NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

1. CORPORATE INFORMATION

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

- trading and manufacturing of plastic and chemical products
- distribution and installation of building supplies, electrical and mechanical products
- wholesaling of electrical appliances, engineering contracting business in the air-conditioning industry and the provision of maintenance services
- investment holding

In June 2005, the Group discontinued its wholesaling of electrical appliances business. Further details regarding the discontinued operation are set out in note 12 to the financial statements.

2.1. BASIS OF PREPARATION

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

Basis of consolidation

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

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

2.2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 37, 38, 40, HK(SIC)– Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

2.2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

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

(a) HKAS 17 – Leases

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

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings should be separated into leasehold land and leasehold buildings and to be accounted for separately. Leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, while leasehold buildings continue to be classified as part of property, plant and equipment.

In accordance with HKAS 17, since the Group's lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The adoption of HKAS 17 has no effect on the consolidated income statement and the consolidated balance sheet for the years ended 31 December 2005 and 2004.

(b) HKAS 32 and HKAS 39 – Financial Instruments

Equity securities

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$11,986,000 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. Comparative amounts have been reclassified for presentation purposes.

2.2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(c) HKFRS 2 – Share-based Payment

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 3.1 "Summary of significant accounting policies" below.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to options granted to employees on or before 7 November 2002.

As the Group did not have any employee share options which were granted after 7 November 2002, the adoption of HKFRS 2 has had no impact on the accumulated losses as at 31 December 2003 and at 31 December 2004.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the consolidated capital reserve, in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill. Goodwill previously eliminated against the consolidated capital reserve remains eliminated against this reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The adoption of HKFRS 3 has no impact on the Group's income statement and consolidated capital reserve since the Group has no remaining goodwill as at 31 December 2004.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

2.2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(e) HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

The Group has applied HKFRS 5 prospectively in accordance with the transitional provisions of HKFRS 5, which has resulted in a change in accounting policy on the recognition of a discontinued operation. Under the previous SSAP 33 "Discontinuing Operations", the Group would recognise a discontinued operation at the earlier of:

- the date the Group enters into a binding sale agreement; and
- the date the board of directors have approved and announced a formal disposal plan.

HKFRS 5 requires a component of the Group to be classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The principal impact of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than it would be under SSAP 33 due to the stricter criteria in HKFRS 5.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Special Market – Waste Electrical and Electronic Equipment

2.3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

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

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5 and HK(IFRIC)-Int 6 do not apply to the activities of the Group. HK(IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005.

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

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated against the consolidated reserves, is included as part of the Group's interests in associates.

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates (Continued)

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interest in an associate is treated as a non-current asset and is stated at cost less any impairment losses.

Goodwill

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

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

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

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

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

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

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

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of SSAP 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against the consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of assets

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

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

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

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Land and buildings	2% – 3%
Leasehold improvements	Over the lease terms or 20% – $33^1/_3$%
Furniture, fixtures and equipment	10% – $33^1/_3$%
Motor vehicles	15% – 25%

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

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

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

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from properties held for resale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Applicable to the year ended 31 December 2004:

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are classified as investment securities and are stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the income statement account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist in the foreseeable future, the amount of the impairment previously charged is credited to the income statement to the extent of the amount previously charged.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are classified as other investments. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their fair values estimated by the directors having regard to information known to them and to market conditions existing at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement for the period in which they arise.

Applicable to the year ended 31 December 2005:

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models.

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Assets carried at amortised cost

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments (applicable to the year ended 31 December 2005)

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or the weighted average basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the year plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

(c) from the rendering of services, on the completion of the transactions;

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

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

(f) dividend income, when the shareholders' right to receive payment has been established.

Income tax

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

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

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

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

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

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

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Foreign currencies

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

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3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

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

A provision is recognised in respect of probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date, net of employer's contributions and accrued benefits derived therefrom under the Group's pension schemes.

Pension schemes

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Schemes. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schemes.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension schemes (Continued)

Prior to the MPF Schemes becoming effective, the Group operated defined contribution provident fund schemes (the "Provident Funds") under the Occupational Retirement Schemes Ordinance for those employees who were eligible to participate. The Provident Funds operated in a similar way to the MPF Schemes, except that when an employee left the Provident Funds prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. Upon implementation of the MPF Schemes, the Provident Funds have been frozen and no further contributions have been made by the Group or the eligible employees after that date. The eligible employees are entitled to receive their funds in accordance with the rules of the Provident Funds when they leave the Group.

The assets of both types of scheme are held separately from those of the Group in independently administered funds.

Share-based payment transactions

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

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

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

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

3.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Share-based payment transactions (Continued)

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

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

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

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to options granted to employees on or before 7 November 2002.

As the Group did not have any employee share options which were granted after 7 November 2002, the adoption of HKFRS 2 has had no impact on the accumulated losses as at 31 December 2003 and at 31 December 2004.

Cash and cash equivalents

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

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

NOTES TO THE FINANCIAL STATEMENTS

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3.2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Estimation uncertainty

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

The Group tests annually whether property, plant and equipment has suffered any impairment, in accordance with the accounting policy stated in note 3.1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates.

4. SEGMENT INFORMATION

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

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

- the plastic and chemical products segment consists of importing, marketing and distributing plastic and chemical products;
- the building supplies, electrical and mechanical products segment consists of importing, marketing, distributing and installing building supplies, electrical and mechanical products;
- the air-conditioning business segment consists of importing, marketing, distributing and installing air-conditioning products; and
- the electrical appliances business segment consists of importing, marketing and distributing electrical appliances.

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

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

4. SEGMENT INFORMATION (Continued)

(a) Business segments

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

	Continuing operations								Discontinued operation			
	Plastic and chemical products		Building supplies, electrical and mechanical products		Air-conditioning business		Total		Electrical appliances business		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
								(Restated)				(Restated)
Segment revenue:												
Sales to external customers	**883,594**	862,649	**51,968**	116,012	**79,439**	65,830	**1,015,001**	1,044,491	**13,031**	28,612	**1,028,032**	1,073,103
Other revenue	**2,093**	1,533	**335**	1,404	**61**	25	**2,489**	2,962	**–**	–	**2,489**	2,962
	885,687	864,182	**52,303**	117,416	**79,500**	65,855	**1,017,490**	1,047,453	**13,031**	28,612	**1,030,521**	1,076,065
Segment results:												
Operating profit/(loss)	**33,527**	39,104	**(5,427)**	(7,149)	**1,920**	1,495	**30,020**	33,450	**(2,149)**	(407)	**27,871**	33,043
Surplus arising from revaluation of land and buildings	**5,185**	2,218	**76**	3,380	**–**	–	**5,261**	5,598	**–**	228	**5,261**	5,826
Fair value adjustment on properties held for resale	**2,914**	–	**–**	–	**–**	–	**2,914**	–	**–**	–	**2,914**	–
	41,626	41,322	**(5,351)**	(3,769)	**1,920**	1,495	**38,195**	39,048	**(2,149)**	(179)	**36,046**	38,869
Interest income and unallocated gains							**4,173**	1,102	**494**	715	**4,667**	1,817
Unallocated expenses							**(10,725)**	(9,178)	**–**	–	**(10,725)**	(9,178)
Fair value losses on equity investments at fair value through profit or loss							**(2,656)**	–	**–**	–	**(2,656)**	–
Unrealised holding losses on short term investments							**–**	(1,352)	**–**	–	**–**	(1,352)
Provision for impairment of goodwill							**–**	(1,634)	**–**	–	**–**	(1,634)
Provision for impairment of interest in an associate							**–**	(1,400)	**–**	–	**–**	(1,400)
Finance costs							**(10,754)**	(6,059)	**(305)**	(562)	**(11,059)**	(6,621)
Share of losses of associates							**(9,140)**	(4,620)	**–**	–	**(9,140)**	(4,620)
Profit/(loss) before tax							**9,093**	15,907	**(1,960)**	(26)	**7,133**	15,881
Tax							**(3,681)**	(3,028)	**–**	87	**(3,681)**	(2,941)
Profit/(loss) for the year							**5,412**	12,879	**(1,960)**	61	**3,452**	12,940
Attributable to:												
Equity holders of the parent							**5,371**	12,659	**(1,960)**	61	**3,411**	12,720
Minority interests							**41**	220	**–**	–	**41**	220
							5,412	12,879	**(1,960)**	61	**3,452**	12,940

