NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's parent and ultimate holding company is Top Synergy Associates Limited, a company which is incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" in the annual report.

The principal activities of the Group are manufacture, sales and installation of autoclaved aerated lightweight concrete blocks and panels ("ALC products"), sub-leasing of properties and properties investment.

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

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

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

Business combinations

In the current year, the Group has applied HKFRS 3, *Business combinations*. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually. With respect to goodwill previously capitalised on the consolidated balance sheet, the Group on 1st January, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$1,018,000 with a corresponding decrease in the cost of goodwill (see note 18). Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

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

Non-current assets held for sale and discontinued operations

HKFRS 5 *Non-current assets held for sale and discontinued operations* requires non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets (or disposal group) are available for immediate sale in its present condition.

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

In addition, HKFRS 5 classifies an operation as discontinued at the date the operation meets the criteria to be classified as held for sale or when the entity has disposed of the operation.

The transitional provisions of HKFRS 5 applied prospectively. Accordingly, the the Group shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the consolidated balance sheet for prior periods to reflect the classification in the consolidated balance sheet for the latest period presented.

Financial instruments

In the current year, the Group has applied HKAS 32 *Financial instruments: Disclosure and presentation* and HKAS 39 *Financial instruments: Recognition and measurement*. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instrument in the Group's financial statements. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

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

Financial instruments *(Continued)*

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss ("other financial liabilities")". Other financial liabilities are carried at amortised cost using the effective interest method. The application of HKAS 39 has had no material effect on the presentation of financial instrument in the Group's financial statements.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. As a result of the adjustments, property, plant and equipment and prepaid lease payments at 1st January, 2004 were decreased by HK$4,767,000 and increased by HK$4,767,000 respectively. Amortisation of prepaid lease payments and depreciation for the year ended 31st December, 2004 was increased by HK$440,000 and decreased by HK$440,000 respectively. The financial effect of the adoption is further disclosed in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

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

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 *Investment property*. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment properties revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment properties revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment properties revaluation reserve at 1st January, 2005 of HK$103,014,000 has been transferred to the Group's retained profits. Comparative figures have not been restated.

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

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

1 Effective for annual periods beginning on or after 1st January, 2007.

2 Effective for annual periods beginning on or after 1st January, 2006.

3 Effective for annual periods beginning on or after 1st December, 2005.

4 Effective for annual periods beginning on or after 1st March, 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

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

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

	2005 **HK$'000**	2004 HK$'000
Decrease in amortisation of goodwill	**93**	—
Increase in fair value gain on investment properties	**52**	—
Decrease in gain on disposal of subsidiaries	**(103,014)**	—
Increase in impairment loss arising from adjustment to fair value less costs to sell	**(74,879)**	—
Increase in loss for the year	**(177,748)**	—

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

	At 31st December, 2004, (originally stated) HK$'000	Effect on HKAS 17 HK$'000	At 31st December, 2004 (restated) HK$'000	Effect on HKAS 40 HK$'000	**At 1st January, 2005 (restated) HK$'000**
Property, plant and equipment	91,395	(25,597)	65,798	—	**65,798**
Prepaid lease payments	—	25,597	25,597	—	**25,597**
Total effect on assets and liabilities		—		—	
Investment properties revaluation reserve	103,014	—	103,014	(103,014)	**—**
Retained profits	255,142	—	255,142	103,014	**358,156**
Total effect on equity		—		—	

The adoption of new HKFRSs has no material impact on the equity as at 1st January, 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain assets, which are measured at fair values.

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

Basis of consolidation

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

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

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

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or associate at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Impairment of goodwill

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

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

Investments in associates

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

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

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

Revenue recognition

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Others

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

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

Investment properties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method.

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

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

Owner-occupied leasehold interest in land

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

Inventories

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

The cost of inventories of ALC products comprises direct materials and, where applicable, direct labour costs and those production overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and other receivables.

Impairment (other than goodwill)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plan/the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Financial instruments

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

Trade and other receivables, loans receivable

Trade and other receivables, loan receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. Appropriate impairment for estimated irrecoverable amounts is recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value. Bank balances are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Borrowings

Borrowings are initially recorded at the proceeds and are subsequently measured at amortised cost, using the effective interest method. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables, unclaimed dividends and guarantee money payable

Trade and other payables, unclaimed dividends and guarantee money payable are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

5. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2005 **HK$'000**	2004 HK$'000
Continuing operations		
Rental income	**41,590**	41,194
Discontinued operation		
Revenue from construction work contracting and sales of concrete products	**55,905**	68,053
	97,495	109,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Business segments

For management purposes, the Group is currently organised into three operating divisions — construction work contracting and sales of concrete products, sub-leasing of properties and property investment. Sub-leasing of properties is a new segment in the current year.

In December 2004, the Group entered into a conditional sale and purchase agreement to dispose of the entire issued capital in certain subsidiaries, all of which carried on property investment businesses. The property investment businesses became discontinued upon the completion of the disposal on 15th February, 2005 and the property investment business was disclosed as discontinued operation in last year's consolidated financial statements.

During the year, the Group has purchased investment properties and explored this business again. Accordingly, the property investment segment is disclosed as continuing operations for the year, and the comparative figures of property investment segment was re-classified from discontinued operation as continuing operations.

On 22nd February, 2006, the Company announced that a conditional sale and purchase agreement was entered into among one of its wholly-owned subsidiaries and the purchaser on 17th February, 2006 in respect of the disposal of the entire issued capital in certain subsidiaries which carried out construction work contracting and sales of concrete products. The disposal was approved by the shareholders on 6th March, 2006. Details of the disposal were set out in the circular of the Company dated 22nd March, 2006. Accordingly, the business segment of construction work contracting and sales of concrete products was classified as discontinued operation, and the comparative figures of construction work contracting and sales of concrete products was re-classified from continuing operations as discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below as primary segment information.

