NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office of the Company are disclosed in the section headed "CORPORATE INFORMATION" in this annual report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries, associate and jointly controlled entity are set out in notes 20, 21 and 22, respectively.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$199 million at 31st December, 2005. The directors of the Company have taken steps to improve the liquidity of the Group (as discussed in note 49). Subsequent to the balance sheet date, the Group has obtained consent from one bank and two financial institutions to extend their loans to the Group in the aggregate amount of approximately HK$92 million which will now fall due in late 2007. In order to further enhance the Group's liquidity, the directors are also negotiating with financial institutions to obtain additional credit facilities and pursuing the disposal of certain of the Group's non-core assets. The directors are satisfied that the Group will have sufficient resources to be able to meet its financial obligations as they fall due for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

3. APPLICATION 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 ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the 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 a jointly controlled entity have 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 prior accounting years are prepared and presented:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

3. APPLICATION 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, 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 or included in interest in an associate, the Group on 1st January, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$59,000 and HK$2,891,000, respectively, with a corresponding decrease in the cost of goodwill (see notes 17 and 21). The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually. 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 4 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 period in which the acquisition takes place. In previous periods, 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 derecognised all negative goodwill on 1st January, 2005 of HK$18,076,000 previously presented as a deduction from assets. A corresponding decrease to the Group's accumulated losses of HK$18,076,000 has been made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

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

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 principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below.

Convertible bonds

The principal impact of HKAS 32 on the Group is in relation to convertible bonds issued by the Group. Previously, convertible bonds were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated. Comparative profit for 2004 has been restated in order to reflect the increase in effective interest cost on the liability component (see note 4 for the financial impact).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

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

Financial Instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities

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

Debt and equity securities previously accounted for under the benchmark treatment of SSAP 24

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" or "other 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 profit or loss. 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" or "loans and receivables". "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. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" is measured at amortised cost using the effective interest method after initial recognition.

On 1st January, 2005, the Group classified and measured its investments in securities in accordance with the transitional provisions of HKAS 39. As a result, investments in securities classified under non-current assets with a carrying amount of HK$9,562,000 and investments in securities classified under current assets with a carrying amount of HK$21,111,000 have been reclassified to available-for-sale investments and investments held for trading (at fair value through profit or loss) on 1st January, 2005 respectively.

On 1st January, 2005, the Company classified and measured its investments in securities in accordance with the transitional provisions of HKAS 39. As a result, investment in securities classified under non-current assets with a carrying amount of HK$2,152,000 and investments in securities classified under current assets with a carrying amount of HK$9,222,000 have been reclassified to available-for-sale and investments held for trading (at fair value through profit or loss) investments on 1st January, 2005 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

3. APPLICATION 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 has classified and measured 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.

Owner-occupied Leasehold Interest in Land

In previous years, 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 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 4 for the financial impact).

Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in the investment properties revaluation reserve amounted to HK$9,366,000 at 1st January, 2005 has been transferred to the Group's accumulated losses. Comparative figures have not been restated (see note 4 for the financial impact).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

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

(i) The effects of the changes in the accounting policies described above on the results for the current and prior years to the Group and the Company are as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Increase in imputed finance costs on the liability component of convertible bonds matured in 2004	**–**	(4,275)
Decrease in release of negative goodwill to income	**(2,101)**	–
Decrease in amortisation of goodwill of an associate	**1,156**	–
Decrease in amortisation of goodwill	**59**	–
Decrease in deferred tax charge	**–**	748
Increase in loss for the year	**(886)**	(3,527)

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Increase in imputed finance costs on the liability component of convertible bonds matured in 2004	**–**	(4,275)
Decrease in deferred tax charge	**–**	748
	–	(3,527)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

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

(ii) The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 to the Group and the Company are summarised below:

The Group

	As at 31.12.2004 (originally stated) *HK$'000*	Effect of HKAS 17 Adjustments *HK$'000*	Effect of HKAS 32 Adjustments *HK$'000*	As at 31.12.2004 (restated) *HK$'000*	Effect of HKFRS 3 Adjustments *HK$'000*	Effect of HKAS 39 Adjustments *HK$'000*	Effect of HKAS 40 Adjustments *HK$'000*	As at 1.1.2005 (restated) *HK$'000*
Balance sheet items								
Property, plant and equipment	376,285	(10,784)	–	365,501	–	–	–	365,501
Prepaid lease payments – current portion	–	846	–	846	–	–	–	846
Prepaid lease payments – non-current portion	–	9,938	–	9,938	–	–	–	9,938
Negative goodwill	(18,076)	–	–	(18,076)	18,076	–	–	–
Investments in securities	30,673	–	–	30,673	–	(30,673)	–	–
Available-for-sale investments	–	–	–	–	–	9,562	–	9,562
Investments held for trading	–	–	–	–	–	21,111	–	21,111
Accumulated losses	94,276	–	4,297	98,573	(18,076)	–	(9,366)	71,131
Investment properties revaluation reserve	(9,366)	–	–	(9,366)	–	–	9,366	–
Convertible bonds equity reserve	–	–	(4,297)	(4,297)	–	–	–	(4,297)
Minority interests	(21,432)	–	–	(21,432)	–	–	–	(21,432)
		–	–		–	–	–	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

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

(ii) The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 to the Group and the Company are summarised below *(Continued)*:

	The Company				
	As at 31.12.2004 (originally stated)	**Effect of HKAS 32 Adjustments**	**As at 31.12.2004 (restated)**	**Effect of HKAS 39 Adjustments**	**As at 1.1.2005 (restated)**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Balance sheet items					
Investments in securities					
– current portion	2,152	–	2,152	(2,152)	–
– non-current portion	9,222	–	9,222	(9,222)	–
Investments held for trading	–	–	–	9,222	9,222
Convertible bonds equity reserve	–	(4,297)	(4,297)	–	(4,297)
Available-for-sale investments	–	–	–	2,152	2,152
Accumulated losses	88,704	4,297	93,001	–	93,001
		–		–	

(iii) The financial effects of the application of the new HKFRSs to the Group's and the Company's equity at 1st January, 2004 are summarised below:

	The Group		
	As originally stated	**Effect of HKAS 32**	**As restated**
	HK$'000	***HK$'000***	***HK$'000***
Accumulated losses	(87,105)	(770)	(87,875)
Convertible bonds equity reserve	–	4,297	4,297
	(87,105)	3,527	(83,578)

	The Company		
	As originally stated	**Effect of HKAS 32**	**As restated**
	HK$'000	***HK$'000***	***HK$'000***
Accumulated losses	(90,817)	(770)	(91,587)
Convertible bonds equity reserve	–	4,297	4,297
	(90,817)	3,527	(87,290)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

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

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	The effects of change in foreign exchange rates – 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Minority interests in the net assets of 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 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 at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st January, 2001, 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 (see the accounting policy below).