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4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Continuing operations										Discontinued operation			
	Plastic and chemical products		Building supplies, electrical and mechanical products		Air-conditioning business		Eliminations		Total		Electrical appliances business		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Segment assets	**325,321**	363,543	**19,384**	22,628	**35,014**	32,799	**(5,790)**	(5,120)	**373,929**	413,850	**–**	18,241	**373,929**	432,091
Interests in associates									**19,139**	28,279	**–**	–	**19,139**	28,279
Unallocated assets									**20,093**	23,836	**–**	–	**20,093**	23,836
Bank overdrafts included in segment assets	**–**	–	**23,419**	31,082	**1,993**	–	**–**	–	**25,412**	31,082	**–**	3,878	**25,412**	34,960
Total assets									**438,573**	497,047	**–**	22,119	**438,573**	519,166
Segment liabilities	**48,691**	75,474	**26,050**	27,235	**21,788**	21,814	**(5,790)**	(5,120)	**90,739**	119,403	**–**	2,477	**90,739**	121,880
Unallocated liabilities									**164,954**	203,590	**–**	4,463	**164,954**	208,053
Bank overdrafts included in segment assets	**–**	–	**23,419**	31,082	**1,993**	–	**–**	–	**25,412**	31,082	**–**	3,878	**25,412**	34,960
Total liabilities									**281,105**	354,075	**–**	10,818	**281,105**	364,893
Other segment information:														
Capital expenditure	**128**	52	**326**	197	**115**	42	**–**	–	**569**	291	**4**	4	**573**	295
Depreciation	**624**	1,285	**588**	695	**47**	62	**–**	–	**1,259**	2,042	**216**	260	**1,475**	2,302
Other non-cash expenses:														
Surplus arising from revaluation of land and buildings	**(5,185)**	(2,218)	**(76)**	(3,380)	**–**	–	**–**	–	**(5,261)**	(5,598)	**–**	(228)	**(5,261)**	(5,826)
Fair value adjustment on properties held for resale	**(2,914)**	–	**–**	–	**–**	–	**–**	–	**(2,914)**	–	**–**	–	**(2,914)**	–

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

	Continuing operations						Discontinued operation			
	Hong Kong		Mainland China		Total		Hong Kong		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:										
Sales to external customers	**972,534**	981,285	**42,467**	63,206	**1,015,001**	1,044,491	**13,031**	28,612	**1,028,032**	1,073,103
Other revenue	**2,489**	2,962	**–**	–	**2,489**	2,962	**–**	–	**2,489**	2,962
	975,023	984,247	**42,467**	63,206	**1,017,490**	1,047,453	**13,031**	28,612	**1,030,521**	1,076,065
Other segment information:										
Segment assets	**404,391**	435,876	**8,770**	30,089	**413,161**	465,965	**–**	18,241	**413,161**	484,206
Bank overdrafts included in segment assets	**25,412**	31,082	**–**	–	**25,412**	31,082	**–**	3,878	**25,412**	34,960
					438,573	497,047	**–**	22,119	**438,573**	519,166
Capital expenditure	**532**	268	**37**	23	**569**	291	**4**	4	**573**	295

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5. TURNOVER, OTHER REVENUE AND GAIN

Turnover represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, and an appropriate proportion of contract revenue of construction contracts during the year.

An analysis of the Group's turnover, other revenue and gain is as follows:

		Continuing operations		Discontinued operation		Total	
		2005	2004	**2005**	2004	**2005**	2004
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover							
Sale of goods		**964,281**	1,008,511	**11,834**	19,299	**976,115**	1,027,810
Construction contracts		**50,720**	35,980	**1,197**	9,313	**51,917**	45,293
		1,015,001	1,044,491	**13,031**	28,612	**1,028,032**	1,073,103
Other revenue							
Bank interest income		**1,317**	161	**–**	–	**1,317**	161
Commission income		**2,489**	2,962	**–**	–	**2,489**	2,962
Gross rental income		**152**	170	**391**	541	**543**	711
Others		**1,576**	771	**103**	174	**1,679**	945
		5,534	4,064	**494**	715	**6,028**	4,779
Gain							
Gain on disposal of subsidiaries	*37*	**1,128**	–	**–**	–	**1,128**	–
		6,662	4,064	**494**	715	**7,156**	4,779

6. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**10,754**	6,059	**305**	562	**11,059**	6,621

No interest was capitalised by the Group in the current or the prior years.

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7. PROFIT BEFORE TAX

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

		Continuing operations		Discontinued operation		Total	
		2005	2004	**2005**	2004	**2005**	2004
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditors' remuneration:							
Current year provision		**1,100**	1,021	**–**	100	**1,100**	1,121
Under/(over) provision in prior years		**69**	(79)	**–**	(5)	**69**	(84)
		1,169	942	**–**	95	**1,169**	1,037
Employee benefits expense (including directors' remuneration (note 8))*:							
Wages and salaries		**41,556**	44,722	**2,652**	4,713	**44,208**	49,435
Pension scheme contributions		**2,433**	2,497	**149**	287	**2,582**	2,784
Less: Forfeited contributions		**(140)**	(84)	**(41)**	(6)	**(181)**	(90)
Net pension scheme contributions		**2,293**	2,413	**108**	281	**2,401**	2,694
		43,849	47,135	**2,760**	4,994	**46,609**	52,129
Amortisation for goodwill#	16	**–**	125	**–**	–	**–**	125
Cost of inventories sold		**878,293**	895,681	**8,444**	12,547	**886,737**	908,228
Cost of services provided		**49,172**	34,899	**1,552**	8,080	**50,724**	42,979
Depreciation	14	**1,259**	2,042	**216**	260	**1,475**	2,302
Minimum lease payments under operating leases in respect of land and buildings		**3,519**	3,634	**728**	669	**4,247**	4,303
Provision/(write back of provision) for bad and doubtful debts#		**(5,502)**	5,231	**18**	14	**(5,484)**	5,245
Provision/(write back of provision) for obsolete inventories included in cost of inventories sold		**4,351**	(264)	**(1,561)**	181	**2,790**	(83)
Provision for impairment of other assets#	20	**938**	–	**–**	–	**938**	–
Fair value losses on equity investments at fair value through profit or loss#		**2,656**	–	**–**	–	**2,656**	–
Unrealised holding losses on short term investments#		**–**	1,352	**–**	–	**–**	1,352
Foreign exchange differences, net#		**(2,703)**	(2,316)	**–**	14	**(2,703)**	(2,302)

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7. PROFIT BEFORE TAX (Continued)

* *The staff costs include directors' remuneration as further detailed in note 8 below. As at 31 December 2005, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2004: Nil).*

\# *These expenses/(income) are included in "Other operating income/(expenses), net" on the face of the consolidated income statement.*

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Fees	**150**	171
Other emoluments:		
Salaries, allowances and benefits in kind	**4,206**	4,164
Performance related bonuses	**1,088**	1,600
Pension scheme contributions	**317**	317
	5,611	6,081
	5,761	6,252

