,619	20,312

32. DEBTORS, DEPOSITS AND PREPAYMENTS

	2005 HK$'000	2004 HK$'000
Trade debtors (aged analysis):		
0 to 60 days	**104,763**	69,998
61 to 90 days	**121**	606
Over 90 days	**8,173**	925
	113,057	71,529
Retention receivable	**31,867**	17,575
Other debtors, deposits and prepayments	**51,984**	52,733
	196,908	141,837

The Group allows an average credit period of 60 days to its trade customers. For retention receivable in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

The fair value of the debtors and retention receivable at 31st December, 2005 approximates to the corresponding carrying amounts.

33. AMOUNTS DUE FROM ASSOCIATES

At 31st December, 2005, the amounts are unsecured, interest free and repayable on demand.

At 31st December, 2004, the amounts are unsecured, repayable on demand and interest-free except for an amount of HK$20,000,000 advanced to an associate (the "Associate") by a subsidiary of the Company (the "Subsidiary") which bears interest at prime rate. The Associate agreed in writing that the Subsidiary has the right to set off the amount against any amount due to the Associate by the Subsidiary or any companies, whose ultimate holding company is the Company. At 31st December, 2004, HK$8,484,000 of the amount was set off against the same amount due to the Associate.

The fair value of the amounts due from associates approximates to the corresponding carrying amount.

34. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER INVESTMENTS

	2005	2004
	HK$'000	*HK$'000*
Investments at fair value through profit or loss/ other investments, at fair values		
Equity securities:		
— Listed in Hong Kong	**65,550**	57,379
— Listed in overseas	—	3,757
— Unlisted in Hong Kong	**4,503**	8,203
— Unlisted overseas	—	5,141
	70,053	74,480
Debt securities	—	10,686
Equity linked notes	—	8,548
Statement gold	**5,267**	5,793
	75,320	99,507
Market value of listed securities	**65,550**	61,136

The fair values of the above listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.

At 31st December, 2005, certain listed equity securities with market value of HK$20,255,200 were pledged to a bank to secure general banking facilities granted to the Group.

35. OTHER FINANCIAL ASSETS

Other financial assets include amounts due from jointly controlled entities and bank balances and cash.

The amounts due from jointly controlled entities are unsecured, interest free and repayable on demand. Bank balances and cash comprise cash held by the Group with an original maturity of three months or less.

The directors consider the amounts due from jointly controlled entities and bank balances and cash approximate to their fair values.

36. CREDITORS AND ACCRUED CHARGES

	2005	2004
	HK$'000	*HK$'000*
Trade creditors (aged analysis):		
0 to 60 days	**21,872**	18,630
61 to 90 days	**897**	4,108
Over 90 days	**7,540**	5,600
	30,309	28,338
Retention payable	**22,647**	18,530
Accrued project costs	**66,546**	60,670
Other creditors and accrued charges	**90,299**	114,012
	209,801	221,550

The directors consider the creditors and accrued charges approximate to their fair values.

37. AMOUNT DUE TO A RELATED COMPANY

The related company is a subsidiary of one of the Company's substantial shareholders. The amount is unsecured, carries interest at prime rate and is repayable on demand.

The directors consider the amount due to a related company approximates to its fair value.

38. OTHER BORROWINGS

Other borrowings comprise:

	2005	2004
	HK$'000	*HK$'000*
Other secured loan *(Note a)*	28,302	—
Obligations under finance lease and sale and leaseback arrangement *(Note b)*	42	273
	28,344	273
Less: Amount due within one year shown under current liabilities	28,318	231
Amount due after one year	26	42

Notes:

(a) Other secured loan represents the loan from an equity holder of SEICL and is secured by the Group's 4.41% equity interest in SEICL. The loan is interest free and repayable on demand.

(b) The maturity of obligations under finance lease and sale and leaseback arrangement is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	18	243	16	231
In the second to fifth year inclusive	27	45	26	42
	45	288	42	273
Less: Future finance charges	3	15	—	—
Present value of lease obligations	42	273	42	273
Less: Amount due within one year shown under current liabilities			16	231
Amount due after one year			26	42

The lease terms ranging from 4.5 years to 5 years. Interest rates underlying all obligations under finance lease and sale and leaseback arrangement are fixed at respective contract dates ranging from 5.7% to 11.5% per annum. No arrangements have been entered into for contingent rental payments.

The directors consider the other borrowings approximate to their fair values.