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

Goodwill arising on an acquisition of a subsidiary 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 at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of investment of the relevant associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

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.

For goodwill included in interest in associate, any impairment loss for goodwill is recognised directly in the income statement when the recoverable amount is less than the carrying amount of the interest in associates.

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

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 acquisition")

A discount on acquisition arising on an acquisition of a subsidiary 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.

As explained in note 3 above, all negative goodwill as at 1st January, 2005 has been derecognised with a corresponding adjustment to the Group's accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in an associate

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments 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.

Interest in 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 a jointly controlled entity is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in a jointly controlled entity 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 entity, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Sales of electricity are recognised when electricity has been transmitted to the customer and the right to receive payment has been established.

All transactions in securities dealings are recorded on a trade date basis.

Commission, brokerage and fees are recognised when the services are rendered.

The gain or loss arising on trading in securities is determined as the difference between the net sales proceeds and the carrying amount of the investment and is recognised in the income statement on a trade date basis.

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 financial asset to that asset's net carrying amount.

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

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, and after taking into account their estimated residual value, using the straight line method.

Construction in progress are stated at cost which includes all development expenditure and other direct costs attributable to such projects. Construction in progress are not depreciated until completion of construction when the plant and machinery are ready for their intended use. Costs on completed construction work are transferred to the appropriate category of assets.

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 derecognised.

Intangible assets

Intangible assets represents the right of trading on the Stock Exchange. Trading right is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gain 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 (other than goodwill)

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. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which the impairment loss is treated as a revaluation decrease under that standard.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment (other than goodwill) *(Continued)*

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. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

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

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 and expense that are taxable or deductible in other years and it further excludes income statement 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 recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable 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 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.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

Payments to state-managed retirement benefits schemes/Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity 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.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and short-term loans receivables) 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.

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 (set out above). 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 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including bank and other borrowings, amounts due to a minority shareholders of a subsidiary and trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Convertible bonds

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible bonds (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 5, management has made the following judgment that have most significantly effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Depreciation and amortisation of property, plant and equipment

The Group's net book value of property, plant and equipment as at 31st December, 2005 is approximately HK$420,000,000. The Group depreciates the manufacturing buildings and related improvements on a straight-line basis over the shorter of the term of the lease or their useful life. The Group depreciates the plant and machinery on a straight-line basis of 5% to 33% per annum, commencing from the date the equipment is put into productive use. The estimated useful life and dates that the Group places the equipment into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment.

Fair value estimation

The fair value of financial assets and financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. Such assessment are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment loss on trade debts and loans receivable

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31st December, 2005, the carrying value of trade receivables (net of impairment loss) and loans receivable (net of impairment loss) are approximately HK$32,679,000 and HK$22,724,000, respectively.

Income taxes

As at 31st December, 2005, no deferred tax assets was recognised in the Group's balance sheet in relation to the unused tax losses of approximately HK$132,841,000. 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 more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and loans receivables and trade payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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 is the carrying amount of trade, loans and other receivables as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has 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 the recoverable amount of each individual trade debt and loans receivable at each balance sheet date 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.

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. In addition, certain trade and other receivables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by arranging banking facilities and other external financing.

Price risk

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

Reliance on major customers

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 94% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 46% of the Group's total sales. It expose the Group to the reliance on its major customers and the management currently are seeking new customers base to explore the market in order to reduce the reliance on several major customers.

8. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

	2005	2004
	HK$'000	*HK$'000*
Sales of goods	**248,098**	64,734
Sales of electricity	**117,274**	67,325
Securities dealing and brokerage income	**4,375**	3,170
Interest income from provision of finance	**3,495**	2,808
Rental and property management income	**3,279**	2,580
	376,521	140,617

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

9. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions – power generation, trading of goods, provision of finance, property investment and management and securities brokerage and investment. These divisions are the basis on which the Group reports its primary segment information.

INCOME STATEMENT

For the year ended 31st December, 2005

	Power generation HK$'000	Trading of goods HK$'000	Provision of finance HK$'000	Property investment and management HK$'000	Securities brokerage and investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER							
External sales	117,274	248,098	3,495	3,279	4,375	-	376,521
Inter-segment sales*	-	-	-	660	-	(660)	-
Total	117,274	248,098	3,495	3,939	4,375	(660)	376,521
RESULTS							
Segment results	3,156	1,950	(908)	(3,617)	(4,683)	-	(4,102)
Unallocated corporate income							1,576
Unallocated corporate expenses							(23,813)
Finance costs							(11,572)
Share of loss of an associate							(41,421)
Share of profit of a jointly controlled entity							4,332
Loss before taxation							(75,000)
Taxation							(1,898)
Loss for the year							(76,898)

* *Inter-segment sales were charged at cost plus margin basis as agreed between both parties.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

BALANCE SHEET

At 31st December, 2005

	Power generation HK$'000	Trading of goods HK$'000	Provision of finance HK$'000	Property investment and management HK$'000	Securities brokerage and investment HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	490,001	2,390	23,325	68,484	43,813	628,013
Interest in an associate						265,149
Interest in a jointly controlled entity						38,718
Unallocated corporate assets						14,117
Consolidated total assets						945,997
LIABILITIES						
Segment liabilities	101,574	11,835	907	8,930	17,131	140,377
Unallocated corporate liabilities						312,324
Consolidated total liabilities						452,701

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

OTHER INFORMATION

For the year ended 31st December, 2005

	Power generation HK$'000	Trading of goods HK$'000	Provision of finance HK$'000	Property investment and management HK$'000	Securities brokerage and investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital expenditure	79,197	-	-	-	1,305	32	80,534
Depreciation and amortisation							
– property, plant and equipment	18,384	-	-	-	698	476	19,558
– prepaid lease payment	846	-	-	-	-	-	846
– trading rights	-	-	-	-	90	-	90
Loss on disposal of property, plant and equipment	1,665	-	-	-	-	-	1,665
Impairment loss on short-term loans receivable	-	-	2,078	-	-	-	2,078
Impairment loss on interest receivables	-	-	1,963	-	-	-	1,963
Impairment loss recognised in respect of goodwill of an associate	-	-	-	-	-	8,672	8,672
Impairment loss recognised in respect of goodwill	-	-	-	-	582	-	582
Gain arising from fair value adjustment in respect of investments held for trading	-	-	-	-	(1,580)	-	(1,580)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