(a) Independent non-executive directors

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

	2005	2004
	HK$'000	*HK$'000*
Mr. William Gage McAfee	**50**	50
Mr. David Chung-Shing Wu	**50**	50
Mr. Vincent Tian-Quan Mo	**50**	50
Mr. Aubrey Kwok-Sing Li	**–**	21
	150	171

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

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and a non-executive director

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005					
Executive directors:					
James Sai-Wing Wong	**–**	**–**	**–**	**–**	**–**
Stephen Sek-Kee Yu	**–**	**1,646**	**–**	**149**	**1,795**
Frank Kwok-Kit Chu	**–**	**1,910**	**1,000**	**108**	**3,018**
Peter Chi-Chung Luk	**–**	**650**	**88**	**60**	**798**
	–	**4,206**	**1,088**	**317**	**5,611**
Non-executive director:					
Herman Man-Hei Fung	**–**	**–**	**–**	**–**	**–**
	–	**4,206**	**1,088**	**317**	**5,611**
2004					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Stephen Sek-Kee Yu	–	1,646	–	149	1,795
Frank Kwok-Kit Chu	–	1,868	1,600	108	3,576
Peter Chi-Chung Luk	–	650	–	60	710
	–	4,164	1,600	317	6,081
Non-executive directors:					
Herman Man-Hei Fung	–	–	–	–	–
Kenneth Kin-Hing Lam	–	–	–	–	–
	–	4,164	1,600	317	6,081

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

During the year, no share options were granted to the directors in respect of their services to the Group. Further details of the share option scheme and the directors' options remaining outstanding under the scheme at the balance sheet date are set out in note 35 to the financial statements.

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9. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other benefits in kind	**2,898**	2,667
Bonuses paid and payable	**1,800**	2,200
Pension scheme contributions	**135**	129
	4,833	4,996

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

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

During the year, no share options were granted to the non-director, highest paid employees in respect of their services to the Group. Further details of the share option scheme and the options remaining outstanding under the scheme at the balance sheet date are included in the disclosures in note 35 to the financial statements.

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10. TAX

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

	Continuing operations		**Discontinued operation**		**Total**	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)
Group:						
Current – Hong Kong						
Charge for the year	**1,927**	4,201	**–**	–	**1,927**	4,201
Under/(over) provision in prior years	**37**	(2,319)	**–**	–	**37**	(2,319)
Current – Elsewhere	**358**	1,078	**–**	–	**358**	1,078
Deferred *(note 33)*	**1,359**	68	**–**	(87)	**1,359**	(19)
Total tax charge for the year	**3,681**	3,028	**–**	(87)	**3,681**	2,941

A reconciliation of the tax expense applicable to profit before tax using the statutory rate in Hong Kong to the tax expense for the year is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Profit before tax (including profit/(loss) from a discontinued operation)	**7,133**	15,881
Tax at Hong Kong profits tax rate of 17.5% (2004:17.5%)	**1,248**	2,779
Effect of different rates for companies operating in other jurisdictions	**(439)**	189
Under/(over) provision in prior years	**37**	(2,319)
Income not subject to tax	**(1,891)**	(1,113)
Expenses not deductible for tax	**1,071**	1,928
Deferred tax (assets)/liabilities not (recognised)/provided for	**36**	(609)
Tax losses utilised from previous periods	**(173)**	(534)
Tax losses not recognised	**2,181**	1,852
Losses attributable to associates	**1,599**	809
Others	**12**	(41)
Tax expense for the year	**3,681**	2,941
Tax credit attributable to a discontinued operation *(note 12)*	**–**	87
Tax charge attributable to continuing operations reported in the consolidated income statement	**3,681**	3,028

10. TAX (Continued)

The share of tax credit attributable to an associate amounting to HK$116,000 (2004: share of tax charge of HK$1,078,000) is included in "Share of losses of associates" on the face of the consolidated income statement.

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net profit from ordinary activities attributable to equity holders of the parent for the year ended 31 December 2005 dealt with in the financial statements of the Company, was HK$522,000 (2004: HK$5,541,000 (note 36(b)).

12. DISCONTINUED OPERATION

The Group discontinued the wholesaling of electrical appliances business in June 2005 as such business has not been performing in the past few years. The remaining stocks were sold to the new distributor and all staff were retrenched in June 2005. As at 31 December 2005, no assets or liabilities of the Group are attributable to this discontinued operation.

The results attributable to the discontinued operation for the year are presented below:

	2005	2004
	HK$'000	*HK$'000*
Turnover	**13,031**	28,612
Cost of sales/services	**(9,996)**	(20,627)
Gross profit	**3,035**	7,985
Other revenue and gain	**494**	715
Selling and distribution costs	**(1,116)**	(1,975)
Administrative expenses	**(4,039)**	(6,389)
Other operating expenses	**(29)**	(28)
Surplus arising from revaluation of land and buildings	**–**	228
Finance costs	**(305)**	(562)
Loss before tax	**(1,960)**	(26)
Tax credit	**–**	87
(Loss)/profit for the year	**(1,960)**	61

12. DISCONTINUED OPERATION (Continued)

The net cash flows attributable to the discontinued operation are as follows:

	2005 HK$'000	2004 HK$'000
Net cash inflow from operating activities	**4,040**	2,127
Net cash inflow/(outflow) from financing activities	**537**	(659)
Net cash inflow	**4,577**	1,468
(LOSS)/EARNINGS PER SHARE		
– Basic	**(1.24 cents)**	0.04 cent
– Diluted	**N/A**	N/A

The calculations of basic (loss)/earnings per share from the discontinued operation are based on:

	2005	2004 (Restated)
(Loss)/profit attributable to equity holders of the parent from the discontinued operation	**HK$(1,960,000)**	HK$61,000
Weighted average number of shares in issue during the year used in the basic (loss)/earnings per share calculation	**158,639,799**	153,215,142

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of earnings per share amounts is based on the net profit for the year attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

There have been no dilutive effect on the basic earnings per share for the years ended 31 December 2005 and 31 December 2004 as the exercise prices of the outstanding share options were higher than the average market price of the Company's shares during both years.

The calculations of basic earnings/(loss) per share are based on:

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit/(loss) attributable to equity holders of the parent		
From continuing operations	**5,371**	12,659
From a discontinued operation	**(1,960)**	61
Profit attributable to equity holders of the parent	**3,411**	12,720

	Number of shares	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Shares		
Weighted average number of shares in issue during the year	**158,639,799**	153,215,142