39. BANK LOANS

	2005	2004
	HK$'000	*HK$'000*
The maturity of the bank loans is as follows:		
Within one year	**74,215**	9,434
In the second year	**18,200**	11,600
In the third to fifth year inclusive	**35,200**	23,400
	127,615	44,434
Less: Amount due within one year shown under current liabilities	**74,215**	9,434
Amount due after one year	**53,400**	35,000
Secured	**18,000**	—
Unsecured	**109,615**	44,434
	127,615	44,434

Bank loans include approximately HK$9,615,000 (2004: HK$9,434,000) fixed-rate borrowings which carry interest at 5.02% (2004: 4.94%) per annum. The average effective interest rate of the remaining borrowings are ranging from 2% to 7% (2004: 2% to 3%) per annum. Interest is repricing every two, three or six months. The directors of the Company consider that the carrying amount of bank loans approximates to their fair value.

40. OTHER FINANCIAL LIABILITIES

Other financial liabilities include amounts due to jointly controlled entities, associates and minority shareholders.

The amounts due to jointly controlled entities, associates and minority shareholders are unsecured, interest free and repayable on demand.

The directors consider the amounts due to jointly controlled entities, associates and minority shareholders approximate to their fair values.

41. DEFERRED TAX LIABILITIES

The following are the deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years:

	Unrealised gains on construction contract	Fair value of intangible assets	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2004	8,000	—	8,000
Disposal during the year *(Note 10)*	(8,000)	—	(8,000)
At 31st December, 2004	—	—	—
Acquired on acquisition of a subsidiary *(Note 47)*	—	(5,750)	(5,750)
At 31st December, 2005	**—**	**(5,750)**	**(5,750)**

At the balance sheet date, the Group has unutilised tax losses carried forward to offset future profits, the utilisation of which will expire in the following years:

	2005	2004
	HK$'000	*HK$'000*
Tax losses to expire in:		
2005	—	6,172
2006	**11,410**	11,365
2007	**4,984**	6,330
2008	**4,894**	5,039
2009	**19,222**	—
2010	**15,906**	—
Carried forward indefinitely	**161,601**	140,212
	218,017	169,118

No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

42. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest-free and have no fixed repayment terms. The associates have agreed not to demand repayment within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

The fair value of the amounts due to associates at 31st December, 2005 approximates to the corresponding carrying amount at effective interest rate of 5.4% per annum *(Note 2)*.

The amounts due to associates at 31st December, 2004 were stated at the nominal amount. The fair value of the amounts due to an associate with the nominal amount of HK$26,529,000 at 31st December, 2004 approximates to HK$15,867,000 at effective interest rate of 5.4% per annum.

43. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest free and have no fixed repayment terms. The amounts will not be repayable within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

The directors consider the amounts due to jointly controlled entities approximate to their fair values.

44. SHARE CAPITAL

	Number of shares		Share capital	
	2005	2004	**2005**	2004
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning of the year	**793,124**	785,249	**79,312**	78,525
Exercise of share options	**—**	7,875	**—**	787
At end of the year	**793,124**	793,124	**79,312**	79,312

45. SHARE OPTION SCHEME

The share option scheme of the Company adopted on 7th August, 1992 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002 to comply with Chapter 17 of the Listing Rules. As a result, the Company may no longer grant further options under the Old Share Option Scheme. However, all options granted prior to the termination of the Old Share Option Scheme shall remain in full force and effect. After 7,875,000 share options had been exercised during the year ended 31st December, 2004, no share options granted under the Old Share Option Scheme remained outstanding.

The purpose of the New Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries. The participants include any full-time employees, executives or officers and directors (executive and non-executive directors) of the Company and/or any of its subsidiaries.

Under the New Share Option Scheme and any other schemes of the Company, the total number of shares which may be issued must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the New Share Option Scheme less the aggregate of exercised, cancelled and outstanding options. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders of the Company.

The option period commences on the first anniversary of the commencement date (the date upon which the options are deemed to be granted and accepted) of such options and ends on the fourth anniversary of the commencement date. The option must be held by the participant for a year before it can be exercised. Each participant must pay HK$1 as consideration for the grant of option within 30 days from the date of offer.

The exercise price shall be determined by the directors of the Company, being not less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; (b) the average of the official closing prices of the shares stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and (c) the nominal value of the shares.

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 18th September, 2002. During the year, no options were granted under the New Share Option Scheme.

45. SHARE OPTION SCHEME *(Continued)*

The following tables disclose details of the Company's share options held by the employees (including directors) under the Old Share Option Scheme and movements in such holdings.