INCOME STATEMENT

For the year ended 31st December, 2004

	Power generation *HK$'000*	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Property investment and management *HK$'000*	Securities brokerage and investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	67,325	64,734	2,808	2,580	3,170	–	140,617
Inter-segment sales*	–	–	–	661	8,721	(9,382)	–
Total	67,325	64,734	2,808	3,241	11,891	(9,382)	140,617
RESULTS							
Segment results	353	(1,030)	(2,800)	7,296	(10,786)	–	(6,967)
Unallocated corporate expenses							(7,986)
Finance costs							(10,393)
Share of loss of an associate							(389)
Amortisation of goodwill of an associate							(1,156)
Share of profit of a jointly controlled entity							4,032
Gain on deemed disposal of a subsidiary							8,279
Loss before taxation							(14,580)
Taxation							1,102
Loss for the year							(13,478)

* *Inter-segment sales were charged at cost plus margin basis as agreed between both parties.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

BALANCE SHEET

At 31st December, 2004

	Power generation *HK$'000*	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Property investment and management *HK$'000*	Securities brokerage and investment *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	453,455	1,104	35,624	69,006	75,145	634,334
Interest in an associate						315,242
Interest in a jointly controlled entity						37,712
Unallocated corporate assets						66,104
Consolidated total assets						1,053,392
LIABILITIES						
Segment liabilities	80,205	6,093	250	1,683	27,747	115,978
Unallocated corporate liabilities						391,470
Consolidated total liabilities						507,448

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

OTHER INFORMATION

For the year ended 31st December, 2004

	Power generation *HK$'000*	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Property investment and management *HK$'000*	Securities brokerage and investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Capital expenditure	87,981	–	–	–	2,289	1,273	91,543
Amortisation of goodwill of a subsidiary	–	–	–	–	59	–	59
Amortisation of goodwill of an associate	–	–	–	–	–	1,156	1,156
Depreciation and amortisation							
– property, plant and equipment	9,972	–	–	–	241	473	10,686
– prepaid lease payment	846	–	–	–	–	–	846
– trading rights	–	–	–	–	90	–	90
Loss on disposal of property, plant and equipment	658	–	–	–	–	516	1,174
Impairment loss on short-term loans receivables	–	–	3,000	–	–	–	3,000
Impairment loss on intangible asset	–	–	–	–	248	–	248
Loss arising from fair value change in respect of investments in securities	–	–	–	–	8,281	–	8,281

Geographical segments

The Group is principally engaged in power generation and trading of goods in the People's Republic of China (the "PRC") and all its customers are based in the PRC. In addition, substantially all identifiable assets of the Group are principally located in the PRC. Accordingly, no geographical segmental analysis is presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

10. LOSS BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Staff costs including directors' remuneration	**19,034**	14,652
Retirement benefits scheme contributions	**842**	1,066
Total staff costs	**19,876**	15,718
Auditors' remuneration		
– current year	**1,748**	1,150
– underprovision in prior year	**75**	160
Depreciation of property, plant and equipment	**19,558**	10,686
Amortisation of:		
– goodwill of a subsidiary	**–**	59
– trading right	**90**	90
– prepaid lease payments	**846**	846
Loss on disposal of property, plant and equipment	**1,665**	1,174
Cost of inventories recognised as expenses	**233,333**	96,605
Share of tax of jointly controlled entity (include in share of results of jointly controlled entity)	**2,595**	1,984
and after crediting:		
Property rental income, net of outgoings of HK$221,000 (2004: HK$224,000)	**2,873**	2,171
Bank interest income	**840**	487
Release of negative goodwill (include in other income)	**–**	2,101

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2004: nine) directors were as follows:

2005

	Suen Cho Hung, Paul *HK$'000*	**Li Zhicai** *HK$'000*	**Cao Jian An** *HK$'000*	**Sue Ka Lok** *HK$'000*	**Sun Ka Ziang, Henry** *HK$'000*	**Kwok Ming Fai** *HK$'000*	**Wong Yun Kuen** *HK$'000*	**Total** *HK$'000*
Fees	-	-	-	-	82	82	82	246
Other emoluments								
Salaries and other benefits	1,170	602	480	1,014	-	-	-	3,266
Contributions to retirement benefits schemes	46	25	18	34	-	-	-	123
Total emoluments	1,216	627	498	1,048	82	82	82	3,635

2004

	Suen Cho Hung, Paul *HK$'000*	Li Zhicai *HK$'000*	Cao Jian An *HK$'000*	Sue Ka Lok *HK$'000*	Wang Ai Ping *HK$'000*	Lau Yuen Sun, Adrian *HK$'000*	Sun Ka Ziang, Henry *HK$'000*	Kwok Ming Fai *HK$'000*	Wong Yun Kuen *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	–	–	82	82	20	184
Other emoluments										
Salaries and other benefits	1,170	1,032	480	390	–	433	–	–	–	3,505
Contributions to retirement benefits schemes	55	21	16	13	–	17	–	–	–	122
Total emoluments	1,225	1,053	496	403	–	450	82	82	20	3,811

No directors waived any emoluments in each of the two years ended 31st December, 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

11. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(b) Employees' emoluments

During the year, the five highest paid individuals included four directors (2004: five directors), details of whose emoluments are set out above. The emoluments of the remaining one (2004: Nil) highest paid individual were as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and other benefits	**480**	–
Retirement benefits schemes contributions	**24**	–
	504	–

12. FINANCE COSTS

	2005	2004
	HK$'000	HK$'000
Interest on:		
Bank loans wholly repayable within five years	**15,120**	6,147
Bank loans wholly repayable after five years	**–**	446
Other loans wholly repayable within five years	**4,108**	2,718
Convertible bonds *(note 36)*	**–**	5,475
	19,228	14,786
Less: interest capitalised in construction in progress	**(7,656)**	(4,393)
	11,572	10,393

Borrowing costs capitalised during the year were related to a specific bank loan obtained for the purpose of financing the Group's power generation business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

13. TAXATION

	2005	2004
	HK$'000	HK$'000
The tax charge (credit) comprises:		
Hong Kong Profits Tax	**25**	–
Deferred tax *(note 41)*	**1,873**	(1,102)
	1,898	(1,102)

Hong Kong Profits Tax for the year ended 31st December, 2005 is calculated at 17.5% of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax was made for the year ended 31st December, 2004 as the Group had no assessable profit subject to Hong Kong Profits Tax for that year.