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2005					
At 31 December 2004 and 1 January 2005:					
Cost or valuation	35,108	4,061	16,424	1,499	57,092
Accumulated depreciation	(149)	(3,452)	(15,708)	(1,238)	(20,547)
Net carrying amount	34,959	609	716	261	36,545
At 1 January 2005, net of accumulated depreciation	34,959	609	716	261	36,545
Additions	–	2	303	268	573
Disposals	–	(121)	(16)	(37)	(174)
Surplus on revaluation credited to land and buildings revaluation reserve	1,873	–	–	–	1,873
Surplus on revaluation credited to consolidated income statement	5,261	–	–	–	5,261
Depreciation provided during the year	(629)	(252)	(406)	(188)	(1,475)
Disposal of subsidiaries *(note 37)*	(11,500)	–	(182)	(23)	(11,705)
Transfer to investment properties *(note 15)*	(7,099)	–	–	–	(7,099)
Exchange realignment	–	1	50	2	53
At 31 December 2005, net of accumulated depreciation	**22,865**	**239**	**465**	**283**	**23,852**
At 31 December 2005:					
Cost or valuation	23,031	2,938	7,868	688	34,525
Accumulated depreciation	(166)	(2,699)	(7,403)	(405)	(10,673)
Net carrying amount	**22,865**	**239**	**465**	**283**	**23,852**
Analysis of cost or valuation:					
At cost	828	2,938	7,868	688	12,322
At 31 December 2005 valuation	22,203	–	–	–	22,203
	23,031	**2,938**	**7,868**	**688**	**34,525**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Land and buildings HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2004					
At 1 January 2004:					
Cost or valuation	29,328	4,061	16,507	1,737	51,633
Accumulated depreciation	(1,338)	(3,195)	(14,758)	(1,404)	(20,695)
Net carrying amount	27,990	866	1,749	333	30,938
At 1 January 2004, net of accumulated depreciation	27,990	866	1,749	333	30,938
Additions	–	–	196	99	295
Disposals	–	–	(7)	(32)	(39)
Surplus on revaluation credited to land and buildings revaluation reserve	1,827	–	–	–	1,827
Surplus on revaluation credited to consolidated income statement	5,826	–	–	–	5,826
Depreciation provided during the year	(684)	(257)	(1,222)	(139)	(2,302)
At 31 December 2004, net of accumulated depreciation	34,959	609	716	261	36,545
At 31 December 2004:					
Cost or valuation	35,108	4,061	16,424	1,499	57,092
Accumulated depreciation	(149)	(3,452)	(15,708)	(1,238)	(20,547)
Net carrying amount	34,959	609	716	261	36,545
Analysis of cost or valuation:					
At cost	828	4,061	16,424	1,499	22,812
At 31 December 2004 valuation	34,280	–	–	–	34,280
	35,108	4,061	16,424	1,499	57,092

Before the Group's disposal of its equity interest in JMT, the land and buildings owned by JMT were revalued on 26 October 2005 by independent professionally qualified valuers, at an open market value of HK$11,500,000 based on their existing use. Revaluation surplus of HK$1,873,000, resulting from the above valuation, has been credited to the land and building revaluation reserve.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's land and buildings, except for a property located outside Hong Kong with a net carrying value of HK$663,000 as at 31 December 2005, were revalued individually on 31 December 2005 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an open market value of HK$22,203,000 based on their existing use. Revaluation surplus of HK$5,261,000, resulting from the above valuations, has been credited to the income statement.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$26,123,000 (2004: HK$48,281,000).

The net carrying value of land and buildings pledged to secure banking facilities granted to the Group amounted to HK$19,300,000 (2004: HK$24,280,000) (see note 29).

Company

	Furniture, fixtures and equipment *HK$'000*
31 December 2005	
At 31 December 2004 and 1 January 2005:	
Cost	280
Accumulated depreciation	(250)
Net carrying amount	30
At 1 January 2005, net of accumulated depreciation	30
Additions	7
Depreciation provided during the year	(21)
At 31 December 2005, net of accumulated depreciation	**16**
At 31 December 2005:	
Cost	287
Accumulated depreciation	(271)
Net carrying amount	**16**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Furniture, fixtures and equipment *HK$'000*
31 December 2004	
At 1 January 2004:	
Cost	269
Accumulated depreciation	(202)
Net carrying amount	67
At 1 January 2004, net of accumulated depreciation	67
Additions	11
Depreciation provided during the year	(48)
At 31 December 2004, net of accumulated depreciation	30
At 31 December 2004:	
Cost	280
Accumulated depreciation	(250)
Net carrying amount	30

15. INVESTMENT PROPERTIES

	Group	
	2005 *HK$'000*	2004 *HK$'000*
At beginning of year	**–**	–
Transfer from property, plant and equipment *(note 14)*	**7,099**	–
Transfer from properties held for resale *(note 21)*	**5,950**	–
At 31 December, at valuation	**13,049**	–

The Group's investment properties were revalued on 31 December 2005 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, on an open market, existing use basis. Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a) to the financial statements.

16. GOODWILL

Group

	Goodwill
	HK$'000
31 December 2005	
At 1 January 2005:	
Cost as previously reported	2,498
Effect of adopting HKFRS 3 *(note 2.2(d))*	(864)
Cost as restated	1,634
Accumulated amortisation and impairment as previously reported	(2,498)
Effect of adopting HKFRS 3 *(note 2.2(d))*	864
Accumulated impairment as restated	(1,634)
Net carrying amount	–
Cost at 1 January 2005, net of accumulated impairment and cost and carrying amount at 31 December 2005	–
At 31 December 2005:	
Cost	1,634
Accumulated impairment	(1,634)
Net carrying amount	–

16. GOODWILL (Continued)

Group (Continued)

	Goodwill HK$'000
31 December 2004	
At 1 January 2004:	
Cost	2,498
Accumulated amortisation and impairment	(739)
Net carrying amount	1,759
Cost at 1 January 2004, net of accumulated amortisation and impairment	1,759
Amortisation provided during the year	(125)
Impairment during the year	(1,634)
At 31 December 2004	–
At 31 December 2004:	
Cost	2,498
Accumulated amortisation and impairment	(2,498)
Net carrying amount	–

In the prior year, goodwill not previously eliminated against the consolidated reserves was amortised on the straight-line basis over its estimate useful life of ten years.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**185,600**	185,600
Due from subsidiaries	**783,217**	775,405
Due to subsidiaries	**(9,538)**	(1,529)
	959,279	959,476
Provision for impairment	**(861,237)**	(870,580)
	98,042	88,896

17. INTERESTS IN SUBSIDIARIES (Continued)

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for amounts due from subsidiaries of HK$11,985,000 (2004: HK$11,090,000) included in current assets in the balance sheet are repayable within twelve months.

The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operation	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Best Treasure Limited	British Virgin Islands	Ordinary US$1	–	100%	Investment holding
Chinney Alliance Corporate Treasury Limited	Hong Kong	Ordinary HK$2	–	100%	Treasury function
Chinney Alliance Engineering Limited	Hong Kong	Ordinary HK$10,000	–	100%	Distribution and installation of mechanical, electrical and building supplies products
Chinney Alliance Trading (BVI) Limited	British Virgin Islands	Ordinary HK$360,001	100%	–	Investment holding
DMT-Jacobson Holdings Limited	British Virgin Islands	Ordinary US$2,000,000	–	100%	Investment holding
DMT International Hong Kong Limited	Hong Kong	Ordinary HK$1,000; Non-voting deferred HK$5,156,700	–	100%	Agency trading of industrial materials
Gina Enterprises Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Jackson Mercantile Trading Company Limited**	Hong Kong	Ordinary HK$2,000; Non-voting deferred HK$5,000,000	–	–	Investment holding and wholesaling of electrical appliances
Jacobson van den Berg (China) Limited*	Hong Kong	Ordinary HK$1,000,000	–	100%	Trading of electrical and mechanical products

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17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Jacobson van den Berg (Hong Kong) Limited	Hong Kong	Ordinary HK$1,000; Non-voting deferred HK$35,486,600	–	100%	Investment holding and agency trading of industrial products
Lei Kee Development Company Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Tegan Holdings Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Westco Chinney Limited*	Hong Kong	Ordinary HK$3,000,000	–	100%	Sale and installation of air-conditioning system
Dongguan Dharmala PVC Compounding Limited**# 東莞大馬膠粒有限公司	People's Republic of China ("PRC")	HK$8,000,000	–	–	Manufacture of industrial products

* *Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.*

** *During the year, the Group disposed its entire equity interest in Jackson Mercantile Trading Company Limited, a wholly-owned subsidiary of the Group, for a consideration of HK$7,800,000.*

This subsidiary was indirectly held by the Company through DMT PVC Compounding Ltd. ("DMT PVC"), a 70% owned subsidiary of the Group. During the year, the Group disposed a 30% equity interest in DMT PVC for a consideration of HK$888,000 and designated the remaining 40% equity interest as equity investments at fair value through profit or loss.