2005

	Continuing operations			Discontinued operation	
	Sub-leasing HK$'000	Property investment HK$'000	Total HK$'000	Construction work contracting and sales of concrete products HK$'000	Consolidated HK$'000
REVENUE	36,445	5,145	41,590	55,905	97,495
SEGMENT RESULT	(13,778)	5,067	(8,711)	6,800	(1,911)
Unallocated corporate income					4,429
Unallocated corporate expenses					(2,372)
Impairment loss arising from adjustment to fair value less costs to sell	—	—	—	(74,879)	(74,879)
Finance costs	—	(994)	(994)	—	(994)
Gain on disposal of subsidiaries	—	5,289	5,289	—	5,289
Fair value gain on investment properties	—	52	52	—	52
Share of results of an associate					(116)
Impairment loss in respect of interest in an associate					(1,430)
Loss before tax					(71,932)
Taxation					(1,518)
Loss for the year					(73,450)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

BALANCE SHEET

	Continuing operations			Discontinued operation	
	Sub-leasing HK$'000	Property investment HK$'000	Total HK$'000	Construction work contracting and sales of concrete products HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	88,636	17,065	105,701	38,466	144,167
Unallocated corporate assets					196,117
Consolidated total assets					340,284
LIABILITIES					
Segment liabilities	10,632	74	10,706	13,294	24,000
Unallocated corporate liabilities					1,578
Consolidated total liabilities					25,578

OTHER INFORMATION

	Continuing operations			Discontinued operation	
	Sub-leasing HK$'000	Property investment HK$'000	Total HK$'000	Construction work contracting and sales of concrete products HK$'000	Consolidated HK$'000
Allowance for inventories	—	—	—	45	45
Capital expenditure	800	16,948	17,748	100	17,848
Depreciation and amortisation	23	—	23	6,802	6,825
Gain on disposal of property, plant and equipment	—	—	—	(21)	(21)
Guarantee money forfeited	—	—	—	(106)	(106)
Impairment loss recognised in respect of trade and other receivables	—	—	—	521	521
Reversal of impairment loss recognised in respect of trade and other receivables	—	—	—	(542)	(542)
Write back of provision for staff commission	—	—	—	(203)	(203)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

2004

	Continuing operation	Discontinued operation	
	Property investment HK$'000	Construction work contracting and sales of concrete products HK$'000	Consolidated HK$'000
REVENUE	41,194	68,053	109,247
SEGMENT RESULT	39,854	(149)	39,705
Amortisation of goodwill	(555)	—	(555)
Unallocated corporate expenses			(1,732)
Reversal of impairment loss in respect of prepaid lease payments, and property, plant and equipment	—	55,946	55,946
Finance costs	(8,463)	—	(8,463)
Amortisation of goodwill in an associate			(166)
Share of results of an associate			(288)
Profit before tax			84,447
Taxation			1,972
Profit for the year			86,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

BALANCE SHEET

	Continuing operation	Discontinued operation	
	Property investment HK$'000	Construction work contracting and sales of concrete products HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	627,415	135,817	763,232
Interest in an associate			1,546
Unallocated corporate assets			6,153
Consolidated total assets			770,931
LIABILITIES			
Segment liabilities	3,742	35,327	39,069
Unallocated corporate liabilities			343,706
Consolidated total liabilities			382,775

OTHER INFORMATION

	Continuing operation	Discontinued operation	
	Property investment HK$'000	Construction work contracting and sales of concrete products HK$'000	Consolidated HK$'000
Allowance for inventories	—	178	178
Capital expenditure	—	733	733
Depreciation and amortisation	—	5,797	5,797
Impairment loss recognised in respect of trade and other receivables	—	1,369	1,369
Reversal of impairment loss recognised in respect of trade and other receivables	—	(66)	(66)

Geographical segments

More than 90% of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover and loss/profit during the year are derived from customers located in Hong Kong.

More than 90% of the Group's assets are located in Hong Kong and more than 90% of additions to property, plant and equipment and investment properties during the year are incurred in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

6. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Exchange gain, net	**—**	—	**—**	8	**—**	8
Gain on disposal of property, plant and equipment	**—**	—	**21**	—	**21**	—
Guarantee deposits forfeited	**—**	—	**106**	—	**106**	—
Interest income from						
— bank deposits	**4,501**	—	**705**	6	**5,206**	6
— loans receivable	**309**	817	**274**	232	**583**	1,049
Write back of provision for staff commission	**—**	—	**203**	—	**203**	—
Sundry income	**—**	—	**795**	3	**795**	3
	4,810	817	**2,104**	249	**6,914**	1,066

7. REVERSAL OF IMPAIRMENT LOSS IN RESPECT OF PREPAID LEASE PAYMENTS, AND PROPERTY, PLANT AND EQUIPMENT

Discontinued operation

During last year, the directors had reviewed the carrying values of the prepaid lease payments for land and buildings by reference to a professional valuation made by Vigers Appraisal & Consulting Limited, an independent firm of professional property valuers, on 30th April, 2004 on open market value basis. Impairment loss recognised before of HK$21,270,000 and HK$34,676,000 in respect of the prepaid lease payments, and property, plant and equipment has been reversed accordingly. The directors considered that the value of the prepaid lease payments for land and buildings as at 31st December, 2004 was not materially different from the professional valuation made at 30th April, 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

8. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on bank and other loans wholly repayable within five years	**994**	8,463	**—**	—	**994**	8,463

9. GAIN ON DISPOSAL OF SUBSIDIARIES

On 30th December, 2004, the Company announced that a conditional sale and purchase agreement was entered into among one of its indirectly wholly-owned subsidiary, the purchaser and the Company on 13th December, 2004 in respect of the disposal of entire issued capital in Best Goal International Limited and Double Worth Profits Limited, both are indirectly wholly-owned subsidiaries of the Company (the "Disposed Group"), which carried on property investment businesses, for a cash consideration of HK$650,000,000 (the "Disposal"). Details of the Disposal were set out in the circular of the Company dated 20th January, 2005.