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

The tax charge for the year can be reconciled to the loss before taxation per consolidated income statement as follows:

	2005	2004
	HK$'000	HK$'000
Loss before taxation	**(75,000)**	(14,580)
Tax at the applicable rate of 15% (2004: 15%) *(Note)*	**(11,250)**	(2,187)
Tax effect of share of results of jointly controlled entity	**(650)**	(605)
Tax effect of share of results of an associate	**6,213**	58
Tax effect of expenses not deductible for tax purpose	**5,163**	2,352
Tax effect of income not taxable for tax purpose	**(1,804)**	(2,972)
Tax effect of tax losses not recognised	**4,222**	2,243
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4**	9
Tax change (credit) for the year	**1,898**	(1,102)

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

Details of deferred taxation are set out in note 41.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

14. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on net loss attributable to equity holders of the Company for the year of HK$75,614,000 (2004: HK$10,698,000 as restated) and on the 1,214,115,987 shares in issue during each of the two years.

The adjustment to basic loss per share, for the year ended 31st December, 2004 and 2005 arising from the changes in accounting policies is as follows:

	2005
	HK cent
Reconciliation of 2005 loss per share:	
Reported figures before adjustments	(6.16)
Adjusted arising from the changes in accounting policies (see note 4(i))	(0.07)
Reported figures after adjustments	(6.23)

	2004
	HK cent
Reconciliation of 2004 loss per share:	
Reported figures before adjustments	(0.59)
Adjusted arising from the changes in accounting policies (see note 4(i))	(0.29)
Restated figures	(0.88)

No diluted loss per share is presented because the assumed conversion of the Company's outstanding convertible bonds would result in a decrease in loss per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2004	52,000
Capitalisation of improvement works	418
Surplus arising on revaluation	15,582
At 1st January, 2005	68,000
Loss on revaluation of investment properties	(5,000)
Reclassified as investment properties held for sales	(63,000)
At 31st December, 2005	**–**

Investment properties were revalued at 31st December, 2005 on an open market value basis by the directors. The deficit arising on revaluation during the year amounted to HK$5,000,000 has been debited to the consolidated income statement.

The Group's investment properties are situated in Hong Kong and are held under medium-term leases. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

On 31st December, 2005, the Group entered into a conditional a sale and purchase agreement with an independent third party to dispose of its investment properties. As the completion of the disposal is expected to take place within twelve months, the investment properties have been classified as properties held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1st January, 2004							
– As originally stated	139,598	609	873	1,741	131,477	31,957	306,255
– Reclassified to prepaid lease payment	(11,806)	–	–	–	–	–	(11,806)
– As restated	127,792	609	873	1,741	131,477	31,957	294,449
Additions	744	1,060	654	1,083	24,287	62,937	90,765
Acquired on acquisition of a subsidiary	–	–	161	–	–	–	161
Deemed disposal of a subsidiary	–	–	(126)	–	–	–	(126)
Disposals	–	–	(199)	(1,198)	(1,026)	–	(2,423)
At 1st January, 2005 (as restated)	128,536	1,669	1,363	1,626	154,738	94,894	382,826
Exchange adjustment	3,749	–	(90)	104	1,811	857	6,431
Additions	4,204	52	1,302	416	48,873	25,687	80,534
Transfer	–	–	(127)	–	84,172	(84,045)	–
Disposals	(2,908)	–	–	(425)	(4,380)	(360)	(8,073)
Fair value adjustment *(Note)*	–	–	–	–	(10,000)	–	(10,000)
At 31st December, 2005	133,581	1,721	2,448	1,721	275,214	37,033	451,718
DEPRECIATION, AND IMPAIRMENT							
At 1st January, 2004							
– As originally stated	888	172	173	235	6,313	–	7,781
– Reclassified to prepaid lease payment	(176)	–	–	–	–	–	(176)
– As restated	712	172	173	235	6,313	–	7,605
Provided for the year	1,749	295	246	350	8,046	–	10,686
Eliminated on deemed disposal of a subsidiary	–	–	(21)	–	–	–	(21)
Eliminated on disposals	–	–	(117)	(417)	(411)	–	(945)
At 1st January, 2005 (as restated)	2,461	467	281	168	13,948	–	17,325
Exchange adjustment	751	–	(38)	(15)	(3,339)	–	(2,641)
Provided for the year	5,862	468	434	382	12,412	–	19,558
Eliminated on disposals	(784)	–	–	(94)	(1,745)	–	(2,623)
At 31st December, 2005	8,290	935	677	441	21,276	–	31,619
NET BOOK VALUE							
At 31st December, 2005	**125,291**	**786**	**1,771**	**1,280**	**253,938**	**37,033**	**420,099**
At 31st December, 2004	126,075	1,202	1,082	1,458	140,790	94,894	365,501

Note:

As set out in note 44, during the year, the Group entered into a deed of settlement whereby convertible bonds of HK$80 million was discharged by the Group by a payment of HK$70 million. In the opinion of the directors, the difference of HK$10 million represents an adjustment to the fair value of the plant and equipment of the power plants at the time of acquisition. Accordingly, an adjustment was made to the cost of the relevant plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Property, plant and equipment are depreciated at the following rates per annum:

Buildings	2% – 18%
Leasehold improvement	Over the period of the lease
Furniture and fixtures	20%
Motor vehicles	20%
Plant and Machinery	5% – 33%

Construction in progress are not depreciated until completion of construction when the plant and machinery are ready for their intended use.

At 31st December, 2005, borrowing cost of HK$19,435,000 (2004: HK$11,779,000) was capitalised and included in construction in progress.

At the balance sheet date, the Group's buildings are situated in the PRC and are held under medium-term leases.

17. GOODWILL

	HK$'000
COST	
At 1st January, 2004 and 31st December, 2004	641
Eliminated of accumulated amortisation upon the application of HKFRS 3 *(see note 3)*	(59)
At 1st January, 2005 and 31st December, 2005	582
AMORTISATION	
At 1st January, 2004 and 31st December, 2004	59
Eliminated of accumulated amortisation upon the application of HKFRS 3 *(see note 3)*	(59)
At 1st January, 2005 and 31st December, 2005	–
IMPAIRMENT	
At 1st January, 2005	–
Impairment loss recognised for the year	582
At 31st December, 2005	582
NET BOOK VALUE	
At 31st December, 2005	**–**
At 31st December, 2004	582

Particulars regarding impairment testing on goodwill are disclosed in note 19. Until 31st December, 2004, goodwill was amortised over its estimated useful life of 10 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

18. IMPAIRMENT TESTING ON GOODWILL

As explained in note 6, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill set out in note 17 was allocated to a cash generating unit relating GT Capital Limited in the Group's securities brokerage and investment segment. The carrying amount of goodwill (net of accumulated impairment losses) as at 31st December, 2004 allocated to this unit was HK$582,000.