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

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31 December 2005

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed shares, at cost	**–**	–	**87,723**	87,723
Share of net assets	**26,339**	35,479	**–**	–
Goodwill on acquisition	**2,298**	2,298	**–**	–
Provision for impairment of goodwill	**(2,298)**	(2,298)	**–**	–
Provision for impairment	**(7,200)**	(7,200)	**(70,124)**	(61,475)
	19,139	28,279	**17,599**	26,248

The market value of the shares of a listed associate of the Group held at 31 December 2005 was HK$10,409,250 (2004: HK$7,633,000).

Particulars of the associates at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operation	Particulars of issued/ registered capital held	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Jiangxi Kaitong New Materials Company Limited*# 江西省凱通新材料科技有限公司 ("Jiangxi Kaitong")	People's Republic of China ("PRC")	Registered capital of RMB12,450,000	RMB50,000,000	24.9%	Manufacture of stainless steel and plastic compound pipes
Shun Cheong Holdings Limited ("Shun Cheong")	Bermuda/Hong Kong	Ordinary shares of HK$346,975	Ordinary HK$1,159,304	29.9%	Investment holding and provision of multi-disciplinary building services

* *Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.*

\# *This associate is a sino-foreign joint venture with a duration of business of 15 years which commenced from 11 October 2000.*

The voting power held and the profit sharing arrangement in relation to the associates are both the same as the equity interests shown above.

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18. INTERESTS IN ASSOCIATES (Continued)

The financial year end for Jiangxi Kaitong and Shun Cheong are 31 December and 31 March, respectively. The Group's financial statements have taken into account the results of Shun Cheong between 1 October 2004 to 30 September 2005. There were no material transactions between the Group and Shun Cheong during the period from 1 October 2005 to 31 December 2005.

Financial information as extracted from the most recent published financial statements and a circular of the Group's major associate is set out below.

Shun Cheong Holdings Limited

Consolidated income statement

	Six months ended 30 September	
	2005	2004
	(Audited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Turnover	**245,488**	249,407
Loss attributable to equity holders of the parent	**(7,613)**	(12,446)

Consolidated balance sheet

	30 September 2005	31 March 2005
	(Audited)	(Audited and restated)
	HK$'000	*HK$'000*
Non-current assets	**21,776**	22,107
Current assets	**308,259**	329,002
Current liabilities	**(246,435)**	(259,552)
Non-current liabilities	**(6,926)**	(6,926)
Minority interests	**(17,873)**	(18,217)
Net assets	**58,801**	66,414

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19. AVAILABLE-FOR-SALE EQUITY INVESTMENT/LONG TERM INVESTMENTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Investment securities:		
Unlisted equity investments, at cost	**–**	95,415
Convertible loan notes	**–**	89,148
Provision for impairment	**–**	(184,563)
	–	–

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets on 1 January 2005.

At 31 December 2004, included in the unlisted equity investments was an interest in Dharmala Agrifood Asia Pte Limited ("DAAL"), a company incorporated in Singapore, stated at a carrying value of nil comprising the cost of the Group's equity investment of HK$95,415,000, representing a 19.73% interest in DAAL and an interest in convertible loan notes of HK$89,148,000, net of a provision of HK$184,563,000. In the opinion of the directors, the above provision was required to cover the impairment in DAAL, as the major subsidiaries of DAAL had either been declared bankrupt by their creditors or had financial difficulties in repaying outstanding bank loans.

The Group's investment in DAAL's equity securities and convertible loan notes were fully written off against the provision for impairment during the year.

20. OTHER ASSETS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Club memberships, at cost	**1,220**	1,220	**1,220**	1,220
Provision for impairment	**(938)**	–	**(938)**	–
	282	1,220	**282**	1,220

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21. PROPERTIES HELD FOR RESALE

	Group 2005 HK$'000	2004 HK$'000
Carrying amount at 1 January	**3,036**	3,036
Fair value adjustment upon reclassification to investment properties	**2,914**	–
Transfer to investment properties *(note 15)*	**(5,950)**	–
Carrying amount at 31 December	**–**	3,036

22. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Raw materials	**79,121**	99,845
Finished goods	**11,950**	18,518
	91,071	118,363

23. CONSTRUCTION CONTRACTS

	Group 2005 HK$'000	2004 HK$'000
Gross amount due from contract customers	**5,458**	5,134
Gross amount due to contract customers included in other payables and accruals *(note 32)*	**(1,412)**	(4,209)
	4,046	925
Contract costs incurred plus recognised profits less recognised losses to date	**135,818**	113,840
Less: Progress billings	**(131,772)**	(112,915)
	4,046	925

23. CONSTRUCTION CONTRACTS (Continued)

At 31 December 2005, retentions held by customers for contract works included in retention monies receivables over one year and trade and retention monies receivables of the Group amounted to approximately HK$3,672,000 (2004: HK$2,816,000) and HK$1,781,000 (2004: HK$2,120,000) (note 24), respectively.

No advances were received from customers for contract works in both years.

24. TRADE AND RETENTION MONIES RECEIVABLES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Trade receivables	**186,990**	234,457
Retention monies receivables within one year	**1,781**	2,120
	188,771	236,577

The Group grants a credit period to its customers ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with good business relationships. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current to 30 days	**132,927**	169,093
31 to 60 days	**20,118**	30,899
61 to 90 days	**11,377**	16,521
Over 90 days	**22,568**	17,944
	186,990	234,457

Included in the Group's trade receivables are amounts due from an associate of the Group of approximately HK$2,003,000 (2004: HK$310,000), which are repayable on similar credit terms to those offered to other customers of the Group.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amount due from related companies disclosed pursuant to Section 161B of the Companies Ordinance is as follows:

	Group		
	Maximum outstanding during the year	**2005**	2004
	HK$000	***HK$000***	*HK$000*
Hon Kwok Land Investment (Shenzhen) Limited	**3,053**	**2,541**	3,021
Shun Cheong Electrical Engineering Company Limited	**341**	**183**	223
		2,724	3,244

Hon Kwok Land Investment (Shenzhen) Limited, is a wholly-owned subsidiary of Hon Kwok Land Investment Company Limited, which is a subsidiary of the Company's major shareholder.

Mr. Stephen Sek-Kee Yu, is a common director of the Company and Shun Cheong Electrical Engineering Company Limited.

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

The carrying amounts of balances with related companies approximate to their fair values.

26. EQUITY INVESTMENTS AT FAIR VALUE THOUGH PROFIT OR LOSS/SHORT TERM INVESTMENTS

	Group and Company	
	2005	2004
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at market value	**9,330**	11,986

The above equity investments at 31 December 2005 were classified as held for trading.

In November 2005, the Group disposed the remaining 40% equity interest in DMT PVC (the "Investment") for a consideration of HK$1,184,000. The Investment having a carrying value of HK$1,168,000 was designated as an equity investment at fair value through profit or loss upon the Group's disposal of a 30% equity interest in DMT PVC during the year.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$9,595,000.

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27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**14,268**	33,486	**654**	637
Time deposits	**55,834**	29,292	**6,392**	8,005
Cash and cash equivalents	**70,102**	62,778	**7,046**	8,642

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and bank balances and the time deposits approximate to their fair values.

