

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

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## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the section of corporate information.

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

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 38.

## 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 (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. In particular, the presentation of minority interests and share of tax of associate have been changed. The change in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

### **Business combination**

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

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

Group are summarised below:

In previous years, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK\$22,988,000 has been transferred to the Group's retained earnings on 1st January, 2005 (refer to Note 3A for the financial impact).

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

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st January, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill, which amounted to HK\$22,988,000 at 1st January, 2005 and was previously recorded in reserves, with a corresponding increase to retained profits.

### **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 instruments in the financial statements of the Group. HKAS 39, which is effective for annual years 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:

## **2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES - continued**

### **Classification and measurement of financial assets and financial liabilities**

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39. By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investment in Securities" (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Available-for-sale financial assets" are carried at cost less impairment, as fair value cannot be reliably measured. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised costs using the effective interest method.

On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. An adjustment of HK\$4,305,000 to the previous carrying amounts of assets and liabilities at 1st January, 2005 has been made to the Group's retained earnings.

### **Financial assets and financial liabilities other than debt and equity securities**

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial

## **2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES - continued**

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. For this reclassification, there has been no material impact on the results for the current and prior accounting years.

### **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 years, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and 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 property revaluation reserve at 1st January, 2005 of HK\$7,089,000 has been transferred to the Group's retained profits.

### **Deferred taxes related to investment properties**

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HKAS Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional

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

provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated (Refer to Note 3 for the financial impact).

### **Owner-occupied leasehold land**

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation 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. In the opinion of the directors, the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

### **Impacts on the financial statements of the Company**

Prior to the application of HKAS 39, the interest-free non-current amounts due from subsidiaries were stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free receivables are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Company has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, the carrying amount of the amounts due from subsidiaries as at 1<sup>st</sup> January, 2005 has been decreased by HK\$16,213,000 in order to state the amounts at amortised cost in accordance with HKAS 39. The Company's retained profits as at 1<sup>st</sup> January, 2005 has been decreased by HK\$16,213,000 correspondingly, which represents the impairment loss made on the deemed capital contribution to the subsidiaries upon recognition of the amounts due from subsidiaries.

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st December, 2005.

<sup>4</sup> Effective for annual periods beginning on or after 1st March, 2006.

### 3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES ON THE GROUP

The effects of the adoption of new HKFRSs on the Group's results for the current and prior year are as follows:

	<u>2005</u> HK\$'000	<u>2004</u> HK\$'000
Loss arising from changes in fair value of investments held for trading	(1,563)	-
Loss arising from changes in fair value of other financial assets	(2,366)	-
Decrease in share of profit of associates/increase in share of loss of associates	(212)	(60)
Decrease in income tax expense	212	60
Decrease (increase) in deferred tax charge on revaluation of investment properties (included in income tax expense)	318	(63)
Gain arising from changes in fair value of investment properties	9,955	-
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Increase (decrease) in profit for the year	6,344	(63)
	=====	=====

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

	As at 31 <sup>st</sup>	Retrospective		As at 31 <sup>st</sup>	Adjustments			As at 1 <sup>st</sup>
	December, 2004 (Originally stated) HK\$000	HKAS 1 HK\$000	HKAS Int.21 HK\$000	December, 2004 (restated) HK\$000	HKAS 32 & HKFRS 3 HK\$000	HKAS 39 HK\$000	HKAS 40 HK\$000	January 2005 (restated) HK\$000
Investments in securities	23,419	-	-	23,419	-	4,305	-	27,724
Deferred tax liabilities	<u>(7,473)</u>	-	852	<u>(6,621)</u>	-	-	-	<u>(6,621)</u>
Total effects on assets and liabilities		<u>-</u>	<u>852</u>		<u>-</u>	<u>4,305</u>	<u>-</u>	
Retained profits	383,536	-	907	384,443	22,988	4,305	7,089	418,825
Capital reserve	22,988	-	-	22,988	(22,988)	-	-	-
Investment properties revaluation reserve	7,144	-	(55)	7,089	-	-	(7,089)	-
Minority interests	<u>-</u>	<u>19,774</u>	-	<u>19,774</u>	-	-	-	<u>19,774</u>
Total effects on equity		<u>19,774</u>	<u>852</u>		<u>-</u>	<u>4,305</u>	-	
Minority interests	<u>19,774</u>	<u>(19,774)</u>	-	-	-	-	-	-

The effect on the adoption of new HKFRSs for the Group's equity at 1st January, 2004 was to increase the retained profits by HK\$970,000 due to the application of HKAS Int 21.



#### **4. SIGNIFICANT ACCOUNTING POLICIES**

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

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

##### **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 significant inter-company transactions and balances within the Group have been eliminated on consolidation.

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

##### **Goodwill**

*Goodwill arising on acquisitions prior to 1st January, 2005*

Goodwill arising on an acquisition of a subsidiary 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.

#### **4. SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

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

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

Capitalised goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate or jointly controlled entity.

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.

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

#### **4. SIGNIFICANT ACCOUNTING POLICIES - continued**

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

##### **Revenue recognition**

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

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

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

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.

##### **Property, plant and equipment**

Property, plant and equipment are stated at cost or fair value less accumulated subsequent depreciation, amortisation and any identified impairment loss.

#### 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Certain of the Group's leasehold land and buildings were revalued at 31st December, 1991. The surplus arising on revaluation of land and buildings was credited to the property revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Depreciation are provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land and buildings	2% to 2.5% or over the remaining term of the lease, whichever is the shorter
Furniture, fixtures and equipment	16% to 20%
Motor vehicles	16% to 25%
Plant and machinery	20%
Computer equipment	20% to 33 $\frac{1}{3}$ %

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.

#### Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

#### **4. SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **Associates**

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, 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, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

##### **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 these 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, such 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.