During the year ended 31st December, 2005, the Group recognised an impairment loss of HK$582,000 in relation to the above-mentioned goodwill because GT Capital Limited continued to incurred operating losses.

19. NEGATIVE GOODWILL

	HK$'000
GROSS AMOUNT	
At 1st January, 2004 and at 31st December, 2004	21,011
Transfer to accumulated losses upon application of HKFRS 3 *(see note 4)*	(21,011)
At 1st January, 2005 and 31st December, 2005	–
RELEASE TO INCOME	
At 1st January, 2004	834
Released during the year	2,101
At 31st December, 2004	2,935
Transfer to accumulated losses upon application of HKFRS 3 *(see note 4)*	2,935
At 1st January, 2005 and 31st December, 2005	–
CARRYING AMOUNT	
At 31st December, 2005	**–**
At 31st December, 2004	18,076

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

20. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**38,906**	38,906
Less: Impairment losses recognised	**(19)**	(19)
	38,887	38,887
Amounts due from subsidiaries	**679,688**	700,572
Less: impairment losses recognised	**(181,913)**	(131,913)
	497,775	568,659
Amounts due to subsidiaries	**(52,245)**	(2,734)

The amounts due from (to) subsidiaries are unsecured, interest-free or HIBOR + 1% per annum and have no fixed repayment terms. The directors estimate the carrying values of the amounts approximate their fair values.

Particulars of the Company's principal subsidiaries as at 31st December, 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Asian Wealth Group Limited	British Virgin Islands ("BVI")	US$1	–	100%	Investment holding
Broadmeadow Investments Limited	BVI	US$1	100%	–	Investment holding
China Group Limited	BVI	US$1	–	100%	Investment holding
Citi Merit Limited	BVI	US$100	–	100%	Investment holding
Eastern Prosper Developments Ltd.	BVI	US$1	100%	–	Securities investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

20. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Equal Link Investments Limited	Hong Kong	HK$2	–	100%	Investment holding
GT Capital Limited	Hong Kong	HK$39,500,000	–	100%	Securities brokerage
Henan APD Tian Yuan Power Company Limited *(Note 1)*	PRC	RMB90,620,000	–	80%	Power generation
Henan CGL Tian Yuan Power Company Limited *(Note 2)*	PRC	RMB92,000,000	–	80%	Power generation
Lolliman Finance Limited	Hong Kong	HK$1,000,000	100%	–	Financial services
Lolliman Property Nominees Limited	Hong Kong	HK$2	100%	–	Property management
Marvellous Development Limited	Hong Kong	HK$100	100%	–	Property investment
Poly Genesis Limited	BVI	US$1	–	100%	Investment holding
Poly International Trading Limited	BVI	US$1	–	100%	Trading of Iron Ore
Poly Metal and Minerals Limited	Hong Kong	HK$1	–	100%	Trading of Iron Ore
Poly Power Group Limited	BVI	US$1	–	100%	Investment holding
Poly Trading Group Limited	BVI	US$1	–	100%	Investment holding
Success Harbour International Limited	BVI	US$100	–	80%	Investment holding
Sunstar Management Limited	Hong Kong	HK$2	100%	–	Provision of management services
Time Profit Investments Limited	Hong Kong	HK$100	100%	–	Property investment
Treasure Well Associates Limited	BVI	US$1	100%	–	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

20. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

(Continued)

Notes:

1. This subsidiary is a sino-foreign equity joint venture established for a term of 20 years commencing from 25th September, 1997.

2. This subsidiary is a sino-foreign equity joint venture established for a term of 20 years commencing from 14th October, 1997.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All the above subsidiaries, except Eastern Prosper Developments Ltd. and Poly International Trading Limited which operate principally in Hong Kong, operate in their respective places of incorporation/ registration.

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

21. INTEREST IN AN ASSOCIATE

The Group's investment represents a 46.29% indirect equity interest in Xi'an Gaoxin Hospital Co., Ltd. ("Gaoxin Hospital") which is a sino-foreign equity joint venture established in the PRC for a term of twenty years, commencing on 29th September, 2002. Gaoxin Hospital is principally engaged in the provision of hospital services and investment.

	2005	2004
	HK$'000	*HK$'000*
Cost of unlisted investment in associate	**323,243**	323,243
Share of post-acquisition loss and reserves, net of dividends received	**(58,094)**	(8,001)
	265,149	315,242

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

21. INTEREST IN AN ASSOCIATE *(Continued)*

Included in the cost of investment in associate is goodwill of HK$nil (2004: HK$8,673,000) arising on acquisition of associate in prior years. The movement of goodwill is set out below:

	HK$'000
COST	
At 1st January, 2004 and 31st December, 2004	11,564
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 3)*	(2,891)
At 1st January, 2005 and 31st December, 2005	8,673
AMORTISATION	
At 1st January, 2004 and 31st December, 2004	2,891
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 3)*	(2,891)
At 1st January, 2005 and 31st December, 2005	–
IMPAIRMENT	
At 1st January, 2004 and 31st December, 2004	–
Impairment loss recognised for the year	(8,673)
At 31st December, 2005	(8,673)
CARRYING VALUES	
At 31st December, 2005	**–**
At 31st December, 2004	8,673

Until 31st December, 2004, goodwill had been amortised over its estimated useful life of 10 years.

During the year ended 31st December, 2005, the Group recognised an impairment loss of HK$8,673,000 in relation to goodwill arising on acquisition of interest in an associate because Gaoxin Hospital continued to incur operating loss so that recoverable amount is less than the carrying amount of the interest in associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

21. INTEREST IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of Gaoxin Hospital is set out below:

	2005	2004
	HK$'000	*HK$'000*
Total assets	**765,058**	836,394
Total liabilities	**(192,256)**	(174,114)
Net assets	**572,802**	662,280
Group's share of net assets of associate	**265,149**	306,569
Revenue	**99,134**	93,774
Loss for the year	**(89,478)**	(840)
Group's share of result of associate for the year	**(41,421)**	(389)

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2005	2004
	HK$'000	*HK$'000*
Cost of unlisted investments in jointly controlled entity	**49,862**	49,862
Share of post-acquisition profits and reserves, net of dividends received	**(11,144)**	(12,150)
	38,718	37,712

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

22. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

As at 31st December, 2005, the Group had interests in the following jointly controlled entity.