28. TRADE AND BILLS PAYABLES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Trade payables	**45,194**	57,077
Bills payable	**17,574**	24,345
	62,768	81,422

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current to 30 days	**36,120**	52,183
31 to 60 days	**3,039**	1,408
61 to 90 days	**1,097**	384
Over 90 days	**4,938**	3,102
	45,194	57,077

The trade payables are non-interest-bearing and are normally settled within terms of 60 to 120 days.

29. BANKING FACILITIES

At 31 December 2005, the Company and the Group had certain banking facilities which were secured by certain land and buildings with an aggregate carrying value of HK$19,300,000 (2004: HK$24,280,000) (note 14).

30. INTEREST-BEARING BANK LOAN AND OVERDRAFTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current				
Bank overdrafts – unsecured	**25,412**	34,960	**–**	–
Bank loan – secured	**3,750**	5,000	**3,750**	5,000
	29,162	39,960	**3,750**	5,000
Non-current				
Bank loan – secured	**–**	3,750	**–**	3,750
	29,162	43,710	**3,750**	8,750

The maturity of the above bank loan and overdrafts is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank overdrafts repayable				
within one year or on demand	**25,412**	34,960	**–**	–
Bank loan repayable:				
Within one year	**3,750**	5,000	**3,750**	5,000
In the second year	**–**	3,750	**–**	3,750
	3,750	8,750	**3,750**	8,750
Portion classified as current liabilities	**(3,750)**	(5,000)	**(3,750)**	(5,000)
Long term portion	**–**	3,750	**–**	3,750

30. INTEREST-BEARING BANK LOAN AND OVERDRAFTS (Continued)

The bank overdrafts and bank loan of the Group and of the Company as set out above bear interest at floating interest rates.

Other interest rate information:

	Carrying amounts		Fair value	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Floating rate bank loan	**–**	3,750	**–**	3,549

The carrying amounts of the Group's and the Company's current borrowings approximate to their fair values. The carrying amounts and fair values of the Group's and the Company's non-current borrowings are stated as above.

31. PROVISION

Group

	Long service payment	
	2005	2004
	HK$'000	*HK$'000*
At beginning of year	**1,376**	1,650
Write-back of overprovision in the prior year	**(157)**	–
Provision for the year	**73**	27
Amounts utilised during the year	**(173)**	(301)
At 31 December	**1,119**	1,376
Portion classified as current liabilities	**–**	–
Long term portion	**1,119**	1,376

The Group provides for probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 3.1 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

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32. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Gross amount due to contract customers *(note 23)*	**1,412**	4,209	**–**	–
Other payables and accruals	**28,854**	37,677	**3,488**	3,077
	30,266	41,886	**3,488**	3,077

Other payables and accruals are unsecured, interest-free and are repayable on demand.

33. DEFERRED TAX

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

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of a subsidiary		Revaluation of investment properties		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**1,059**	1,084	**–**	–	**–**	87	**1,059**	1,171
Deferred tax charged/(credited) to the income statement during the year								
– Continuing operations *(note 10)*	**–**	(25)	**764**	–	**–**	–	**764**	(25)
– Discontinued operation *(note 12)*	**–**	–	**–**	–	**–**	(87)	**–**	(87)
Disposal of a subsidiary *(note 37)*	**(1,059)**	–	**–**	–	**–**	–	**(1,059)**	–
Gross deferred tax liabilities At 31 December	**–**	1,059	**764**	–	**–**	–	**764**	1,059

33. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Decelerated tax depreciation		Revaluation of land and buildings		Provision for bad debts and inventories		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**779**	823	**–**	–	**625**	674	**1,404**	1,497
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	**(56)**	(44)	**86**	–	**(625)**	(49)	**(595)**	(93)
Gross deferred tax assets At 31 December	**723**	779	**86**	–	**–**	625	**809**	1,404
Net deferred tax assets At 31 December							**45**	345

The Group has tax losses arising in Hong Kong of approximately HK$200,000,000 (2004: HK$193,000,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

34. SHARE CAPITAL

Shares

	Company 2005 HK$'000	2004 HK$'000
Authorised:		
1,000,000,000 (2004: 25,000,000,000) ordinary shares of HK$0.25 (2004: HK$0.01) each	**250,000**	250,000
Issued and fully paid:		
158,639,799 (2004: 3,965,994,984) ordinary shares of HK$0.25 (2004: HK$0.01) each	**39,660**	39,660

	Number of shares	*HK$'000*
At 1 January 2004	3,305,994,984	33,060
Shares issued	660,000,000	6,600
At 31 December 2004	3,965,994,984	39,660
At 1 January 2005	3,965,994,984	39,660
Effect of Share Consolidation arising from the Capital Reorganisation	(3,807,355,185)	–
At 31 December 2005	**158,639,799**	**39,660**

As announced on 13 April 2005, the Company proposed a capital reorganisation involving the cancellation of the capital reserve and share premium accounts as well as the consolidation of shares into larger denomination (the "Capital Reorganisation"). The Capital Reorganisation was approved by the shareholders of the Company by way of a special resolution and took effect on 6 June 2005 as follows:

(a) the entire amount of HK$236,500,000 standing to the credit of the capital reserve account of the Company as at 31 December 2004 was cancelled and the credit arising therefrom was applied towards the partial elimination of the accumulated losses of the Company as at 31 December 2004 in the amount of HK$708,335,000;

(b) the entire amount of HK$568,986,000 standing to the credit of the share premium account of the Company as at 31 December 2004 was cancelled and the credit arising therefrom was applied to eliminate the balance of HK$471,835,000 of the accumulated losses of the Company as at 31 December 2004 and the remaining credit of HK$97,151,000 arising therefrom was transferred to the Company's contributed surplus account; and

(c) every twenty-five issued and unissued shares of nominal value HK$0.01 each in the authorised share capital of the Company were consolidated into one new share of nominal value HK$0.25 each (the "New Share(s)") (the "Share Consolidation").

As a result of the Capital Reorganisation, the authorised share capital of the Company became HK$250,000,000 divided into 1,000,000,000 New Shares, of which 158,639,799 New Shares were in issue and fully paid. The New Shares rank pari passu in all respects with each other.

34. SHARE CAPITAL (Continued)

Shares (Continued)

In the prior year, pursuant to a placing agreement dated 3 March 2004, arrangements were made for a private placement to independent third parties of 468,000,000 existing shares of HK$0.01 each of the Company held by Multi-Investment Group Limited ("MIG"), a substantial shareholder of the Company, at a placing price of HK$0.02 per share. Concurrently, pursuant to a subscription agreement dated 3 March 2004, MIG subscribed to and was allotted 660,000,000 new shares of HK$0.01 each of the Company at an issue price of HK$0.02 per share, of which HK$0.01 per share was credited to issued share capital and the balance of HK$0.01 per share was credited to the share premium account. The net proceeds from the issue of new shares of approximately HK$13 million have been applied for the general working capital of the Group.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

35. SHARE OPTION SCHEME

On 24 September 1993, an Executive Share Option Scheme (the "Scheme") was approved by the shareholders of the Company (as amended by the shareholders of the Company on 28 June 2001), under which the directors of the Company may, at their discretion, offer any employee (including any director) of the Company or of any of its subsidiaries options to subscribe to shares of the Company subject to the terms and conditions stipulated in the Scheme. The summary terms and particulars of outstanding options under the Scheme are disclosed below pursuant to the requirements as contained in Chapter 17 of the Listing Rules.

Summary of the Scheme

(a) Purposes of the Scheme

The purposes of the Scheme are to attract and retain high caliber employees, and to motivate them to a higher level of performance.

(b) Participants of the Scheme

The Board may, at its discretion, grant to any employee (including any director) of the Company or of any of its subsidiaries' options to subscribe for the Company's shares.