#### **4. SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **Financial instruments**

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

##### *Financial assets at fair value through profit or loss*

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

##### *Debtors, deposits and bills receivable*

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

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories, including financial assets at fair value

#### **4. SIGNIFICANT ACCOUNTING POLICIES - continued**

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

##### **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.

##### **Borrowings**

Interest-bearing bank loans are initially recorded at the proceeds and are subsequently measured at amortised cost, using the effective interest rate 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 rate 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.

##### **Creditors and accrued charges and amounts due to minority shareholders of subsidiaries**

Creditors and accrued charges and amounts due to minority shareholders of subsidiaries are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

##### **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit

#### **4. SIGNIFICANT ACCOUNTING POLICIES - continued**

differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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

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

#### **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.



#### **4. SIGNIFICANT ACCOUNTING POLICIES - continued**

##### *The Group as lessor*

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

##### *The Group as lessee*

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

#### **Foreign currencies**

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

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

#### **4. SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **Foreign currencies - continued**

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

##### **Retirement benefits scheme**

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

##### **Key sources of estimation uncertainty**

###### **Estimated impairment of goodwill arising on acquisition of an associate**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at balance sheet date, the impairment loss recognised in respect of goodwill arising on acquisition of an associate was HK\$20,504,000 as disclosed in Note 17. In the opinion of the directors, reversal of the impairment loss is considered not appropriate after review of the recoverable amounts of the associate as at balance sheet date.

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into three operating divisions - sales of chemicals and metals, property investment and security investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

*For the year ended 31st December, 2005*

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<i>Turnover</i>						
External sales	1,943,494	15,766	4,170	739	-	1,964,169
Inter-segment sales	-	1,200	-	-	(1,200)	-
Total turnover	1,943,494	16,966	4,170	739	(1,200)	1,964,169

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS- continued

Inter-segment sales are charged at prevailing market rates.

### *Results*

Segment result	65,862	23,316	8,109	72	-	97,359
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Interest income from bank deposits						2,282
Unallocated other income						761
Unallocated corporate expenses						(12,514)
Finance costs						(9,856)
Share of profit of associates						3,257
						<u>          </u>
Profit before taxation						81,289
Income tax expense						(11,881)
						<u>          </u>
Profit for the year						69,408
						<u>          </u>

*As 31<sup>st</sup> December, 2005*

	Sales of chemicals and metals	Property investment	Security investment	Other activities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Assets</i>					
Segment assets	323,033	268,633	205,375	130	797,171
Interests in associates	453	-	-	27,223	27,676
Unallocated corporate assets					124,481
					<u>          </u>
Consolidated total assets					<u>949,328</u>

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS- continued

### *Liabilities*

Segment liabilities	32,360	24,398	434	13	57,205
Unallocated corporate liabilities					276,991
					<hr/>
Consolidated total liabilities					334,196
					<hr/> <hr/>

### *Other information*

	Sales of chemicals and metals	Property investment	Security investment	Other activities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	426	203	286	1,264	2,179
Depreciation	982	460	515	778	2,735

*For the year ended 31st December, 2004*

	Sales of chemicals and metals	Property investment	Security investment	Other activities	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Turnover</i>						
External sales	1,751,046	14,449	4,141	998	-	1,770,634
Inter-segment sales	-	1,239	-	-	(1,239)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total turnover	1,751,046	15,688	4,141	998	(1,239)	1,770,634
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS- continued

Inter-segment sales are charged at prevailing market rates.

Results						
Segment result	52,425	20,539	3,528	86	-	76,578
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Interest income from bank deposits						2,631
Unallocated other income						2,600
Unallocated corporate expenses						(11,430)
Finance costs						(4,052)
Share of loss of associates						(4,356)
						<hr/>
Profit before taxation						61,971
Income tax expense						(9,300)
						<hr/>
Profit for the year						52,671
						<hr/> <hr/>

*At 31st December, 2004*

	Sales of chemicals	and metals	Property investment	Security investment	Other activities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Assets</i>						
Segment assets	326,479	262,980	184,315	147	773,921	
Interests in associates	453	-	-	24,485	24,938	
Unallocated corporate assets					188,903	
					<hr/>	
Consolidated total assets					987,762	
					<hr/> <hr/>	

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS- continued

### *Liabilities*

Segment liabilities	21,879	6,702	263	19	28,863
Unallocated corporate liabilities					328,708
					<hr/>
Consolidated total liabilities					357,571
					<hr/> <hr/>

### *Other information*

	Sales of chemicals and <u>metals</u>				<u>Property</u>	<u>Security</u>	<u>Other</u>	<u>Consolidated</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	investment	investment	activities	HK\$'000
Capital expenditure	2,056	447	-	904				3,407
Depreciation	908	896	-	361				2,165

### **Geographical segments**

The Group's operations are located in Hong Kong, Taiwan and elsewhere in the People's Republic of China ("PRC").

The Group's sales of chemicals and metals are carried out in Hong Kong, Taiwan and elsewhere in the PRC. Property investment is carried out in Hong Kong and elsewhere in the PRC. Security investment is carried out in Hong Kong.