At the special general meeting held on 7th February, 2005, an ordinary resolution proposed to approve the Disposal and the new lease arrangement was duly passed by the shareholders. On 15th February, 2005, the board of directors announced that all conditions under the sale and purchase agreement were satisfied and the completion of the Disposal took place, and the new lease arrangement executed on the same date.

The gain on disposal of subsidiaries was HK$5,289,000. No tax charge or credit arose on the Disposal.

The carrying amounts of the assets and liabilities of the Disposed Group at date of disposal are disclosed in note 33.

10. IMPAIRMENT LOSS IN RESPECT OF INTEREST IN AN ASSOCIATE

Continuing operations

During the year, based on the Group's assessment of the carrying amount of the interest in the associate by considering the continuous operating loss since recent years, the directors consider that an impairment loss of HK$1,430,000 in respect of the goodwill to be recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

11. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The charge (credit) comprises:						
Hong Kong Profits Tax						
Current year	**342**	970	**—**	—	**342**	970
Underprovision in respect of prior years	**—**	1,113	**—**	—	**—**	1,113
	342	2,083	**—**	—	**342**	2,083
Deferred tax (note 32)						
Current year	**322**	(4,585)	**854**	530	**1,176**	(4,055)
Tax charge (credit)	**664**	(2,502)	**854**	530	**1,518**	(1,972)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

11. TAXATION *(Continued)*

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

	2005 **HK$'000**	2004 HK$'000
(Loss) profit before tax	**(71,932)**	84,447
Tax at the Hong Kong Profits Tax rate of 17.5%	**(12,588)**	14,778
Tax effect of expenses not deductible for tax purpose	**13,269**	397
Tax effect of income not taxable for tax purpose	**(3,596)**	(9,854)
Utilisation of tax losses previously not recognised	**(835)**	(3,768)
Tax effect of tax losses previously not recognised but recognised in current year	**—**	(2,618)
Tax effect of deductible temporary differences not recognised	**260**	—
Tax effect of tax losses not recognised	**5,124**	—
Depreciation allowances claimed subsequently not agreed by the Inland Revenue Department and utilised in current year	**—**	(1,967)
Underprovision in respect of prior years	**—**	1,113
Others	**(116)**	(53)
Tax charge (credit) for the year	**1,518**	(1,972)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

12. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
						(restated)
(Loss) profit for the year has been arrived at after charging (crediting):						
Allowance for inventories	**—**	—	**45**	178	**45**	178
Amortisation of prepaid lease payments	**—**	—	**605**	440	**605**	440
Auditors' remuneration	**415**	345	**305**	305	**720**	650
Depreciation for property, plant and equipment						
Owned assets	**5**	—	**6,197**	5,357	**6,202**	5,357
Assets held under finance leases	**18**	—	**—**	—	**18**	—
Exchange loss, net	**—**	—	**10**	—	**10**	—
Minimum lease payments for operating leases in respect of rented premises	**56**	—	**685**	695	**741**	695
Gross rental income from investment properties *(note)*	**(5,145)**	(41,194)	**—**	—	**(5,145)**	(41,194)
Less: Direct expenses from investment properties that generated rental income during the year	**136**	2,156	**—**	—	**136**	2,156
	(5,009)	(39,038)	**—**	—	**(5,009)**	(39,038)
Other rental income	**(36,445)**	—	**—**	—	**(36,445)**	—
Less: Direct expenses from other properties that generated rental income during the year	**49,995**	—	**—**	—	**49,995**	—
	13,550	—	**—**	—	**13,550**	—
Staff costs	**565**	411	**15,858**	27,462	**16,423**	27,873
Less: Amount capitalised in contract work	**—**	—	**(4,979)**	(13,216)	**(4,979)**	(13,216)
	565	411	**10,879**	14,246	**11,444**	14,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

Note: No contingent rental income for the year (2004: HK$994,000).

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	To Shu Fai HK$'000	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	Tse Yuen Ming HK$'000	Kwok Shun On HK$'000	Leung Chi Hung HK$'000	Leung Tsz Fung David Ferreira HK$'000	**2005 HK$'000**
Fees	—	—	—	80	40	80	40	**240**
Other emoluments								
Salaries and other benefits	200	920	120	—	—	—	—	**1,240**
Contributions to retirement benefits scheme	—	35	2	—	—	—	—	**37**
Total emoluments	200	955	122	80	40	80	40	**1,517**

	To Shu Fai HK$'000	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	Tse Yuen Ming HK$'000	Kwok Shun On HK$'000	Leung Chi Hung HK$'000	2004 HK$'000
Fees	—	—	—	80	80	80	240
Other emoluments							
Salaries and other benefits	—	650	170	—	—	—	820
Contributions to retirement benefits scheme	—	30	2	—	—	—	32
Total emoluments	—	680	172	80	80	80	1,092

No director waived any emoluments in the years ended 31st December, 2005 and 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals included one (2004: one) director, details of whose emoluments are set out above. The emoluments of the remaining four (2004: four) individuals, are as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and other benefits	**2,389**	2,389
Contribution to retirement benefits scheme	**126**	124
	2,515	2,513

Their emoluments were within the following band:

	2005 Number of employees	2004 Number of employees
Nil to HK$1,000,000	**4**	4

14. DIVIDEND

No interim dividend is paid during the year (2004: nil).