Date of grant	Exercisable period	Exercise price per share	Number of share options: Balance at 1st January, 2004	Exercised during the year ended 31st December, 2004	Balance at 31st December, 2004 and 31st December, 2005
		HK$			
Directors:					
29th November, 2000	29th November, 2001 to 28th November, 2004	0.34	6,000,000	(6,000,000)	—
Employees:					
29th November, 2000	29th November, 2001 to 28th November, 2004	0.34	1,875,000	(1,875,000)	—
			7,875,000	(7,875,000)	—

During the year ended 31st December, 2004, the aggregate fair value at the date of issue of the Company's ordinary shares issued to the directors and employees who exercised the share options was HK$11,427,000.

46. RESERVES

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 44.

The retained profits of the Group included HK$965,757,000 (2004: HK$836,142,000) profits retained by associates of the Group and HK$12,870,000 (2004: HK$30,248,000) profits retained by jointly controlled entities of the Group.

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

The assets revaluation reserve represents the revaluation increase on net assets shared by the Group in interests in associates upon acquisition of additional interest of an associate during the year.

47. ACQUISITION OF SUBSIDIARIES

On 15th June, 2005, Profound Success Limited ("PSL"), a wholly-owned subsidiary of Build King acquired an additional 49% of the issued share capital of Kier Hong Kong Limited ("Kier HK") at a consideration of HK$21,630,000. The acquisition has been accounted for by the acquisition method of accounting. Prior to the acquisition, PSL was interested in 49.5% of the issued share capital of Kier HK. Upon the completion of the acquisition, Kier HK became a 53.2% owned subsidiary of the Group.

Details of the net assets of Kier HK acquired by the Group were as follows:

	Kier HK's carrying amount before acquisition	Fair value adjustments and goodwill reclassification	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	237	—	237
Intangible assets	—	32,858	32,858
Interests in jointly controlled entities	2,002	—	2,002
Amount due from customers for contract work	18,410	—	18,410
Debtors, deposits and prepayments	38,769	—	38,769
Amount due from a jointly controlled entity	28	—	28
Bank balances and cash	15,972	—	15,972
Deferred tax liabilities	—	(5,750)	(5,750)
Creditors and accrued charges	(25,456)	—	(25,456)
Amounts due to group companies	(23,927)	—	(23,927)
Bank loan	(9,000)	—	(9,000)
Net assets	17,035	27,108	44,143
Minority interests			(662)
Reclassified from the Group's interests in associates			(17,561)
Revaluation increase on net assets shared by the Group in interests in associates			(4,290)
Net assets acquired by the Group/ Total consideration, satisfied by cash			21,630
Net cash outflow arising on acquisition			
Cash consideration paid			21,630
Cash and cash equivalents acquired			(15,972)
			5,658

47. ACQUISITION OF SUBSIDIARIES *(Continued)*

Kier HK contributed HK$118,258,000 revenue and nil to the Group's profit for the year between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1st January, 2005, total group turnover for the year would have been increased by HK$120,030,000 but would have had no change in the profit for the year. The proforma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2005 nor is it intended to be a projection of future results.

On 23rd April, 2004, Top Horizon Holdings Limited, a wholly-owned subsidiary of the Company, subscribed for 5,987,000,000 ordinary shares of HK$0.01 each and 3,000,000,000 convertible preference shares of HK$0.01 each of Build King. The consideration was satisfied by cash of HK$29,870,000 and by injection of the Group's interest in Top Tactic Holdings Limited ("Top Tactic") and its subsidiaries. Immediately followed the completion of this transaction, the Group's interest in Top Tactic was reduced by 5.18%. Net assets of Build King acquired on 23rd April, 2004 were as follows:

	HK$'000
Property, plant and equipment	51
Debtors, deposits and prepayments	302
Creditors and accrued charges	(213)
	140
Goodwill *(Note 22)*	37,622
Total consideration	37,762
SATISFIED BY:	
Cash paid (including expenses related to the acquisition)	35,633
Disposal of partial interest in Top Tactic	2,129
	37,762

The subsidiaries acquired during the year ended 31st December, 2004 did not have significant contribution to the Group's turnover, results and cash flows for that year.

48. COMMITMENTS

(a) Capital commitments

At 31st December, 2005, the Group committed capital expenditure in respect of the acquisition of property, plant and equipment as follows:

	2005	2004
	HK$'000	*HK$'000*
Contracted for but not provided in the financial statements	—	23,705
Authorised but not contracted for	—	5,384
	—	29,089

(b) Joint venture commitments

At 31st December, 2005, the Group had committed to invest approximately HK$2,972,000 into a joint venture established in the PRC. The joint venture is principally engaged in production of construction materials in the PRC.