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS- continued

The following table provides an analysis of the Group's sales by geographical market:

	Revenue by		Contribution to	
	geographical market		profit before taxation	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,443,806	1,216,380	52,994	42,130
Taiwan	246,668	265,323	5,606	4,721
Elsewhere in the PRC	139,635	127,767	26,959	22,476
Others	134,060	161,164	11,800	7,251
	<u>1,964,169</u>	<u>1,770,634</u>	<u>97,359</u>	<u>76,578</u>
Interest income from bank deposits			2,282	2,631
Unallocated other income			761	2,600
Unallocated corporate expenses			(12,514)	(11,430)
Finance costs			(9,856)	(4,052)
Share of profit (loss) of associates			3,257	(4,356)
Profit before taxation			<u>81,289</u>	<u>61,971</u>



## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS- continued

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

	<u>Carrying amount of segment assets</u>		<u>Additions to property, plant and equipment</u>	
	<u>At 31.12.2005</u>	<u>At 31.12.2004</u>	<u>Year ended 31.12.2005</u>	<u>Year ended 31.12.2004</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Hong Kong	385,858	399,269	2,079	2,168
Taiwan	39,176	47,743	16	6
Elsewhere in the PRC	285,616	282,319	84	446
Others	210,965	233,258	-	787
	<u>921,615</u>	<u>962,589</u>	<u>2,179</u>	<u>3,407</u>
	=====	=====	=====	=====

## 6. OTHER INCOME

Other income comprises:

	<u>2005</u> HK\$'000	<u>2004</u> HK\$'000
Interest income from bank deposits	2,282	2,631
Sundry income	761	2,600
	-----	-----
	3,043	5,231
	=====	=====

## 7. FINANCE COSTS

The finance costs represent interest on bank borrowings wholly repayable within five years.

## 8. INCOME TAX EXPENSE

	<u>2005</u>	<u>2004</u>
	HK\$'000	HK\$'000
The tax charge attributable to the Company and its subsidiaries comprises:		
Current taxation		
Hong Kong Profits Tax	7,616	6,565
Profits Tax outside Hong Kong	1,886	1,558
	<hr/>	<hr/>
	9,502	8,123
	<hr/>	<hr/>
Under(over)provision in prior years		
Hong Kong Profits Tax	1,374	-
Profits Tax outside Hong Kong	(47)	383
	<hr/>	<hr/>
	1,327	383
	<hr/>	<hr/>
	10,829	8,506
Deferred taxation (Note 30)	1,052	794
	<hr/>	<hr/>
	<u>11,881</u>	<u>9,300</u>

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

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

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

	<u>Hong Kong</u>		<u>Elsewhere in PRC</u>		<u>Other Countries</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Profit (loss) before taxation	<u>59,837</u>	<u>41,031</u>	<u>21,814</u>	<u>19,419</u>	<u>(362)</u>	<u>1,521</u>	<u>81,289</u>	<u>61,791</u>
Application tax rate	<u>17.5%</u>	<u>17.5%</u>	<u>9.9%</u>	<u>9.9%</u>	<u>21.5%</u>	<u>21.5%</u>		
Tax at the domestic income tax rate	10,471	7,180	2,160	1,922	(78)	327	12,553	9,429
Tax effect of expenses not deductible for tax purpose	619	733	344	404	312	93	1,275	1,230
Tax effect of income not taxable for tax purpose	(3,108)	(2,054)	(185)	(227)	-	(140)	(3,293)	(2,421)
Utilisation of previous tax losses not recognised	(982)	(1,143)	-	-	-	-	(982)	(1,143)
Tax effect of unrecognised tax loss	1,214	945	-	-	-	-	1,214	945
Tax effect of share of results of associates	(568)	763	-	-	-	-	(568)	763

Tax effect on different tax rate of operations in other jurisdiction	-	-	-	-	173	7	173	7
Underprovision in prior years	1,374	-	(100)	390	53	(7)	1,327	383
Others	328	205	(146)	(98)	-	-	182	107
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Tax charge for the year	<u>9,348</u>	<u>6,629</u>	<u>2,073</u>	<u>2,391</u>	<u>460</u>	<u>280</u>	<u>11,881</u>	<u>9,300</u>

## 9. PROFIT FOR THE YEAR

	<u>2005</u> HK\$'000	<u>2004</u> HK\$'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration		
- current year	1,211	949
- underprovision in the prior year	75	162
	<hr/> 1,286	<hr/> 1,111
	<hr/>	<hr/>
Impairment loss on trade debtors	1,663	5,667
Loss on disposal of property, plant and equipment	147	-
Rental payments in respect of properties under operating leases	1,836	1,745
Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments)	587	347
Share of tax of associates (included in share of results of associates)	212	60
and after crediting:		
Dividend income from listed investments	2,425	1,510
Gain on disposal of property, plant and equipment	-	374
Gross rental income from investment properties	15,766	14,449
Less:direct operating expenses from investment properties that generated rental income during the year	(38)	(69)
	<hr/> 15,728	<hr/> 14,380
	<hr/>	<hr/>
Net foreign exchange gain	1,191	992
Reversal of impairment loss on trade debtors	<u>35</u>	<u>290</u>

Of the consolidated profit for the year of HK\$69,408,000 (2004: HK\$52,671,000), a profit of HK\$56,008,000 (2004: HK\$90,208,000) has been dealt with in the financial statements of the Company.

## 10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 8 (2004: 11) directors were as follows:

	<u>Leung Shu Wing</u> HK\$000	<u>Leung Miu King</u> HK\$000	<u>Wong Chi Kin</u> HK\$000	<u>Wong ChoiYing</u> HK\$000	<u>Yuen Tin Fan, Francis</u> HK\$000	<u>Wong Kong Chi</u> HK\$000	<u>Lai Chung Wing, Robert</u> HK\$000	<u>Chan Wing Lee</u> HK\$000	<u>Total 2005</u> HK\$000
Fees	-	-	-	-	300	150	300	300	1,050
Other emoluments									
Salaries and other benefits	786	228	487	848	-	150	-	-	2,499
Contributions to retirement benefits schemes	-	11	12	12	-	-	-	-	35
Performance related incentive payments (Note)	240	200	108	124	-	-	-	-	672
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total emoluments	<u>1,026</u>	<u>439</u>	<u>607</u>	<u>984</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>4,256</u>