The directors do not recommend the payment of a dividend for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

15. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic (loss) earnings per share is based on the following data:

	2005 HK$'000	2004 HK$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share	**(73,450)**	86,419

	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share	**3,000,000**	3,000,000

From continuing operations

The calculation of the basic (loss) earnings per share from continuing operations is based on the following data:

	2005 HK$'000	2004 HK$'000
(Loss) earnings		
(Loss) earnings for the year	**(73,450)**	86,419
Less: loss (profit) for the year from discontinued operation	**68,933**	(55,446)
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	**(4,517)**	30,973

The denominators used are the same as those detailed above for basic (loss) earnings per share.

From discontinued operation

Basic loss per share for discontinued operation is 2.30 HK cents (2004: basic earnings per share of 1.85 HK cents) per share, based on the loss for the year from discontinued operation of HK$68,933,000 (2004: profit of HK$55,446,000). The denominators used are the same as those detailed above for basic (loss) earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

15. (LOSS) EARNINGS PER SHARE *(Continued)*

From discontinued operation *(Continued)*

The following table summarises the impact on basic (loss) earnings per share as a result of:

	Impact on (loss) earnings per share	
	2005	2004
	HK cents	HK cents
Reported figures before adjustments	**3.47**	2.88
Adjustments arising from changes in accounting policies *(see note 3)*	**(5.92)**	—
Restated	**(2.45)**	2.88

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2004	509,000
Surplus on revaluation	100,000
At 31st December, 2004	609,000
Disposal upon disposal of subsidiaries	(609,000)
Addition	16,948
Gain on change in fair value	52
At 31st December, 2005	17,000

The fair value of the Group's investment properties at 31st December, 2005 have been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Ltd., an independent firm of professional property valuers not connected with the Group. RHL Appraisal Ltd. are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All the investment properties of the Group are situated in Hong Kong and held under medium-term leases. The investment properties disposed of during the year were rented out under operating leases. The investment properties as at 31st December, 2005 are vacant.

All of the Group's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted as investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Industrial buildings HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Total HK$'000
COST						
At 1st January, 2004 as originally stated	31,415	71,111	1,114	452	131,945	236,037
Effect of changes in accounting policies *(note 2)*	(31,415)	—	—	—	—	(31,415)
At 1st January, 2004 as restated	—	71,111	1,114	452	131,945	204,622
Additions	—	—	3	—	730	733
Disposals	—	—	—	—	(84)	(84)
At 31st December, 2004	—	71,111	1,117	452	132,591	205,271
Additions	—	—	180	574	146	900
Transferred to assets classified as held for sale	—	(71,111)	(956)	(365)	(132,504)	(204,936)
Disposals	—	—	(162)	(123)	(148)	(433)
At 31st December, 2005	—	—	179	538	85	802
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2004 as originally stated	26,648	63,617	1,083	378	103,798	195,524
Effect of changes in accounting policies *(note 2)*	(26,648)	—	—	—	—	(26,648)
At 1st January, 2004 as restated	—	63,617	1,083	378	103,798	168,876
Provided for the year	—	2,183	8	56	3,110	5,357
Impairment loss reversed	—	(34,676)	—	—	—	(34,676)
Eliminated on disposals	—	—	—	—	(84)	(84)
At 31st December, 2004	—	31,124	1,091	434	106,824	139,473
Provided for the year	—	3,018	8	30	3,164	6,220
Transferred to assets classified as held for sale	—	(34,142)	(933)	(322)	(109,837)	(145,234)
Eliminated on disposals	—	—	(162)	(123)	(148)	(433)
At 31st December, 2005	—	—	4	19	3	26
CARRYING VALUES						
At 31st December, 2005	—	—	175	519	82	776
At 31st December, 2004	—	39,987	26	18	25,767	65,798

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

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

The above items of property, plant and equipment are depreciated on a straight-line method at the following rate per annum:

Industrial buildings	Over the shorter of the terms of the leases, or 20 to 25 years
Furniture and fixtures	10%–$33\frac{1}{3}$%
Motor vehicles	20%–$33\frac{1}{3}$%
Plant and machinery and equipment	5%–50%

The industrial buildings of the Group are situated in Hong Kong and are held under medium-term leases.

The carrying value of motor vehicles includes an amount of HK$520,000 (2004: nil) in respect of asset held under finance leases.

18. GOODWILL

	HK$'000
COST	
At 1st January, 2004 and 2005	5,552
Elimination of accumulated amortisation upon the application of HKFRS 3 (see note 2)	(1,018)
Eliminated on disposal of subsidiaries	(4,534)
At 31st December, 2005	—
AMORTISATION	
At 1st January, 2004	463
Amortised for the year	555
At 1st January, 2005	1,018
Elimination of accumulated amortisation upon the application of HKFRS 3 (see note 2)	(1,018)
At 31st December, 2005	—
CARRYING VALUES	
At 31st December, 2005	—
At 31st December, 2004	4,534

Prior to 31st December, 2004, goodwill was amortised using the straight-line method over its estimated useful life of ten years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

19. INTEREST IN AN ASSOCIATE

	2005 HK$'000	2004 HK$'000
Cost of investment in an associate	**3,257**	3,257
Share of post-acquisition losses, net of dividends received	**(1,827)**	(1,711)
Less: Impairment	**(1,430)**	—
	—	1,546

Prior to 31st December, 2004, goodwill was amortised using the straight-line method over its estimated useful life of five years.