Name of entity	Form of business structure	Country of incorporation	Principal place of operation	Class of share held	Registered capital held by the Group indirectly	Principal activity
Shanghai Hong Qiao Friendship Shopping Center Co., Ltd. ("Hong Qiao")	Incorporated	PRC	Shanghai and Suzhou	Ordinary	30%	Retail sales of high end consumer goods

Summarised financial information in respect of Hong Qiao is set out below:

	2005	2004
	HK$'000	*HK$'000*
Current assets	**120,672**	105,526
Non-current assets	**147,871**	147,448
Current liabilities	**(107,329)**	(94,904)
Income	**478,261**	458,452
Expenses	**(463,967)**	(445,787)
Taxation	**(62)**	(332)
Shared by the Group:		
Net assets of the jointly controlled entity	**38,718**	37,712
Profit for the year	**4,332**	4,032

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

23. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	Other investments		Other investments	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity securities in Hong Kong *(note 30)*	**–**	21,111	**–**	9,222
Market value of listed securities	**–**	21,111	**–**	9,222
Unlisted equity securities in elsewhere *(note 25)*	**–**	9,562	**–**	2,152
Carrying amount analysed for reporting purposes as:				
Current	**–**	21,111	**–**	9,222
Non-current	**–**	9,562	**–**	2,152
	–	30,673	**–**	11,374

Investments in securities as at 31st December, 2004 are set above. Upon the application of HKAS 39 on 1st January, 2005, investments in securities of the Group amounted to HK$9,562,000 and HK$21,111,000 were reclassified to available-for-sale investments and investments held for trading respectively.

Investments in securities of the Company amounted to HK$2,152,000 and HK$9,222,000 were classified to available-for-sale investments and investments held for trading respectively.

24. PREPAID LEASE PAYMENTS

	2005	2004
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current asset	**867**	846
Non-current asset	**9,315**	9,938
	10,182	10,784

The Group's prepaid lease payments comprise leasehold land situated outside Hong Kong and held under medium term lease.

NOTES TO THE FINANCIAL STATEMENTS

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25. AVAILABLE-FOR-SALE INVESTMENTS – THE GROUP AND THE COMPANY

Available-for-sale investments as at 31st December, 2005 represent investments in unlisted equity interest in a company which was established in the PRC which are classified as non-current assets in the balance sheet. They 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.

26. OTHER ASSETS

Other assets are statutory deposits paid to government regulators in relation to the Group's licensed activities in the securities market in Hong Kong.

The fair value of these assets at the balance sheet date approximates its carrying amount.

27. TRADING RIGHT

	HK$'000
COST	
Arising on acquisition of a subsidiary and balance at 31st December, 2004 and at 31st December, 2005	778
AMORTISATION AND IMPAIRMENT	
At 1st January, 2004	–
Impairment for the year	248
Amortisation for the year	90
At 1st January, 2005	338
Amortisation for the year	90
At 31st December, 2005	428
NET BOOK VALUE	
At 31st December, 2005	**350**
At 31st December, 2004	440

The recoverable amount of the trading right at 31st December, 2005 was determined by the directors with reference to the current market condition.

Trading right is amortised over the remaining useful life of four years, on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

28. INVENTORIES

At the balance sheet date, all the inventories were raw materials carried at cost.

29. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2005	2004
	HK$'000	*HK$'000*
Trade receivables	**32,679**	24,208
Other receivables and prepayments	**20,733**	24,853
	53,412	49,061

The settlement terms of trade receivable arising from securities dealing business is two days after the trade date. Interests are charged on cash clients and margin clients are at prime rate plus 5% (2004: prime rate plus 5%) and at prime rate plus 1% to 3% (2004: prime rate plus 1% to 3%) per annum respectively. Trade receivables arising from securities dealing business are as follows:

	2005	2004
	HK$'000	*HK$'000*
Clearing house	**685**	8,214
Cash clients	**3,007**	5,615
Margin clients	**3,524**	4,739
	7,216	18,568

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

29. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(Continued)

The Group allows an average credit period of 60 days to its other trade customers. The following is an aging analysis of trade receivables (other than arising from securities dealing business) at the balance sheet dates:

	2005	2004
	HK$'000	*HK$'000*
0 to 60 days	**25,417**	3,622
61 to 90 days	**46**	1,987
Over 90 days	**–**	31
	25,463	5,640

The fair value of the Group's trade and other receivables at the balance sheet date approximate their corresponding carrying amounts.

30. INVESTMENTS HELD FOR TRADING

Investments held for trading as at 31st December, 2005 include listed equity securities in Hong Kong.

The fair value of the investments is determined based on the quoted market bid closing prices available on the relevant stock exchange.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

31. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest bearing and have original maturity of three months or less. The carrying amount of these assets approximate their fair value.

The bank balances and cash of the Group are mainly denominated in Renminbi. Included in the bank balances and cash as at 31st December, 2005 was an amount in Renminbi of RMB590,293 (2004: RMB3,380,648). Renminbi is not freely convertible into other currencies.

As a subsidiary of the Group is principally engaged in the business of securities dealing and broking, it receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts. The Group has recognised the corresponding account payables to respective clients. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

32. SHORT-TERM LOAN RECEIVABLES

	2005	2004
	HK$'000	*HK$'000*
Fixed-rate short-term loan receivables	**22,724**	32,633

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are all receivables within one year from the balance sheet date and accordingly they are classified under current assets.

Included in the carrying amount of loans receivables as at 31st December, 2005 is accumulated impairment loss of HK$10,501,000 (2004: HK$8,424,000).

The range of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are 8% to 12% per annum (2004: 8% to 12% per annum).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

33. TRADE AND OTHER PAYABLES

	2005	2004
	HK$'000	*HK$'000*
Trade payable arising from securities dealing business:		
Cash clients	**9,986**	9,963
Margin clients	**4,593**	17,046
	14,579	27,009
Trade payable arising from other businesses:		
0 to 60 days	**28,491**	5,755
61 to 90 days	**7,041**	2,272
Over 90 days	**17,307**	12,280
	52,839	20,307
Other payables	**71,318**	68,194
Value added tax payables	**2,244**	196
	140,980	115,706

The settlement terms of amounts payable arising from securities dealing business is two days after trade date. Amounts due to margin clients are repayable on demand. Interest are charged at variable commercial interest rate for both year 2004 and 2005.

The fair value of the Group's trade and other payables at the balance sheet date approximates their corresponding carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

34. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

	2005	2004
	HK$'000	*HK$'000*
Elegant Base (Note i)	**–**	62,915
Sanmenxia Tian Yuan (Note ii) – shown under current liabilities at 31st December, 2005 (2004: non-current)	**2,558**	3,622
	2,558	66,537

Notes:

(i) Elegant Base Development Limited ("Elegant Base") holds a 20% equity interest in Success Harbour International Limited ("Success Harbour"), a non-wholly owned subsidiary of the Company which holds a 46.29% equity interest in Gaoxin Hospital. The amount was fully repaid during the year.