	<u>Leung Shu Wing</u>	<u>Leung Miu King</u>	<u>Wong Chi Kin</u>	<u>Wong Choi Ying</u>	<u>Yuen Tin Fan, Francis</u>	<u>Kwan Hing Hin, Stephen</u>	<u>Wong Kong Chi</u>	<u>Lai Chung Wing, Robert</u>	<u>Chan Wing Lee</u>	<u>Ng Hon Ying</u>	<u>Leung Ding Bong, Donald</u>	<u>Total 2005</u>
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Fees	-	-	-	-	300	-	150	158	111	150	190	1,059
Other emoluments												
Salaries and other benefits	789	228	325	847	-	-	150	-	-	-	-	2,339
Contributions to retirement benefits schemes	-	11	12	12	-	-	-	-	-	-	-	35
Performance related incentive payments (Note)	180	52	100	187	-	-	-	-	-	-	-	519
Total emoluments	<u>969</u>	<u>291</u>	<u>437</u>	<u>1,046</u>	<u>300</u>	<u>-</u>	<u>300</u>	<u>158</u>	<u>111</u>	<u>150</u>	<u>190</u>	<u>3,952</u>

Note: The performance related incentive payment is based on the Group's performance for each of the two years ended 31st December, 2005.

No directors waived any emoluments in the year ended 31st December, 2004 and 2005.

## 11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included one director (2004: two directors), details of whose emoluments are included in the amounts disclosed in note 10 above. The emoluments of the remaining highest paid employees, other than directors of the Company, are as follows:

	<u>2005</u> HK\$'000	<u>2004</u> HK\$'000
Salaries and other benefits	4,122	2,973
Performance related incentive payments	453	377
Retirement benefits scheme contributions	48	40
	<u>4,623</u>	<u>3,390</u>

Their emoluments were within the following bands:

	<u>2005</u> Number of employees	<u>2004</u> Number of employees
Nil to HK\$1,000,000	-	1
HK\$1,000,001 to HK\$1,500,000	<u>4</u>	<u>2</u>

## 12. DIVIDENDS

	<u>2005</u> HK\$'000	<u>2004</u> HK\$'000
Interim dividend paid in respect of 2005 of 10 cents (2004: 10 cents) per ordinary share	44,550	44,550
Final dividend paid in respect of 2004 of 10 cents (2003: 2.5 cents) per ordinary share	44,550	11,138
	<u>89,100</u>	<u>55,688</u>

The final dividend of 10.0 cents for the year ended 31st December, 2005 per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

### 13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the parent is based on the profit for the year of HK\$67,874,000 (2004: HK\$51,299,000) and on 445,500,000 ordinary shares (2004: 445,500,000 ordinary shares) in issue during the year.

The following table summaries the impact on basic earnings per share as a result of:

	<u>2005</u> HK cents	<u>2004</u> HK cents
Reported figures before adjustments	13.81	11.53
Adjustments arising from changes in accounting policies (see Note 3)	<u>1.43</u>	<u>(0.02)</u>
Restated	<u><u>15.24</u></u>	<u><u>11.51</u></u>

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue in either 2005 or 2004.

## 14. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1st January, 2004	242,430
Increase in fair value	<u>17,896</u>
At 31st December, 2004	260,326
Increase in fair value	9,955
Disposal	<u>(3,720)</u>
At 31st December, 2005	<u><u>266,561</u></u>

The Group's investment properties comprise:

	2005 HK\$'000	2004 HK\$'000
Properties held under medium-term leases:		
- in Hong Kong	11,400	9,400
- elsewhere in the PRC	<u>205,920</u>	<u>198,900</u>
	217,320	208,300
Properties held under long leases:		
- elsewhere in the PRC	<u>49,241</u>	<u>52,026</u>
	<u><u>266,561</u></u>	<u><u>260,326</u></u>

The fair value of the Group's investment properties at 31st December, 2005 has been arrived at on the basis of a valuation carried out on that date by Messrs. Knight Frank, independent qualified professional valuers not connected with the Group. Messrs. Knight Frank 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. The revaluation gave rise to a net gain arising from changes in fair value of HK\$9,955,000 which has been credited to the consolidated income statement.

All the investment properties of the Group are rented out under operating leases.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Computer equipment HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
<b>COST OR VALUATION</b>						
At 1st January, 2004	37,038	14,550	4,115	1,837	2,302	59,842
Currency realignment	425	13	76	-	9	523
Additions	-	2,349	813	86	159	3,407
Disposals	-	(622)	(1,328)	-	(339)	(2,289)
At 31st December, 2004	37,463	16,290	3,676	1,923	2,131	61,483
Currency realignment	(216)	(6)	(12)	-	-	(234)
Additions	-	899	-	63	1,217	2,179
Disposals	-	(2,566)	(161)	(7)	(1,294)	(4,028)
At 31st December, 2005	37,247	14,617	3,503	1,979	2,054	59,400
Comprising:						
At cost	9,447	14,617	3,503	1,979	2,054	31,600
At valuation - 1991	27,800	-	-	-	-	27,800
	37,247	14,617	3,503	1,979	2,054	59,400
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st January, 2004	7,179	12,500	3,631	1,465	2,188	26,963
Currency realignment	86	13	69	-	9	177
Provided for the year	751	878	329	101	106	2,165
Eliminated on disposals	-	(601)	(1,328)	-	(338)	(2,267)
At 31st December, 2004	8,016	12,790	2,701	1,566	1,965	27,038
Currency realignment	(45)	(6)	3	-	-	(48)
Provided for the year	754	1,102	333	113	433	2,735
Eliminated on disposals	-	(2,404)	(161)	(7)	(1,285)	(3,857)
At 31st December, 2005	8,725	11,482	2,876	1,672	1,113	25,868
<b>CARRYING VALUES</b>						
At 31st December, 2005	<u>28,522</u>	<u>3,135</u>	<u>627</u>	<u>307</u>	<u>941</u>	<u>33,532</u>
At 31st December, 2004	<u>29,447</u>	<u>3,500</u>	<u>975</u>	<u>357</u>	<u>166</u>	<u>34,445</u>

Certain of the leasehold land and buildings of the Group were revalued at 31st December, 1991. Had all the leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of these properties would have been stated at HK\$19,243,000 (2004: HK\$19,674,000).