Included in the cost of investment in an associate is goodwill of nil (2004: HK$1,257,000) arising on acquisition of the associate in prior year.

As at 31st December, 2005, the Group has interest in the following associate:

Name	Form of business structure	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issue capital held indirectly by the Company	Principal activities
iNeTalk.com Limited	Incorporated	Hong Kong	Ordinary	16% *(note)*	Development and deployment of high quality Internet-based communication services

Note: This company has been accounted for as an associate as, in the opinion of the directors, the Group is in a position to exercise significant influence over the management of this company as majority of the board of directors are also directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

19. INTEREST IN AN ASSOCIATE *(Continued)*

Summarised unaudited financial information in respect of the Group's associate is set out below:

	2005	2004
	HK$'000	HK$'000
Total assets	**3,478**	3,856
Total liabilities	**(2,483)**	(2,048)
Net assets	**995**	1,808
Group's share of associate's net assets	**—**	289
Revenue	**7,230**	12,413
Loss for the year	**(725)**	(1,800)
Group's share of associate's net loss	**(116)**	(288)

20. LONG-TERM RECEIVABLES

	2005	2004
	HK$'000	HK$'000
Other loans *(note a)*	**—**	13,406
Retention receivables *(note b)*	**—**	6,923
	—	20,329
Less: amounts due within one year included in		
— trade and other receivables	**—**	(1,730)
— loans receivable *(note a)*	**—**	(4,875)
Amounts due after one year	**—**	13,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

20. LONG-TERM RECEIVABLES *(Continued)*

(a) Included loans of HK$10,406,000 to the tenant of the Group's investment properties for the purpose of upgrading the machinery and equipment in the cold storage warehouses are secured, bore interest at Hong Kong Prime Lending Rate per annum and repayable by 16 quarterly instalments commencing on 19th December, 2003. The loans had been fully repaid during the year.

(b) The retention receivables were not yet due at the balance sheet date according to the provisions in the construction contracts and hence, no aged analysis is presented.

The directors consider the carrying amounts of other loans and retention receivables approximate to their fair values.

21. PREPAID LEASE PAYMENTS

	2005	2004
	HK$'000	HK$'000
Prepayments for leasehold interest in land in Hong Kong held under medium-term leases	—	4,327
Reversal of impairment loss	—	21,270
	—	25,597
Analysed for reporting purposes as:		
Current assets	—	605
Non-current assets	—	24,992
	—	25,597

22. INVENTORIES

	2005	2004
	HK$'000	HK$'000
Raw materials	—	1,790
Work in progress	—	1,095
Finished goods	—	2,836
Supplies	—	208
	—	5,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

23. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 15 to 45 days to its customers.

Included in trade and other receivables are trade receivables with an aged analysis as follows:

	2005 **HK$'000**	2004 HK$'000
0–30 days	—	13,642
31–60 days	—	3,315
61–90 days	—	647
91–120 days	—	174
More than 120 days	—	1,286
	—	19,064

The directors consider the carrying amounts of trade and other receivables approximate to their fair values.

24. LOANS RECEIVABLE

	2005 **HK$'000**	2004 HK$'000
Interest bearing at 9.12% per annum	—	3,000
Interest bearing at 5.125% per annum	—	4,875
	—	7,875

Notes: The directors consider the carrying amounts of loans receivable approximate to their fair values.

25. OTHER FINANCIAL ASSETS

Other financial assets include deposit paid for acquisition of subsidiaries, rental deposits paid and bank balances and cash. Bank balances and cash comprise short term bank deposits at prevailing market interest rates and fixed interest rate of 3.85% per annum. The directors consider the rental deposits paid and bank balances and cash approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

26. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	2005 HK$'000	2004 HK$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date plus attributable profits less recognised losses	—	137,400
Progress payments received and receivable	—	(150,945)
	—	(13,545)
Analysed for reporting purposes as:		
Amounts due to customers for contract work	—	(13,545)

27. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an aged analysis as follows:

	2005 HK$'000	2004 HK$'000
0–30 days	—	3,111
31–60 days	—	2,588
61–90 days	—	850
91–120 days	—	—
More than 120 days	—	528
	—	7,077

The directors consider that the carrying amounts of trade and other payables approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

28. BORROWINGS

	2005 **HK$'000**	2004 HK$'000
Secured		
Bank loans *(note 1)*	—	222,655
Other loans *(note 2)*	—	115,391
	—	338,046
The borrowings are repayable as follows:		
On demand or within one year	—	150,865
In the second year	—	39,075
In the third to fifth years inclusive	—	148,106
	—	338,046
Less: Amounts due for settlement within one year shown under current liabilities	—	(150,865)
Amounts due for settlement after one year	—	187,181

Notes:

1. The bank loans were secured by the investment properties previously owned by the Group, an assignment of rental over the investment properties and the shares of certain subsidiaries, bore interest at 2.04% per annum and repayable by instalments. The last instalment of one bank loan is repayable in September 2007 while another bank loan is repayable in June 2009. The bank loans had been fully repaid during the year.

2. The other loans were secured by the shares of certain subsidiaries, bore interest at 3% per annum and repayable within one year. The loans were advanced from independent third parties. The other loans had been fully repaid during the year.