35. SHARE OPTION SCHEME (Continued)

Summary of the Scheme (Continued)

(c) *Maximum number of shares available for issue under the Scheme*

The maximum number of the shares in respect of which options may be granted under the Scheme is such number of shares, which when aggregated with shares already subject to any other share option schemes of the Company, represents 10% of the issued share capital of the Company from time to time (excluding for this purpose any shares issued pursuant to the Scheme). The Scheme expired on 23 September 2003 and, as a result, there are no further shares available for issue under the Scheme as at the date of this annual report.

(d) *Maximum entitlement to any participant*

Under the Scheme, no options may be granted to any employee which if exercised in full would result in the total number of the Company's shares already issued and issuable to the employee under all the options granted to the employee exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Scheme.

(e) *Period and payment on acceptance of options*

Under the Scheme, the offer of an option to acquire shares must be accepted in writing in such manner as the Board may prescribe within 14 days from the date of offer and upon payment of a nominal consideration of HK$1 in total by the participant to the Company, whereby such consideration is not refundable.

(f) *Period within which the shares must be taken up under an option*

For those options granted on or before 28 June 2001, the exercise period of the options is 10 years from the date of grant. The number of options that can be exercised is restricted to a maximum of 20% of the shares comprised in the option in the first year from the date of grant and the threshold is increased progressively by 20% each year until it reaches 100% in the fifth year from the date of grant.

For those options granted after 28 June 2001, an option may be exercised in whole or in part at any time during an exercise period ranging from two to five years from the date of grant as specified by the Board in each grant.

(g) *Basis of determining the exercise price*

The exercise price of the options is determined by the Board and will not be less than the higher of (i) the nominal value of the Company's shares; and (ii) an amount not less than 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of the offer.

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35. SHARE OPTION SCHEME (Continued)

Summary of the Scheme (Continued)

(h) Expiration of the Scheme

The Scheme expired on 23 September 2003.

Particulars of the outstanding options

During the year, options to subscribe for 30,000 shares lapsed in accordance with the terms of the Scheme upon the expiry of the option period for ten years from the date of grant of those options.

Details of the share options outstanding as at 31 December 2005 which were granted to directors and employees under the Scheme are as follows:

	Number of shares subject to the outstanding share options as at 1 January 2005	Arising from the Capital Reorganisation during the year*	Number of shares subject to the outstanding share options expired during the year**	Number of shares subject to the outstanding share options as at 31 December 2005	Exercise price per share *HK$*	Date of grant	Exercisable from	Exercisable until
Share options to directors								
Stephen Sek-Kee Yu	500,000	(480,000)	(20,000)	–	19.5	22 December 1995	22 December 1995	21 December 2005
	250,000	(240,000)	(10,000)	–	19.5	7 June 1997	22 December 1995	21 December 2005
	12,000,000	(11,520,000)	–	480,000	1.75	16 July 1999	16 July 1999	15 July 2009
	12,750,000	(12,240,000)	(30,000)	480,000				
Frank Kwok-Kit Chu	8,000,000	(7,680,000)	–	320,000	1.75	13 July 1999	13 July 1999	12 July 2009
Peter Chi-Chung Luk	4,000,000	(3,840,000)	–	160,000	1.75	12 July 1999	12 July 1999	11 July 2009
Herman Man-Hei Fung	8,000,000	(7,680,000)	–	320,000	1.75	13 July 1999	13 July 1999	12 July 2009
Sub-total	32,750,000	(31,440,000)	(30,000)	1,280,000				
Share options to employees								
In aggregate	225,000	(216,000)	–	9,000	19.5	2 January 1996	2 January 1996	1 January 2006
	4,000,000	(3,840,000)	–	160,000	1.75	16 July 1999	16 July 1999	15 July 2009
	4,000,000	(3,840,000)	–	160,000	1.75	19 July 1999	19 July 1999	18 July 2009
Sub-total	8,225,000	(7,896,000)	–	329,000				
Total	40,975,000	(39,336,000)	(30,000)	1,609,000				

35. SHARE OPTION SCHEME (Continued)

Particulars of the outstanding options (Continued)

* *As announced on 3 June 2005, the number of shares subject to the outstanding share options has been adjusted from 40,975,000 shares to 1,639,000 shares with the relevant exercise price being adjusted to HK$19.5 (Previous: HK$0.78) per share and HK$1.75 (Previous: HK$0.07) per share as a result of the Capital Reorganisation becoming effective on 6 June 2005.*

** *These options lapsed upon expiring of the 10-year exercise period.*

At the balance sheet date, the Company had 1,609,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,609,000 additional ordinary shares of the Company and additional share capital of approximately HK$402,000 and share premium of approximately HK$2,573,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 1,600,000 share options outstanding under the Scheme, which represented approximately 1% of the Company's shares in issue as at that date.

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and the prior years are presented in the consolidated statement of changes in equity on page 32 of these financial statements.

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus* HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2004	562,724	236,500	–	(713,876)	85,348
Issue of shares *(note 34)*	6,600	–	–	–	6,600
Share issue expenses	(338)	–	–	–	(338)
Net profit for the year	–	–	–	5,541	5,541
At 31 December 2004 and 1 January 2005	568,986	236,500	–	(708,335)	97,151
Arising from the Capital Reorganisation *(note 34)*	(568,986)	(236,500)	97,151	708,335	–
Net profit for the year	–	–	–	522	522
At 31 December 2005	**–**	**–**	**97,151**	**522**	**97,673**

36. RESERVES (Continued)

(b) Company (Continued)

* *There is no specific provision in the Companies Act which regulates the use of contributed surplus save that the Company cannot make a distribution out of the contributed surplus to the shareholders if there are reasonable grounds for believing that the Company is, or would after the payment be, unable to pay its liabilities as they become due or the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.*

37. DISPOSAL OF SUBSIDIARIES

	2005	2004
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	**11,705**	–
Retention monies receivable over one year	**591**	–
Inventories	**5,175**	–
Construction contracts	**177**	–
Trade and retention monies receivables	**6,232**	–
Prepayments, deposits and other receivables	**630**	8
Cash and cash equivalents	**3,530**	4
Trade payables	**(6,583)**	–
Other payables and accruals	**(4,010)**	–
Tax payable	**(1,784)**	–
Interest-bearing bank loan	**(5,000)**	–
Deferred tax liabilities	**(1,059)**	–
Minority interests	**(876)**	–
	8,728	12
Reclassification of remaining 40% equity interest in a subsidiary to equity investments at fair value through profit or loss	**(1,168)**	–
Gain on disposal of subsidiaries *(note 5)*	**1,128**	–
	8,688	12
Satisfied by:		
Cash received	**8,688**	12

37. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	2005 **HK$'000**	2004 HK$'000
Cash consideration received	**8,688**	12
Cash and cash equivalents disposed of	**(3,530)**	(4)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**5,158**	8

The result of the subsidiaries disposed of in the year ended 31 December 2005 had no significant impact on the Group's consolidated turnover or profit after tax for the year.

38. RELATED PARTY TRANSACTIONS

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

	Notes	**2005** **HK$'000**	2004 HK$'000
Management fees paid to a major shareholder	*(i)*	**2,000**	2,000
Rental and office expenses paid to a related company	*(ii)*	**380**	496
Sale of goods to an associate	*(iii)*	**(639)**	(2,881)
Service income from an associate	*(iii)*	**(5,415)**	–
Rental income received from a related company	*(iv)*	**(392)**	(541)

Notes:

(i) The management fees are charged by Chinney Investments, Limited ("CIL") based on the time involvement of the personnel providing services. Dr. James Sai-Wing Wong, a director of the Company, is also a director of and has beneficial interests in CIL. Mr. Herman Man-Hei Fung is a common director of the Company and CIL.