## 15. PROPERTY, PLANT AND EQUIPMENT - continued

	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
<u>THE COMPANY</u>			
COST			
At 1st January, 2004	2,691	1,690	4,381
Additions	820	84	904
Disposals	(571)	(154)	(725)
At 31st December, 2004	2,940	1,620	4,560
Additions	108	1,155	1,263
Disposals	(726)	(1,269)	(1,995)
At 31st December, 2005	2,322	1,506	3,828
DEPRECIATION			
At 1st January, 2004	1,827	1,637	3,464
Provided for the year	301	60	361
Eliminated on disposals	(550)	(154)	(704)
At 31st December, 2004	1,578	1,543	3,121
Provided for the year	375	402	777
Eliminated on disposals	(712)	(1,269)	(1,981)
At 31st December, 2005	1,241	676	1,917
CARRYING VALUES			
At 31st December, 2005	<u>1,081</u>	<u>830</u>	<u>1,911</u>
At 31st December, 2004	<u>1,362</u>	<u>77</u>	<u>1,439</u>

The Group's leasehold land and buildings comprise:

	Leasehold land and buildings	
	2005	2004
	HK\$'000	HK\$'000
Properties held under medium-term leases:		
- in Hong Kong	21,232	21,797
Properties held under long leases:		
- overseas	7,290	7,650
	<u>28,522</u>	<u>29,447</u>

## 16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	38,582	38,587

Particulars of the subsidiaries at 31st December, 2005 are set out in note 38.

## 17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Share of net assets	27,676	24,938
Goodwill arising on acquisition, net	20,504	20,504
Impairment loss recognised in respect of goodwill arising on acquisition	(20,504)	(20,504)
	27,676	24,938

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

<u>Name of associate</u>	<u>Form of business Structure</u>	<u>Country of incorporation</u>	<u>Principal place of operation</u>	<u>Class of shares held</u>	<u>Percentage of issued share capital held by the Group</u>	<u>Principal activities</u>
Asia Commercial Holdings Limited (note)	Incorporated	Bermuda	Hong Kong	Ordinary	16.5	Watch trading and retailing activities
KSIP (Thailand 1989) Co.,Ltd.	Incorporated	Thailand	Thailand	Ordinary	49	Inactive

## 17. INTERESTS IN ASSOCIATES - continued

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.

The annual financial statements and interim condensed financial statements of Asia Commercial Holdings Limited are made up to 31st March and 30th September each year. For the purpose of applying the equity method of accounting, the interim condensed financial statements of Asia Commercial Holdings Limited for the six months ended 30th September, 2005 have been used, adding up the results from the annual financial statements for year ended 31st March, 2005 and deducting the result of interim condensed financial statements for six months ended 30th September, 2004. The directors of the Company consider that there has been no significant transaction on Asia Commercial Holdings Limited between 30th September, 2005 and 31st December, 2005 that requires further adjustment on the results shared by the Group.

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

	31.12.2005	31.12.2004
	HK\$'000	HK\$'000
Total assets	306,546	290,581
Total liabilities	(140,351)	(140,917)
Net assets	<u>166,195</u>	<u>149,664</u>
Group's share of associate's net assets	<u>27,676</u>	<u>24,938</u>



## 17. INTERESTS IN ASSOCIATES - continued

	Year ended 31.12.2005 HK\$'000	Year ended 31.12.2004 HK\$'000
Revenue	<u>278,678</u>	<u>271,347</u>
Profit (loss) for the period	<u>19,734</u>	<u>(26,400)</u>
Group's share of associates' profit (loss) for the period	<u>3,257</u>	<u>(4,356)</u>

## 18. AVAILABLE-FOR-SALE INVESTMENTS

As at 31st December, 2005, the unlisted investments represent investments in an unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date as the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Particulars of the Group's investments which exceed 20% of the nominal value of the issued shares of that class disclosed pursuant to Section 129 (1) of the Companies Ordinance are as follows:

<u>Name of company</u>	<u>Place of registration</u>	<u>Type of investment held</u>	<u>Percentage registered capital held by the Group</u>
Shenzhen Far East Oil Tools Co., Ltd. (note)	PRC	Registered capital	25%

Note: This company has not been accounted for as associates as, in the opinion of the directors, the Group is not in a position to exercise significant influence over the management of this entity.

## 19. INVESTMENTS IN SECURITIES

### THE GROUP

	Investment securities		Other investments		Total	
	2005 HK\$000	2004 HK\$000	2005 HK\$000	2004 HK\$000	2005 HK\$000	2004 HK\$000
Equity securities:						
Listed - Hong Kong	-	-	-	37,081	-	37,081
Listed - overseas	-	3,132	-	18,979	-	22,111
Unlisted	-	-	-	1,170	-	1,170
	<u>-</u>	<u>3,132</u>	<u>-</u>	<u>57,230</u>	<u>-</u>	<u>60,362</u>
Mutual funds:						
Quoted	-	-	-	9,271	-	9,271
Unlisted	-	18,574	-	23,210	-	41,784
	<u>-</u>	<u>18,574</u>	<u>-</u>	<u>32,481</u>	<u>-</u>	<u>51,055</u>
Debt securities:						
Listed - overseas	-	-	-	20,748	-	20,748
Unlisted	-	543	-	19,041	-	19,584
	<u>-</u>	<u>543</u>	<u>-</u>	<u>39,789</u>	<u>-</u>	<u>40,332</u>
Total securities:						
Listed	-	3,132	-	76,808	-	79,940
Unlisted	-	19,117	-	52,692	-	71,809
	<u>-</u>	<u>22,249</u>	<u>-</u>	<u>129,500</u>	<u>-</u>	<u>151,749</u>
Market value of listed securities	<u>-</u>	<u>6,591</u>	<u>-</u>	<u>76,808</u>	<u>-</u>	<u>83,399</u>
Carrying amount analysed for reporting purposes as:						
Non-current	-	22,249	-	1,170	-	23,419
Current	-	-	-	128,330	-	128,330
	<u>-</u>	<u>22,249</u>	<u>-</u>	<u>129,500</u>	<u>-</u>	<u>151,749</u>