At 31st December, 2004, the Group had committed to invest approximately HK$14,798,000 into several joint ventures established in the PRC. These joint ventures are principally engaged in civil engineering and production of construction materials in the PRC.

(c) Operating lease commitments

Lessor

During the year, the Group earned income of HK$214,000 (2004: HK$141,000) from the lease of the Group's properties. The leased properties have committed the tenants for terms ranging from two to seven years.

At 31st December, 2005, the Group leased the Group's properties and contracted with tenants for the following future minimum lease payments:

	2005	2004
	HK$'000	*HK$'000*
Within one year	390	141
In the second to fifth year inclusive	86	227
	476	368

48. COMMITMENTS *(Continued)*

(c) Operating lease commitments *(Continued)*

Lessee

At 31st December, 2005, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**4,645**	2,903
In the second to fifth year inclusive	**5,216**	757
	9,861	3,660

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms ranging from one to three years and rentals are fixed at the time of entering the respective leases.

49. PLEDGE OF ASSETS

Other than as disclosed in notes 27 and 34, as at 31st December, 2005, bank deposits of the Group amounting to HK$6,687,000 were pledged to banks for the purpose of meeting the terms and conditions of certain construction contracts entered into by the Group.

At 31st December, 2004, bank deposits of the Group amounting to HK$19,038,000 were pledged to banks to secure the banking facilities granted to the Group and jointly controlled entities.

The pledged deposits carry fixed interest ranging from 0.9% to 1.35% (2004: 0.8% to 1.35%) per annum. The fair value of bank deposits approximates to the corresponding carrying amount.

50. CONTINGENT LIABILITIES

	2005	2004
	HK$'000	*HK$'000*
Guarantees given to financial institutions in respect of banking and other facilities granted to an associate	—	40,793
Guarantees/counter indemnities given in respect of outstanding tender/performance/retention bonds for construction contracts	**105,793**	148,041

The extent of banking and other facilities utilised by an associate, subsidiaries and a jointly controlled entity at 31st December, 2004 amounted to HK$28,225,000.

51. RETIREMENT BENEFITS SCHEME

The Group operates two MPF Schemes for all eligible employees in Hong Kong. These MPF Schemes are registered with the Mandatory Provident Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance").

The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance, the Group provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The amount charged to the consolidated income statement represents contributions payable to the retirement benefit schemes by the Group at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement scheme is to make the specified contributions.

52. STAFF SHARE PURCHASING SCHEME

On 15th March, 2004, the Company adopted the staff share purchasing scheme ("the Staff Share Purchasing Scheme"). Pursuant to which the Company through its wholly owned subsidiary might grant the purchase rights (the "Purchase Rights") to the eligible participants (the "Eligible Participants") being any employee, executive or officer of the members of the Group and Kier HK, a subsidiary of the Group (formerly as an associate of the Group), to purchase shares in the share capital of Build King ("Build King Shares") at the purchase price of HK$0.006 per share from the Company subject to the completion (the "Completion") of the restructuring proposal of Build King.

The purpose of the Staff Share Purchasing Scheme was to provide incentive to employees, executives or officers of the members of the Group and Kier HK whose contributions would be of paramount importance to the success of the Company, Build King and their subsidiaries as a result of their efforts after the Completion. The principal terms of the Staff Share Purchasing Scheme were disclosed in the Company's announcement dated 15th March, 2004.

Upon the Completion on 23rd April, 2004, 1,063,160,000 Purchase Rights for the acquisition of one Build King Share each had been granted by the Company for an aggregate consideration of HK$430, of which 705,320,000 Purchase Rights had been granted to the directors of the members of the Group and 357,840,000 Purchase Rights had been granted to other Eligible Participants.

At the special general meeting of Build King held on 23rd July, 2004, approval had been obtained from the shareholders of Build King in respect of share consolidation (on the basis that every ten shares of HK$0.01 each in the issued and unissued share capital of Build King were consolidated into one share of HK$0.10 each ("New Build King Shares")). Accordingly, the Purchase Rights for the acquisition of the shares in Build King had been adjusted from 1,063,160,000 Build King Shares at the purchase price of HK$0.006 per share to 106,316,000 New Build King Shares at the purchase price of HK$0.06 per share.

During the year ended 31st December, 2005, 38,116,000 New Build King Shares were delivered to the Eligible Participants, and the remaining 41,334,000 New Build King Shares will be delivered to the Eligible Participants upon their full payment of the purchase price for these shares as per the terms and conditions stipulated under the Staff Share Purchasing Scheme.