3. The directors consider that the carrying amounts of the loans approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

29. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payment		Present value of minimum lease payment	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Within one year	**153**	—	**127**	—
In the second to fifth year inclusive	**395**	—	**366**	—
	548	—	**493**	—
Less: future finance charges	**(55)**	—		
Present value of lease obligations	**493**	—		
Less: Amount due for settlement within one year shown under current liabilities			**(127)**	—
Amount due for settlement after one year			**366**	—

The obligations under a finance lease represents the finance lease for one motor vehicle. The term of the lease is for four years at a fixed rate of 2.5% per annum and is secured by the lessor's charge over the leased asset.

30. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st January, 2004, 31st December, 2004 and 2005	5,000,000,000	50,000
Issued and fully paid:		
At 1st January, 2004, 31st December, 2004 and 2005	3,000,000,000	30,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. SHARE OPTION SCHEME

Pursuant to the Share Option Scheme (the "Option Scheme") of the Company adopted on 29th August, 2000 which became effective on 10th November, 2000 for the primary purpose of providing incentive to directors and eligible employees, and which will expire ten years after the date of adoption, the directors of the Company may grant options to executive directors or full time employees of the Group to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the Company's shares on the five trading days immediately preceding the offer of the options or the nominal value of the shares, whichever is the greater. The maximum number of shares in respect of which options may be granted under the Option Scheme may not exceed 10% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Option Scheme. No employee may be granted options which would enable him or her to subscribe for an aggregate of more than 25% of the aggregate number of shares under the Option Scheme. Upon acceptance of option, the grantee shall pay HK$1 to the Company as consideration.

The directors noted that an announcement was issued by the Stock Exchange on 23rd August, 2001 to introduce certain amendments to Chapter 17 (Equity Securities — Share Option Schemes) of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that such amendments became effective on 1st September, 2001.

Prior to 1st September, 2001, the exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher. With effect from 1st September, 2001, the exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing prices of the shares for the five business days immediately preceding the date of grant.

As the Option Scheme no longer complies with the amended rules in the Listing Rules governing share schemes, no further option can be granted under the Option Scheme from 1st September, 2001 unless the grant complies with the amended Chapter 17 of the Listing Rules. Nevertheless, options previously granted under the Scheme will continue to be exercisable in accordance with the Option Scheme.

No share option was granted or exercised during the year and outstanding at 31st December, 2004 and 2005.

In relation to share options granted before 1st January, 2005, the Group elected not to apply HKFRS 2 *Share-based payment* with respect to share options granted on or before 7th November, 2002 and vested before 1st January, 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

32. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years.

	Tax losses	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000
At 1st January, 2004	1,472	(8,085)	(6,613)
Credit for the year	2,418	1,637	4,055
At 31st December, 2004	3,890	(6,448)	(2,558)
(Charge) credit for the year	(1,386)	210	(1,176)
Eliminated on disposal of subsidiaries	(2,346)	6,168	3,822
Amount transferred to liabilities associated with assets classified as held for sale	(88)	—	(88)
At 31st December, 2005	70	(70)	—

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2005	2004
	HK$'000	HK$'000
Deferred tax assets	**—**	942
Deferred tax liabilities	**—**	(3,500)
	—	(2,558)

At the balance sheet date, the Group has unused tax losses of HK$154,002,000 (2004: HK$150,820,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$905,000 (2004: HK$22,231,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$153,097,000 (2004: HK$128,589,000) due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

32. DEFERRED TAX *(Continued)*

At the balance sheet date, the Group has deductible temporary difference of HK$1,486,000 (2004: nil). No deferred tax assets has been recognised in relation to such deductible temporary differences as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

33. DISPOSAL OF SUBSIDIARIES

As referred to in note 9, in February 2005, the Group disposed of certain subsidiaries. The net assets of the subsidiaries at the time of disposal were as follows:

	2005 HK$'000
Net assets disposed of:	
Investment properties	609,000
Goodwill	4,534
Long-term receivables	13,406
Trade and other receivables	105
Tax recoverable	145
Bank balances and cash	3,215
Trade and other payables	(48)
Amounts due to the disposed subsidiaries	(103,392)
Deferred tax liabilities	(3,822)
Net assets disposed of	523,143
Gain on disposal of interests in subsidiaries	5,289
Net consideration	528,432
Satisfied by:	
Net cash consideration	528,432
Net cash inflow arising on disposal:	
Net cash consideration	528,432
Bank balances and cash disposed of	(3,215)
	525,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

33. DISPOSAL OF SUBSIDIARIES *(Continued)*

The subsidiaries disposed of during the year has constitute a cash outflow of HK$191,000 in the Group's operating activities, cash inflow of HK$156,000 in the investing activities and cash outflow of HK$740,000 in financing activities.

The subsidiaries disposed of during the year contributed HK$5,145,000 to the Group's turnover and a gain of HK$3,131,000 to the Group's loss for the year.

34. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into a finance lease in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the lease of HK$538,000 (2004: nil).

35. PLEDGE OF ASSETS

At 31st December, 2004, the Group had pledged its investment properties of HK$609,000,000 as securities against bank loans granted to the Group. The pledge was released and the bank loans had been settled during the year.

At 31st December, 2004, the Group has pledged the shares of certain of its subsidiaries to a bank and other independent third parties as securities for bank and other loans granted to the Group. The pledge was released and the loans had been settled during the year.

36. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities:

(i) At 27th September, 2002, a Dangerous Hillside Order was issued by the Buildings Department requiring necessary improvement works to be carried out on the hillside adjacent to the Group's investment properties, which had been disposed of in February 2005 through the disposal of subsidiaries. After the disposal, the Group is still liable to the necessary improvement works. Final tender for the relevant improvement works was made to a contractor for a sum of HK$856,262 on 7th November, 2005. The total cost for the work is estimated to be HK$1,500,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. CONTINGENT LIABILITIES *(Continued)*

(ii) At 15th February, 2005, a deed of indemnity in the amount of HK$5,000,000 in respect of taxation was entered into among one of the subsidiaries and the Disposed Group which were indirectly wholly-owned subsidiaries of the Company and disposed of by the Company in early 2005 regarding the potential tax claims by tax authority to the Disposed Group. The directors are of the opinion that the potential for the tax claims was remote and hence, will not give rise to any material adverse impact on the financial position of the Group. No provision has been made in the consolidated financial statements.

(iii) At 31st December, 2004, certain subsidiaries have been named as defendant in High Court actions in respect of injury claims from the workers with accidents occurred in 1999 and 2000 and the injury claims amounted to approximately HK$7,500,000. The claims had been settled during the year.

37. CAPITAL COMMITMENTS

At 31st December 2005, the Group entered into an agreement to acquire subsidiaries for a total consideration of HK$56 million (subject to adjustment) and a deposit of HK$10 million has been paid during the year.

38. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**57,514**	—
In the second to fifth years inclusive	**228,033**	—
Over five years	**291,486**	—
	577,033	—

At 31st December, 2005, leases are negotiated for terms of fourteen years and can be terminated by surrendering one year notice after the first ten years of tenancy. Monthly rental are fixed and recognised over the terms of the leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

38. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

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

	2005	2004
	HK$'000	HK$'000
Within one year	**56,875**	10,050
In the second to fifth year inclusive	**227,501**	—
After five years	**291,486**	—
	575,862	10,050

At 31st December, 2005, leases are negotiated for terms of fourteen years and can be terminated by surrendering one year notice after the first ten years of tenancy. Monthly rental are fixed and recognised over the terms of the leases.

At 31st December, 2004, leases are negotiated for terms of three years and can be terminated by surrendering three months' notice from the landlord or the tenant after the first year lease. Monthly rental are recognised over the terms of the leases. Contingent rent income were calculated based on the excess of certain amount of turnover of the relevant operation that occupied the properties over the pre-determined monthly rentals agreed by both parties.

39. RETIREMENT BENEFITS SCHEMES

The Group participated in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The original ORSO Scheme operated by the Group were cancelled accordingly. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were switched to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

In addition to the mandatory contribution of 5% of the payroll costs, the Group voluntary contributes 0.5% to 5%, depends on the years of service of the employee, to the MPF Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

39. RETIREMENT BENEFITS SCHEMES *(Continued)*

Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the market value of the unvested portion will be refunded to the Group.

The total cost charged to the consolidated income statement of HK$791,000 (2004: HK$852,000) represents contributions payable to the MPF Scheme, after forfeited contributions utilised in the MPF Scheme of HK$25,000 (2004: HK$225,000), by the Group during the year.

40. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2005	2004
	HK$'000	HK$'000
Office rent paid to a related company *(note)*	**627**	684

Note: The related company is beneficially held by Mr. To Shu Fai, a director of the Company.

Compensation of key management

The key management of the Group comprises all directors and the four highest paid employees, details of their remuneration are disclosed in note 13. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements are disclosed below:

Estimated impairment on trade and loans receivable

Management regularly reviews the recoverability and/or aging of the trade and loans receivable. Appropriate impairment for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

41. KEY SOURCE OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment on trade and loans receivable *(Continued)*

In determining whether impairment for bad and doubtful debts is required, the Group takes into consideration the aging status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the originally effective interest rate and its carrying value.

42. FINANCIAL RISKS AND MANAGEMENT

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at 31st December 2005 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet.

The Group is exposed to concentration of credit risk as a substantial portion of its sales is generated from a limited number of customers. During the year, the top five customers of the Group accounted for about 53% (2004: 66%) of the Group's sales. The Group manages its credit risk by closely monitoring the granting of credit. The Group also reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks and creditworthy financial institutions.

Liquidity risk

The Group is exposed to minimal liquidity risk as the Group closely monitors its cash flow position.

Market risk

(i) *Foreign exchange risk*

The Group's functional and presentation currency has been in Hong Kong dollars since the operations are mainly in Hong Kong dollars and the operating expenses incurred are denominated in Hong Kong dollars. Accordingly, the directors consider the foreign exchange risk is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

42. FINANCIAL RISKS AND MANAGEMENT *(Continued)*

Market risk *(Continued)*

(ii) *Interest rate risk*

The Group's interest rate risk which relates primarily to the bank deposits, obligations under a finance lease and borrowings is minimal due to their short-term nature. The management will closely monitor the interest rate exposures.

43. POST BALANCE SHEET EVENTS

(i) The Board announced that on 17th October, 2005, Newton Luck Limited ("Newton"), a wholly-owned subsidiary of the Company, entered into the an agreement with Choice Master Investments Limited ("Choice Master"), an independent third party, and Mr. Yeung Ming Kwong, Tony, the sole and beneficial shareholder and director of Choice Master pursuant to which Newton conditionally agreed to acquire and Choice Master conditionally agreed to sell to Newton the entire share of Best Merchant Limited for a total consideration of HK$56 million (subject to adjustment), and the Mr. Yeung Ming Kwong, Tony agreed to guarantee to Newton the performance of the obligations and duties of Choice Master under the agreement to pay, on demand, any sum which Choice Master fails to pay Newton in accordance with the agreement. The acquisition had been completed on January 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