## **20. AMOUNTS DUE FROM SUBSIDIARIES**

The amounts due from subsidiaries are unsecured and interest free. The directors of the Company have agreed that no repayment will be demanded within the next twelve months from the balance sheet date, accordingly, the amount are shown as non-current assets and measured at amortised cost at effective interest rate of 3.7% per annum.

The directors consider the amounts due from subsidiaries approximate their fair values.

## 21. INVENTORIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Raw materials	138	144
Finished goods	145,293	147,188
	<u>145,431</u>	<u>147,332</u>

## 22. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period ranging from cash on delivery to 120 days to its trade debtors. The aged analysis of trade debtors of HK\$143,603,000 (2004: HK\$128,800,000) which are included in the Group's debtors, deposits and prepayments are as follows:

	2005 HK\$'000	2004 HK\$'000
0 - 30 days	69,903	69,387
31 - 60 days	46,194	32,645
61 - 90 days	19,960	16,102
91 - 120 days	6,167	7,434
121 -365 days	1,379	3,232
	<u>143,603</u>	<u>128,800</u>

The Company did not have any trade debtors at the balance sheet date.

The directors consider the debtors, deposits and prepayments approximate their fair values.

## 23. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Listed securities:		
- Equity securities listed in Hong Kong	33,195	-
- Equity securities listed elsewhere	25,804	-
	<u>58,999</u>	<u>-</u>
Quoted securities:		
- Mutual funds	67,607	-
- Debt securities	49,177	-
	<u>116,784</u>	<u>-</u>
	<u>175,783</u>	<u>-</u>

The fair values of the above investments held for trading are determined based on the quoted market bid prices available on the relevant exchanges or the prevailing market price available in the market.

## 24. OTHER FINANCIAL ASSETS

Other financial assets include bills receivable, short term bank deposits and bank balances and cash. Short term bank deposits and bank balances and cash comprise cash and deposits held by the Group with an original maturity of three months or less. The directors consider the bills receivable, short term bank deposits and bank balances and cash approximate their fair values.

## 25. CREDITORS AND ACCRUED CHARGES

The aged analysis of the trade creditors of HK\$18,778,000 (2004: HK\$12,071,000) which are included in the Group's creditors and accrued charges are as follows:

	<u>2005</u> HK\$'000	<u>2004</u> HK\$'000
0 - 30 days	17,376	11,816
31 - 60 days	1,267	203
61 - 90 days	-	6
Over 90 days	135	46
	<u>18,778</u>	<u>12,071</u>

The Company did not have any trade creditors at the balance sheet date.

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

## 26. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The bank borrowings, which are due within one year, comprise:				
Bank loans				
- secured (Note)	5,801	6,669	-	-
- unsecured	24,297	23,695	15,000	15,000
Trust receipt and import loans	242,830	271,766	-	-
	<u>272,928</u>	<u>302,130</u>	<u>15,000</u>	<u>15,000</u>

Note: The bank loan was secured by the Group's cash deposits, marketable securities, notes and bonds charged to the bank from time to time.

Over 80% of the carrying amounts of the Group's bank borrowings as at balance sheet date are denominated in the Hong Kong dollars. The bank borrowings of the Company are denominated in Hong Kong dollars only.

All of the Group and the Company's bank borrowings are arranged at floating interest rates, the average interest rates paid for the year were 3.77% (2004: 1.52%) per annum.

The directors consider the bank borrowings approximate their fair values.

## 27. OTHER FINANCIAL LIABILITIES

Other financial liabilities include bills payable and amounts due to minority shareholders of subsidiaries. Amounts due to minority shareholders of subsidiaries are unsecured, interest free and have no fixed terms of repayment. The directors consider the bills payable and amounts due to minority shareholders of subsidiaries approximate their fair values.

## 28. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each		
Authorised:		
At beginning and at end of the years 2004 and 2005	<u>700,000,000</u>	<u>35,000</u>
Issued and fully paid:		
At beginning and at end of the years 2004 and 2005	<u>445,500,000</u>	<u>22,275</u>



## 29. RESERVES

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY			
At 1st January, 2004	153,728	237,217	390,945
Profit for the year	-	90,208	90,208
Dividends paid (note 12)	-	(55,688)	(55,688)
	<u>153,728</u>	<u>271,737</u>	<u>425,465</u>
At 31st December, 2004	<u>153,728</u>	<u>271,737</u>	<u>425,465</u>
At 1st January, 2005	153,728	271,737	425,465
Effect of adoption of HKAS 39	-	(16,213)	(16,213)
	<u>153,728</u>	<u>255,524</u>	<u>409,252</u>
As restated	153,728	255,524	409,252
Profit for the year	-	56,008	56,008
Dividends paid (note 12)	-	(89,100)	(89,100)
	<u>153,728</u>	<u>222,432</u>	<u>376,160</u>
At 31st December, 2005	<u>153,728</u>	<u>222,432</u>	<u>376,160</u>

The Company's reserves available for distribution to shareholders as at 31st December, 2005 comprised the retained profits of HK\$222,432,000 (2004 as restated: HK\$255,524,000).