53. RELATED PARTY TRANSACTIONS

During the year, the Group has the following transactions with related parties:

	Associates		Jointly controlled entities	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Value of construction work certified	**13,582**	7,381	**—**	—
Consultancy fee paid	**11,313**	717	**—**	—
Management fee income	**—**	—	**—**	8,094
Interest income	**—**	1,292	**—**	—
Management services income	**—**	—	**4,487**	—
Secretarial and management service income	**850**	—	**—**	—

The amounts due from/to related parties are set out in the consolidated balance sheet and respective notes.

Compensation of key management personnel

	2005	2004
	HK$'000	*HK$'000*
Short-term employee benefits	**17,878**	19,811
Post-employment benefits	**954**	880
	18,832	20,691

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

54. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital *	Proportion of nominal value of issued capital/ attributable interest held by the Group %	Principal activities
Build King Holdings Limited *(Note a)*	Bermuda	HK$78,140,849	54.06	Investment holding, engaged in civil engineering works
Hubei Nature's Favour Biotechnology Company Limited	PRC	RMB17,500,000 *	91	Bio-technology
Hsin Lung Construction Company Limited	Taiwan	NTD175,000,000	54.06	Civil engineering
Kier Hong Kong Limited	United Kingdom/ Hong Kong	GBP5,000,000	53.25	Construction and civil engineering
Leader Civil Engineering Corporation Limited	Hong Kong	HK$25,200,000 Ordinary shares	54.06	Civil engineering
		HK$24,000,000 Non-voting deferred shares	54.06	
Leader Marine Contractors Limited	Hong Kong	HK$200,000	54.06	Marine engineering and provision of transportation services
Leader Marine L.L.C.	Sharjah, United Arab Emirates	Dh300,000	54.06	Ships and boats rental and shipping services
Shengsi Dayangshan Quarry Co., Ltd. *(Note c)*	PRC	US$5,100,000 *	100	Production of construction materials
Wai Hing Quarries (China) Limited	Hong Kong	HK$2 Ordinary shares	100	Production of construction materials
		HK$1,200,000 Non-voting deferred shares	100	

54. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital *	Proportion of nominal value of issued capital/ attributable interest held by the Group %	Principal activities
Wai Kee Biotechnical Company Limited	British Virgin Islands	US$1	100	Investment holding
Wai Kee China Construction Company Limited	Hong Kong	HK$10,000,000	54.06	Civil engineering
Wai Kee Quarry Asia Limited	Hong Kong	HK$2	100	Investment holding
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	HK$2 Ordinary shares	54.06	Civil engineering
		HK$14,800,000 Non-voting deferred shares	54.06	
		HK$5,200,000 Non-voting deferred shares *(Note b)*	—	
Wai Kee (Zens) Holding Limited	British Virgin Islands	US$50,000	100	Investment holding
Wuhan Nature's Favour Bioengineering Company Limited	PRC	RMB20,000,000 *	91	Bio-technology
Wuxi Qian Hui Sewage Treatment Co., Ltd. *(Note d)*	PRC	US$5,400,000	51.68	Sewage treatment
Zhuhai Guishan Seawall Construction Company *(Note d)*	PRC	HK$21,000,000 *	80	Seawall construction and production of construction materials
惠記環保工程(深圳)有限公司	PRC	HK$6,500,000	54.06	Environmental engineering

54. PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(a) The company's shares are listed on the Main Board of the Stock Exchange.

(b) These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of respective companies. On winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.

(c) The company is a foreign wholly-owned enterprise registered in the PRC.

(d) The companies are co-operative joint ventures registered in the PRC.

Except for Wai Kee (Zens) Holding Limited, all subsidiaries are indirectly held by the Company.

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

55. SUMMARISED BALANCE SHEET OF THE COMPANY

	2005	2004
	HK$'000	*HK$'000*
Interests in subsidiaries*	**1,526,163**	1,600,928
Amounts due from subsidiaries	**387,366**	250,294
Other current assets	**5,794**	31,160
Amounts due to subsidiaries	**(477,143)**	(456,789)
Other current liabilities	**(16,578)**	(15,054)
Bank loans	**(11,000)**	—
	1,414,602	1,410,539
Share capital	**79,312**	79,312
Reserves	**1,335,290**	1,331,227
	1,414,602	1,410,539

* Interests in subsidiaries included investment cost and advances to subsidiaries.