(ii) Sanmenxia Tian Yuan Aluminum Industries Group Company Limited ("Sanmenxia Tian Yuan") holds a 20% equity interest in Henan APD Tian Yuan Power Company Limited and Henan CGL Tian Yuan Power Company Limited, non-wholly owned subsidiaries of the Company. The amount is unsecured, non-interest bearing and has no fixed repayment term. In the opinion of the directors, the amount at 31st December, 2004 would not be repayable within one year from the balance sheet date and accordingly, the amount was shown as non-current. However, the amounts at 31st December, 2005 are expected to be repayable within one year from the balance sheet date and accordingly, the amounts are shown as current.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

35. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans	**194,212**	169,658	**–**	–
Other loans	**111,866**	73,594	**8,500**	10,500
	306,078	243,252	**8,500**	10,500
Analysed as:				
Secured	**156,206**	234,752	**–**	2,000
Unsecured	**149,872**	8,500	**8,500**	8,500
	306,078	243,252	**8,500**	10,500
Carrying amount repayable:				
On demand or within one year	**251,983**	124,522	**8,500**	10,500
More than one year, but not exceeding two years	**30,602**	53,080	**–**	–
More than two years, but not exceeding five years	**23,493**	53,240	**–**	–
Over five years	**–**	12,410	**–**	–
	306,078	243,252	**8,500**	10,500
Less: Amount due within one year shown under current liabilities	**(251,983)**	(124,522)	**(8,500)**	(10,500)
	54,095	118,730	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

35. BANK AND OTHER BORROWINGS *(Continued)*

The exposure of the Group's fixed-rate borrowings which carries interest ranging from 5.58% to 10.60% per annum (2004: 5.31% to 6.9% per annum) and the contractual maturity dates are as follows:

	2005	2004
	HK$'000	*HK$'000*
Fixed rate borrowings:		
Within one year	**146,393**	114,202
In more than one year but not more than two years	**30,602**	26,760
In more than two years but not more than three years	**19,886**	29,870
In more than three years but not more than four years	**3,607**	19,410
	200,488	190,242

In addition, the Group has variable-rate borrowings amounting to approximately HK$105,590,000 (2004: HK$53,010,000) which carry interest ranging from prime rate minus 2% to prime rate plus 5% per annum (2004: ranging from prime rate minus 2% to prime rate plus 3% or HIBOR plus 2% per annum). HIBOR is repricing for every three months.

At 31st December, 2005, the Group's borrowings amounting to HK$191,988,000 (2004: HK$181,742,000) are denominated in Renminbi.

The fair value of the Group's bank and other borrowings at 31st December, 2005 and 31st December, 2004 approximate their corresponding carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

36. CONVERTIBLE BONDS

The Company issued two 1.5% convertible bonds, each with a principal of HK$40,000,000 on 16th October, 2003. The convertible bonds were denominated in Hong Kong dollars. The bonds entitled the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 15th October, 2004 and 15th April, 2006, respectively, at the initial conversion price of HK$0.5 per share (subject to adjustement but not less than the par value of the share of the Company).

The convertible bonds contain two components, liability and equity elements. Upon the application of HKAS 32 Financial Instruments: Disclosure and Presentation (see Note 3 for details), the convertible bonds were split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity heading "convertible bonds equity reserve". The effective interest rate of the liability component is 5.5%.

The movement of the liability component of the convertible bonds for the year is set out below:

	2005	2004
	HK$'000	*HK$'000*
Liability component at the beginning of the year	**80,000**	75,725
Interest charge	**–**	4,275
Repayment during the year	**(70,000)**	–
Fair value adjustment (note 16)	**(10,000)**	–
Liability at the end of the year	**–**	80,000

The convertible bonds were fully settled by a payment by the Group of HK$70 million during the year. Further details of the settlement arrangement are set out in note 44.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

37. SHARE CAPITAL

	2005 & 2004
	HK$'000
Authorised:	
1,800,000,000 ordinary shares of HK$0.50 each	**900,000**
Issued and fully paid:	
1,214,115,987 ordinary shares of HK$0.50 each	**607,058**

There were no movements in the share capital of the Company during both years.

38. RESERVES

	Share premium	Capital reserve	Convertible bonds equity reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY					
At 1st January, 2004 - as originally stated	2,252	3,547	–	(90,817)	(85,018)
Effect of changes in accounting policies (note 4)	–	–	4,297	(770)	3,527
At 1st January, 2004 - as restated	2,252	3,547	4,297	(91,587)	(81,491)
Loss for the year	–	–	–	(1,414)	(1,414)
At 31st December, 2004	2,252	3,547	4,297	(93,001)	(82,905)
Loss for the year	–	–	–	(46,650)	(46,650)
Transfer	–	–	(4,297)	4,297	–
At 31st December, 2005	**2,252**	**3,547**	**–**	**(135,354)**	**(129,555)**

The Company did not have any distributable reserve as at the balance sheet dates.

Capital reserve of the Company represents the amount of initial payment from certain shareholders to subscribe new shares in the Company and the amount was subsequently forfeited as a result of non-payment of the remaining committed contribution.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

39. SHARE OPTION SCHEMES

The share option scheme of the Company was approved and adopted by the shareholders at the extraordinary general meeting held on 19th June, 2001 (the "Scheme"). The primary purpose of the Scheme is to provide incentives to eligible employees of the Group by offering them an opportunity to participate in the growth of the Group.

Pursuant to the Scheme, which will expire on 18th June, 2011, the Company may grant options to the executive directors and the employees of the Company or its subsidiaries to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Share options granted should be accepted within 21 days from the offer date. Share options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant. The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of share options granted pursuant to the Scheme.

The exercise price per share is determined by the directors of the Company, and shall not be less than the higher of the nominal value of the Company's shares and 80% of the average closing price of the shares for the five business days immediate preceding the offer date.

The total number of shares in respect of which may be granted to an eligible employee under the Scheme is not permit to exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

There were no share options granted during the year ended 31st December, 2005 and there were no outstanding share options as at 1st January, 2005 and 31st December, 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

40. ACQUISITION OF A SUBSIDIARY

In February 2004, the Group acquired the entire issued share capital of GT Capital Limited (formerly known as Hua Xia Securities Hong Kong Limited) for a cash consideration of approximately HK$19,040,000. GT Capital Limited carries on the business of securities dealing and brokerage and margin financing.