### 30. DEFERRED TAX LIABILITIES

	Revaluation of investment properties HK\$'000	Revaluation of leasehold land and building HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1st January, 2004				
- as originally stated	2,526	2,426	1,150	6,102
- effect of change in accounting policy	(970)	-	-	(970)
- as restated	1,556	-	-	5,132
Charge to income for the year	794	-	-	794
Charge to investment property revaluation reserve	695	-	-	695
At 31st December, 2004	3,045	2,426	1,150	6,621
Charge to income for the year	1,052	-	-	1,052
At 31st December, 2005	4,097	2,426	1,150	7,673

At the balance sheet date, the Group has unused tax losses of approximately HK\$120 million (2004: HK\$119 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

### 31. OPERATING LEASE COMMITMENTS

*The Group as lessee:*

At the balance sheet date, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Within one year	1,670	1,625	422	602
In the second to fifth year inclusive	1,497	2,489	242	60
	<u>3,167</u>	<u>4,114</u>	<u>664</u>	<u>662</u>

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

*The Group as lessor:*

Property rental income earned during the year was HK\$15,766,000 (2004: HK\$14,449,000). The properties held have committed tenants in the range from one to three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	12,590	9,708
In the second to fifth year inclusive	6,955	2,433
	<u>19,545</u>	<u>12,141</u>

### 32. CONTINGENT LIABILITIES

	THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
Extent of banking facilities utilised by subsidiaries in respect of which guarantees were given to banks by the Company	<u>258,182</u>	<u>278,435</u>

A subsidiary entered into a consignment agreement with a supplier in respect of the consignment inventories under the custody of the subsidiary. The Company had given a guarantee in respect of the payment and performance of the subsidiary pursuant to the consignment agreement. At 31st December, 2005, the consignment inventories amounted to HK\$2,164,000 (2004: HK\$305,000).

### 33. CAPITAL COMMITMENTS

	THE GROUP AND THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	<u>-</u>	<u>101</u>

### **34. PLEDGE OF ASSETS**

At 31st December, 2005, certain buildings with aggregate carrying values of HK\$7,290,000 (2004: HK\$7,650,000) were pledged to banks to secure banking facilities granted to the Group.

### **35. RETIREMENT BENEFITS SCHEME**

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefits cost charged to the consolidated income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

### **36. RELATED PARTY TRANSACTION**

During 2002, the Company entered into an agreement with a subsidiary of an associate of the Group for the software development services to be provided to the Group at the consideration of HK\$755,000. In addition to the aggregate amount of HK\$679,000 paid in previous years, the Company further paid HK\$76,000 during the year for this service.

In addition, the Company also paid system maintenance fees of HK\$177,000 (2004: nil) to the subsidiary of the associate during the year.

The compensation to key management personnel is related to directors' emoluments.

### **37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Credit risk**

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

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

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

### **37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**

#### **Foreign exchange risk**

Some of the Group's transactions were conducted in United States dollars, Japanese Yen, Euro, British sterling, Renminbi, Singapore dollars and New Taiwanese dollars. Certain trade debtors, investments held for trading, trade creditors and bank borrowings of the Group are denominated in foreign currencies. The Group will use forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate. Short-term borrowings denominated in foreign currencies other than United States dollars were used to finance assets purchased in the same currencies.

#### **Interest rate risk**

The Group obtained financing through bank borrowings. All bank borrowings bear interests on floating rates and matured within one year.

#### **Price risk**

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

#### **Liquidity risk**

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

### 38. SUBSIDIARIES

Particulars of the subsidiaries at 31<sup>st</sup> December, 2005 are as follow:

<u>Name of subsidiary</u>	<u>Place of incorporation /registration</u>	<u>Principal place of operation</u>	<u>Issued / registered And fully paid capital</u>		<u>Percentage of issued / registered capital held by the Company</u>	<u>Principal activities</u>
			Ordinary	Non-voting preferred (note)		
Asia Fame International Limited	Hong Kong	Hong Kong	HK\$1,000,000	—	% 100*	Manufacturing of electroplating chemicals and solutions
Bright Star Limited	Cook Islands	Hong Kong	US\$1,000	—	100	Investment holding
Charterway Developments Limited	Hong Kong	Hong Kong	HK\$1,000,000	—	100	Property investment
E.P. Resources Limited	Hong Kong	Hong Kong	HK\$10,000	—	100*	Securities investment and trading
Electrochemical Technologies Limited	Hong Kong	Hong Kong	HK\$2	—	100*	Securities investment



**38. SUBSIDIARIES - continued**

<u>Name of subsidiary</u>	<u>Place of incorporation / registration</u>	<u>Principal place of operation</u>	<u>Issued / registered And fully paid capital</u>		<u>Percentage of issued / registered capital held by the Company</u>	<u>Principal activities</u>
			Ordinary	Non-voting preferred (note)	%	
Engotech Limited	Hong Kong	Hong Kong	HK\$10,000	—	100*	Manufacturing of and trading in electroplating chemicals and solutions
Ever Channel Properties Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90	Property investment
Global Trade Properties Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90	Property investment
Gold Asset Properties Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90	Property investment
Jollifair Investments Limited	Hong Kong	Hong Kong	HK\$10,000	—	100*	Investment holding