43. POST BALANCE SHEET EVENTS *(Continued)*

The net assets acquired in the transaction, and the goodwill arising, approximate to acquiree's carrying amount before combination, as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	23,438
Trade and other receivables	39,460
Bank and cash balances	2,229
Trade and other payables	(13,322)
Deferred tax liability	(1,523)
Borrowing	(3,436)
Tax payable	(6,859)
	39,987
Goodwill	16,013
Total consideration satisfied by:	
Cash	56,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(56,000)
Cash and cash equivalents acquired	2,229
	(53,771)

The goodwill arising on the acquisition of Best Merchant Limited is attributable to the anticipated profitability and the future operating synergies from the combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

43. POST BALANCE SHEET EVENTS *(Continued)*

(ii) The directors also proposed to adopt a new share option scheme which will be put to shareholders for approval at the special general meeting. The existing share option scheme of the Company, which was adopted on 29th August, 2000, will be terminated upon and subject to the adoption of the new share option scheme.

Details of the above are set out in the circular of the Company dated 23rd December, 2005. The above resolutions were approved by the shareholders during the special general meeting of the Company being convened on 9th January, 2006.

(iii) On 22nd February, 2006, the Company announced that a conditional Sale and Purchase Agreement was entered into among one of its wholly-owned subsidiaries and the purchaser on 17th February, 2006 in respect of the disposal of the entire issued capital in Daido Building Materials Limited, Daido Home International (B.V.I.) Limited, Daido Home International Limited and Ytong Hong Kong Limited, all are indirect wholly-owned subsidiaries of the Company, which carried on business of construction work contracting and sales of concrete products, for a cash consideration of HK$25,000,000. The disposal was approved by the shareholders on 6th March, 2006. Details of the disposal were set out in the circular of the Company dated 22nd March, 2006.

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43. POST BALANCE SHEET EVENTS *(Continued)*

The major classes of assets and liabilities of construction works contracting and sales of concrete products as at 31st December, 2005 are as follows:

	HK$'000
Properties, plant and equipment	59,702
Long-term receivables	5,636
Prepaid lease payments	24,992
Inventories	5,723
Trade and other receivables	8,245
Rental deposits paid	114
Loans receivable	3,000
Deferred tax assets	88
Bank balances and cash	5,845
Impairment loss arising from adjustment to fair value less costs to sell	(74,879)
Assets classified as held for sale	38,466
Amounts due to customers for contract work	4,017
Trade and other payables	9,190
Guarantee money received	87
Liabilities associated with assets classified as held for sale	13,294

The subsidiaries disposed of during the year has constitute a cash inflow of HK$21,256,000 (2004: HK$25,029,000) in the Group's operating activities, cash outflow of HK$900,000 (2004: HK$495,000) in the investing activities and did not have cash flow in respect of financing activities for both years.

The subsidiaries to be disposed of contributed HK$55,905,000 to the Group's turnover and a loss of HK$68,933,000 to the Group's loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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44. COMPANY'S BALANCE SHEET

	Notes	**2005 HK$'000**	2004 HK$'000
NON-CURRENT ASSET			
Investments in subsidiaries	*i*	**123,239**	123,239
CURRENT ASSETS			
Other receivables		**107**	110
Amounts due from subsidiaries		**—**	258
Bank balances and cash		**34**	36
		141	404
CURRENT LIABILITIES			
Other payables		**1,295**	1,079
Amounts due to subsidiaries		**842**	—
Unclaimed dividends		**19**	20
		2,156	1,099
NET CURRENT LIABILITIES		**(2,015)**	(695)
		121,224	122,544
CAPITAL AND RESERVES			
Share capital		**30,000**	30,000
Reserves	*ii*	**91,224**	92,544
		121,224	122,544

Notes:

(i) Investments in subsidiaries

	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**123,239**	123,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

44. COMPANY'S BALANCE SHEET *(Continued)*

(i) Investments in subsidiaries *(Continued)*

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

Name	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Best Shining Limited	Hong Kong	HK$1 Ordinary share	—	100%	Property investment
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	100%	—	Investment holding
Daido Building Materials Limited	Hong Kong	HK$20 Ordinary shares HK$10,000 Non-voting deferred shares*	—	100%	Manufacture and sales of ALC products
Daido Home International Limited	Cayman Islands	HK$225,375,000 Ordinary shares HK$91,500,000 Convertible redeemable preference shares**	—	100%	Investment holding, sales and installation of ALC products and sales of building materials
Diamond Sparkling Limited	Hong Kong	HK$10 Ordinary shares	—	100%	Sub-leasing of investment properties
Newton Luck Limited	British Virgin Islands	US$1 Ordinary share	—	100%	Investment holding
Ytong Hong Kong Limited	Hong Kong	HK$20 Ordinary shares HK$10,000 Non-voting deferred shares*	—	100%	Installation of ALC products

* The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up.

** The convertible redeemable preference shares of Daido Home International Limited carry 2% dividend per annum and have the right to receive notice of, attend, speak and vote at meetings of members only for those circumstances as mentioned in its Articles of Association.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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44. COMPANY'S BALANCE SHEET *(Continued)*

(i) Investments in subsidiaries *(Continued)*

Except for the convertible redeemable preference shares of Daido Home International Limited, none of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

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

(ii) Reserves

	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
As 1st January, 2004	84,239	8,174	92,413
Profit for the year	—	131	131
At 31st December, 2004	84,239	8,305	92,544
Loss for the year	—	(1,319)	(1,319)
At 31st December, 2005	84,239	6,986	91,225

Notes:

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2005 **HK$'000**	2004 HK$'000
Contributed surplus	**84,239**	84,239
Retained profits	**6,986**	8,305
	91,225	92,544