The net assets of the subsidiary acquired at the date of acquisition were as follows:

	2004
	HK$'000
Property, plant and equipment	161
Trading right	778
Other assets	2,405
Trade and other receivables	18,762
Bank balances and cash	13,871
Trade and other payables	(17,517)
Net assets acquired	18,460
Goodwill arising on acquisition	641
	19,101
Satisfied by:	
Cash consideration paid	19,040
Related expenses paid on acquisition	61
	19,101
Net cash outflow arising on acquisition:	
Cash paid on acquisition	(19,101)
Bank balances and cash acquired	13,871
	(5,230)

No significant turnover, results and cash flows were contributed by the subsidiary acquired during the year ended 31st December, 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

41. DEFERRED TAXATION

The Group

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation *HK$'000*	Pre-operating expenses *HK$'000*	Others *HK$'000*	Total *HK$'000*
As 1st January, 2004				
– as originally stated	3,597	(4,363)	(1,585)	(2,351)
Effects of changes in				
accounting polices *(note 4)*	–	–	748	748
At 1st January, 2004				
– as restated	3,597	(4,363)	(837)	(1,603)
(Credit) charge to income	(1,264)	620	(458)	(1,102)
At 31st December, 2004				
– as restated	2,333	(3,743)	(1,295)	(2,705)
Transfer	(548)	(620)	1,168	–
Exchange adjustments	77	(108)	(521)	(552)
Charge to income	1,072	–	801	1,873
At 31st December, 2005	**2,934**	**(4,471)**	**153**	**(1,384)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

41. DEFERRED TAXATION *(Continued)*

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in HKAS 12. The following is the analysis of the deferred tax balances not offset for financial reporting purposes:

	2005	2004
	HK$'000	*HK$'000*
Deferred tax liabilities	**3,060**	1,953
Deferred tax assets	**(4,444)**	(4,658)
	(1,384)	(2,705)

At the balance sheet date, the Group had unused tax losses of HK$132,841,000 (2004: HK$104,697,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	2005	2004
	HK$'000	*HK$'000*
Operating lease rentals in respect of land and buildings	**833**	1,176

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**872**	866
In the second to fifth year inclusive	**409**	1,390
	1,281	2,256

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for a term of two years with fixed rentals.

The Group as lessor:

Property rental income earned during the year was approximately HK$3,094,000 (2004: HK$2,395,000). The property held has committed tenants for a term ranging from six months to three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**2,856**	2,857
In the second to fifth year inclusive	**1,490**	3,540
	4,346	6,397

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

43. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Capital expenditure authorised but not provided for in the financial statements in respect of acquisition of property, plant and equipment	**3,089**	10,432

44. LITIGATION

In October 2003, the Group acquired two power plants from Asian Power Development Limited ("Asian Power"). The consideration of the acquisition was in part settled by the issue by the Company of convertible bonds with an aggregate principal amount of HK$80 million, of which HK$40 million matured in October 2004 with the balance due to mature in April 2006. In view of breaches of representations and warranties given by Asian Power under the sale and purchase agreement dated 27th September, 2003 (the "Acquisition"), the Company did not repay the HK$40 million repayable in October 2004 with the result that Asian Power alleged the whole of the HK$80 million became immediately repayable on demand.

On 17th November, 2004, the Company was served with a writ of summons by Asian Power for a claim in the sum of HK$81,628,000 together with interest and costs (the "Claim") in respect of the alleged default in payments by the Company as mentioned above (the "Writ Action"). On 13th December, 2004, a notice of discontinuance was filed by Asian Power and the Writ Action was discontinued. On the same day, a winding up petition (the "Petition") was issued against the Company by Asian Power in relation to the Claim. The Company filed a Notice of Intention to Appear on Petition indicating its intention to oppose the Petition on 16th December, 2004.

On 15th December, 2005, the Company and Asian Power have entered into a deed of settlement ("Deed of Settlement"), pursuant to which the Company and Asian Power have agreed to settle the Petition, the arbitration proceedings brought by the Group against Asian Power, all the disputes in relation to the Claim and to cancel the convertible bonds upon payment of HK$70,000,000, instead of full settlement of HK$80,000,000 by the Company to Asian Power.

Pursuant to the Deed of Settlement, a consent summons jointly issued by the Company, Asian Power and the Official Receiver dated 15th December, 2005 ("Consent Summons") was filed with the High Court on 16th December, 2005 and the Consent Summons was endorsed by the High Court on 19th December, 2005. The High Court has granted an order-in-terms in respect of the Consent Summons to the effect that the Petition be dismissed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

45. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group and the Company are pledged to secure credit facilities granted to the Group and the Company:

	THE GROUP		THE COMPANY	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Investment properties	**63,000**	68,000	**–**	–
Property, plant and equipment	**121,639**	82,025	**–**	–
Investments in securities	**–**	9,200	**–**	9,200
Bank deposits	**9,615**	–	**–**	–
	194,254	159,225	**–**	9,200

In addition, at 31st December, 2005, the Group's equity interest in Equal Link Investments Limited, a wholly-owned subsidiary of the Company which in turn holds the Group's interest in a jointly controlled entity, was pledged to an independent third party for credit facility granted to the Group. As at 31st December, 2005, the amount of HK$42,000,000 of such facility was utilised.

46. OTHER RESTRICTION OF ASSETS

During the year ended 31st December 2004, the Group entered into a long-term bank loan agreement. Pursuant to terms of this agreement, a subsidiary of the Group engaged in the power generation business has pledged its tariff collection right to a bank to secure credit facilities granted to the Group. At balance sheet date, the subsidiary's tariff collection right pledged is HK$14,994,000 (2004: HK$5,545,000).

47. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees in the subsidiary in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is the required contributions under the scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

48. CONTINGENT LIABILITIES

A subsidiary of the Company was named a respondent in a shipping dispute for an amount of approximately HK$4,100,000. The amount has not been accrued in the financial statements of the Group because the matter has not been proceeded to an advance stage such that the directors can fairly predict the outcome of the matter. In the opinion of the directors, though the outcome of the shipping dispute is not certain, any eventual settlement will not have a material adverse impact on the financial position of the Group.

49. POST BALANCE SHEET EVENTS

(i) On 5th January, 2006, the Group announced that it had entered into an agreement to dispose of its investment properties held for sale at a consideration of HK$63,500,000.

(ii) In April 2006, the Group obtained consent from one bank and two financial institutions to extend their loans to the Group for another year in the aggregate amount of approximately HK$92,000,000 which will now fall due in late 2007.

(iii) In January 2006, other borrowing of approximately HK$42,000,000 included in current liabilities was repaid and refinanced by another financial institution for a term of over one year.