**38. SUBSIDIARIES - continued**

<u>Name of subsidiary</u>	<u>Place of incorporation /registration</u>	<u>Principal place of operation</u>	<u>Issued / registered And fully paid capital</u>		<u>Percentage of issued / registered capital held by the Company</u>	<u>Principal activities</u>
			Ordinary	Non-voting preferred (note)	%	
Kee Shing (Coin) Limited	Hong Kong	Hong Kong	HK\$1,000,000	—	100*	Securities Trading
Kee Shing Hardware Supplies Limited	Hong Kong	Hong Kong	HK\$800,000	HK\$400,000	100	Trading in stainless steel
Kee Shing Industrial Products Limited	Hong Kong	Hong Kong, Taiwan, South Korea and Thailand	HK\$200	HK\$1,000,000	100*	Investment holding and trading in electroplating chemicals and metals
Kee Shing International Limited	Hong Kong	Hong Kong	HK\$2	—	100*	Securities Investment
Kee Shing (Investments) Limited	Cook Islands	Hong Kong	US\$1,000	—	100*	Investment holding

### 38. SUBSIDIARIES - continued

<u>Name of subsidiary</u>	<u>Place of incorporation /registration</u>	<u>Principal place of operation</u>	<u>Issued / registered And fully paid capital</u>		<u>Percentage of issued / registered capital held by the Company</u>	<u>Principal activities</u>
			Ordinary	Non-voting preferred (note)	%	
Kee Shing Property Consultants (Shanghai) Co., Ltd.#	Shanghai, PRC	Elsewhere in the PRC	RMB2,902,060	—	100*	Property Management
King Shen Industrial Products Company Limited	Taiwan	Taiwan	NT\$5,000,000	—	70	Trading in electroplating chemicals and metals
Kingsview Properties Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90	Property investment
Klendo Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90*	Property investment
KSIP (Singapore) Pte. Ltd.	Republic of Singapore	Republic of Singapore	S\$1,000,000	—	51	Trading in electroplating chemicals and metal plating products

**38. SUBSIDIARIES - continued**

<u>Name of subsidiary</u>	<u>Place of incorporation / registration</u>	<u>Principal place of operation</u>	<u>Issued / registered And fully paid capital</u>		<u>Percentage of issued / registered capital held by the Company</u>	<u>Principal activities</u>
			Ordinary	Non-voting preferred (note)		
Pacific Apex International Limited	Hong Kong	Hong Kong	HK\$10,000	—	100*	Investment holding
Pacific Wide Properties Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90	Property investment
Sam Wing International Limited	Hong Kong	Elsewhere in the PRC	HK\$200	HK\$2,160,000	100*	Trading in chemicals and securities investment
Sam Wing Resources Limited	Hong Kong	Elsewhere in the PRC	HK\$3,000,000	—	55*	Trading in machinery and equipment
Sure Glory Ventures, Inc.	British Virgin Islands	Australia	US\$2	—	100*	Investment holding

**38. SUBSIDIARIES - continued**

<u>Name of subsidiary</u>	<u>Place of incorporation /registration</u>	<u>Principal place of operation</u>	<u>Issued / registered And fully paid capital</u>		<u>Percentage of issued / registered capital held by the Company</u>	<u>Principal activities</u>
			Ordinary	Non-voting preferred (note)		
Topbase Properties Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90	Property investment
Top Image Properties Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90	Property investment
Trendex Investment Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	100*	Property investment
Union Channel Properties Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90	Property investment
Union Crown Properties Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90	Property investment

**38. SUBSIDIARIES - continued**

<u>Name of subsidiary</u>	<u>Place of incorporation /registration</u>	<u>Principal place of operation</u>	<u>Issued / registered And fully paid capital</u>		<u>Percentage of issued / registered capital held by the Company</u>	<u>Principal activities</u>
			Ordinary	Non-voting preferred (note)		
Winbase Properties Limited	Hong Kong	Elsewhere in the PRC	HK\$10,000	—	90	Property investment

\* Directly held by the Company

# A wholly foreign owned enterprise

None of the subsidiaries had any loan capital subsisting at 31<sup>st</sup> December, 2005 or at any time during the year.

Note: The non-voting preferred shares, which are not held by the Company, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

# PARTICULARS OF INVESTMENT PROPERTIES

AT 31<sup>ST</sup> DECEMBER 2005

<u>LOCATION</u>	<u>TYPE</u>	<u>LEASE TERM</u>
HONG KONG		
Units A, B, C, D and E on 2nd Floor, Kee Shing Centre, 74-76 Kimberley Road, Tsimshatsui, Kowloon Hong Kong	Commercial	Medium-term lease
ELSEWHERE IN THE PEOPLE'S REPUBLIC OF CHINA		
Units 1003, 1005, 1010, 1011, 1012, 1013 on 10th Floor, the whole of 11th and 12th Floors and the Multi-function Room on Roof, Novel Building, 887 Huai Hai Road Central, Luwan District, Shanghai People's Republic of China	Commercial	Medium-term lease
15th Floor, Shui On Plaza, 333 Huai Hai Road Central, Luwan District, Shanghai People's Republic of China	Commercial	Medium-term lease
5D, 6A, 9F, 12E, 15F, 16A, 17F, 19E, 20A, 22C, 24E, 26A, 26F, 27A, 27F, 28A, 29E, 31E, 33E of Huadua Court, Haihua Garden, the Junction of Xiexu Road and Dapu Road, Luwan District, Shanghai, People's Republic of China	Residential	Long lease

10D, 12E, 15C, 17D, 22D,  
23D, 25D, 25F, 27C, 27F, 28C, 30D,  
33D, 33F of Huali Court,  
Haihua Garden,  
the Junction of Xiexu Road and  
Dapu Road,  
Luwan District,  
Shanghai,  
People's Republic of China

Residential

Long lease

4B, 7B, 7F, 27C of Huaying Court,  
Haihua Garden,  
the Junction of Xiexu Road  
and Dapu Road,  
Luwan District,  
Shanghai,  
People's Republic of China

Residential

Long lease

5B, 8B, 9C, 9D, 10D, 11C, 12D, 24C, 33E  
of Huaxin Court,  
Haihua Garden,  
the Junction of Xiexu Road and Dapu Road,  
Luwan District,  
Shanghai,  
People's Republic of China

Residential

Long lease