(ii) The rental and office expenses were charged by Hon Kwok on an actual basis. Dr. James Sai-Wing Wong is a director of and has beneficial interests in Hon Kwok. Mr. Herman Man-Hei Fung is a common director of the Company and Hon Kwok.

(iii) The sales of goods to and service income from subsidiaries of Shun Cheong, an associate of the Group, were made according to the published prices and conditions offered to third-party customers. Mr. Stephen Sek-Kee Yu is a common director of the Company and Shun Cheong. Mr. James Sai-Wing Wong was a director of Shun Cheong until 16 September 2004.

(iv) The rental income arose from leasing certain space of an office premises of the Group to DrilTech Ground Engineering Limited, a subsidiary of CIL, and was charged in accordance with the amount agreed by both parties.

38. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

(i) A sale and purchase agreement dated 26 October 2005 entered into between Best Treasure Limited (as vendor), a wholly-owned subsidiary of the Company, Chinney Construction (BVI) Limited (as purchaser), an 86.05% owned subsidiary of CIL and the Company as vendor's guarantor in relation to the sale and purchase of the entire issued share capital of JMT for a cash consideration of HK$7,800,000. Details are set out in item 2 in the section headed "Connected Transactions" in the Report of the Directors.

(ii) A sale and purchase agreement dated 27 September 2005 entered into between DMT International Hong Kong Limited (as vendor), a wholly-owned subsidiary of the Company and Mr. Yee-Cheong Lung (as purchaser), a director of DMT PVC as well as a shareholder holding 30% then equity interest in DMT PVC, in relation to the sale and purchase of a 30% equity interest in DMT PVC for a cash consideration of HK$888,000. Details are set out in item 1 in the section headed "Connected Transactions" in the Report of the Directors.

(iii) A subscription agreement dated 3 March 2004 entered into between the Company as issuer and MIG as subscriber in relation to the subscription of 660,000,000 new shares of HK$0.01 each of the Company at a price of HK$0.02 per share for net cash proceeds of approximately HK$13 million.

(c) Outstanding balances with related parties:

(i) Details of the Group's outstanding balances with related companies as at the balance sheet date are disclosed in note 25 to the financial statements.

(ii) Details of the Group's trade balances with its associates as at the balance sheet date are disclosed in note 24 to the financial statements.

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

	2005	2004
	HK$'000	*HK$'000*
Short term employee benefits	**11,951**	12,593
Post-employment benefits	**546**	539
Total compensation paid to key management personnel	**12,497**	13,132

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

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its investment properties (note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms of three years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**634**	–
In the second to fifth years, inclusive	**1,522**	–
	2,156	–

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (2004: one to twelve years).

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**3,697**	3,803
In the second to fifth years, inclusive	**2,035**	3,584
	5,732	7,387

The Company had no operating lease commitments at the balance sheet date (2004: Nil).

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, at 31 December 2004, the Group had commitments under forward foreign exchange contracts amounting to HK$5,379,000.

The Group and the Company had no other significant commitment at the balance sheet date.

41. CONTINGENT LIABILITIES

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

(i)

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**495,000**	433,334

As at 31 December 2005, the total facilities utilised by the subsidiaries amounted to HK$255,593,000 (2004: HK$312,939,000).

(ii) On 26 October 2005, Best Treasure Limited, a wholly-owned subsidiary of the Company as vendor, the Company as vendor's guarantor and Chinney Construction (BVI) Limited, an 86.05% owned subsidiary of Chinney Investments Limited, as purchaser entered into an agreement in relation to the sale and purchase of the entire issued share capital of JMT for a cash consideration of HK$7,800,000. The Company as the vendor's guarantor and Best Treasure Limited as the vendor have undertaken to indemnify Chinney Construction (BVI) Limited up to a maximum amount of HK$7,800,000 until 8 November 2007, being two years after the completion date, in case there are valid claims against the Company and/or Best Treasure Limited under the agreement.

(iii) In its ordinary course of business, the Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of HK$2,158,000 in relation to issue of performance bonds to clients on contracting works.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans and overdrafts, cash and bank balances, and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as gross amounts due from and to contract customers, trade and retention monies receivables, other receivables, and trade and bills payables, which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The interest rates and terms of repayment of interest-bearing bank loans and overdrafts are disclosed in note 30 to the financial statements. Other financial assets and liabilities do not have material interest rate risk. Interest-bearing bank loans and overdrafts, cash and bank balances, and short term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are charged to the consolidated income statement as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group uses forward currency contracts to eliminate the currency exposures on such sale and purchase transactions. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and trust receipt loans. The Group's policy is to maintain the Group at net current asset position.

43. POST BALANCE SHEET EVENT

On 26 January 2006, Chinney Alliance Trading (BVI) Limited, a wholly-owned subsidiary of the Company, as purchaser, the Company as purchaser's guarantor and Shun Cheong, as vendor entered into an agreement relating to the sale and purchase of the entire issued share capital of Shun Cheong Investments Limited for a cash consideration of HK$35,000,000. Shun Cheong Investments Limited and its subsidiaries (the "Contracting Group") are engaged in the building related contracting services for both public and private sector. The transaction was approved by the shareholders of the Company at a special general meeting held on 27 March 2006 and completed on 31 March 2006. Details of the transaction are set out in the newspaper announcement of the Company dated 2 February 2006 and the circular to the shareholders of the Company dated 10 March 2006.

43. POST BALANCE SHEET EVENT (Continued)

Shun Cheong Investments Limited reported an audited consolidated net tangible assets of HK$38,395,000 as at 30 September 2005, assuming that the corporate restructuring which included the transfer of certain subsidiaries of Shun Cheong Investments Limited engaging in the building maintenance business to a wholly-owned subsidiary of Shun Cheong to form the remaining business of Shun Cheong (the "Remaining Shun Cheong Group") and the waiver of an aggregate sum of HK$18,053,000 due by the Contracting Group to the Remaining Shun Cheong Group had taken place on or before 30 September 2005. The Contracting Group is expected to incur losses from 1 October 2005 to 31 March 2006, the amount of which has yet to be ascertained from the audited financial information of the Contracting Group for the year ended 31 March 2006. In case the purchase consideration of HK$35,000,000 exceeds the audited consolidated net tangible assets of the Contracting Group as at 31 March 2006, the positive goodwill so arise will be treated as an asset and assessed annually or more frequently for impairment. Any impairment losses arising from the assessment is to be charged as expense to the consolidated income statement. In case the audited consolidated net tangible assets of the Contracting Group as at 31 March 2006 exceeds the purchase consideration of HK$35,000,000, the negative goodwill so arise will be credited as income to the consolidated income statement.

The audited carrying amounts of the identifiable assets and liabilities of the Contracting Group as at 30 September 2005, reclassified to conform with the classification used by the Group, are as follows:

	As at 30 September 2005 *HK$'000*
Property, plant and equipment	291
Available-for-sale equity investments	2,500
Financial assets at fair value through profit or loss	647
Gross amount due from contract customers	63,899
Trade and retention monies receivables	90,209
Amounts due from related companies	20,575
Deposits, prepayments, and other receivables	25,985
Tax recoverable	4,288
Pledged time deposits	26,800
Cash and cash equivalents	6,932
Trade and bills payables	(45,193)
Trust receipt loans	(18,356)
Other payables and accruals	(95,518)
Tax payable	(346)
Interest-bearing bank loans and overdrafts	(26,303)
Loan from a minority shareholder of a subsidiary	(6,900)
Deferred tax liabilities	(26)
Minority interests	(11,089)
	38,395

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

44. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

45. APPROVAL OF THE FINANCIAL STATEMENTS

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