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 of the annual report.

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 39.

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 standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006 respectively. The adoption of the new HKFRSs has resulted in change to the Group's accounting policy in the following area that has an effect on the results for the current or prior accounting periods have been prepared and presented.

Fair value option

In the current year, the Group has applied HKAS 39 (Amendment) "The fair value option" which is effective for annual periods beginning on or after 1st January, 2006.

Prior to 1st January, 2006, the Group designated certain financial instruments as at fair value through profit or loss. Upon the application of this amendment, the Group has reclassified certain financial instruments as available-for-sale investments which do not meet the conditions to be classified as at fair value through profit or loss.

A debit adjustment of HK$60,000 has been transferred from the Group's retained earnings to investment revaluation reserve as at 1st January, 2005.

For the financial impact on the Group's profit for the year, this change in accounting policy has resulted in a decrease in gain arising from changes in fair value of available-for-sale investments of HK$1,084,000 (2005: an increase in profit of HK$2,366,000).

Financial guarantee contracts

In the current year, the Group has applied HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" which is effective for annual periods beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The adoption of HKAS 39 and HKFRS 4 (Amendments) has no material impact on the Group's consolidated financial statements.

Financial guarantee contracts granted to the subsidiaries by the Company

Prior to 1st January, 2006, financial guarantee contracts granted by the Company to its subsidiaries' lenders were not recognised but disclosed as related party transactions and contingent liabilities.

Upon the application of these amendments, a financial guarantee contract granted by the Company to its subsidiaries' lenders and not designated as at fair value through profit or loss is recognised initially at its fair value. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

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

Financial guarantee contracts ***(continued)***

In relation to this change in accounting policy, the Company has applied the transitional provisions in HKAS 39. The fair value of the financial guarantee contracts at the date of grant of HK$9,443,000, representing a deemed capital contribution to the subsidiaries, has been adjusted to the carrying amount of investments in subsidiaries and the financial liability for the financial guarantee contract included in creditors and accrued charges. The cumulative amortisation as at 1st January, 2005 of HK$2,948,000 has been adjusted against retained profits and the financial liability for the financial guarantee contract included in creditors and accrued charges. The net impact on the financial statements as at 1st January, 2005 comprise debit adjustment to investments in subsidiaries of HK$9,443,000 and credit adjustments to creditors and accrued charges of HK$6,495,000 and retained profits of HK$2,948,000 respectively.

The cumulative effect of the application of new HKFRSs to the Company's balance sheet as at 31st December, 2005 is summarised below:

	As at 31st December, 2005 (originally stated)	Adjustment	As at 31st December, 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Investments in subsidiaries	38,582	13,523	52,105
Creditors and accrued charges	(2,501)	(2,667)	(5,168)
	36,081	10,856	46,937
Retained Profits	222,432	10,856	233,288

3. POTENTIAL IMPACT ARISING FROM THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – INT 8	Scope of HKFRS 2[4]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC) – INT 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January. 2009
[3] Effective for annual periods beginning on or after 1st March, 2006.
[4] Effective for annual periods beginning on or after 1st May, 2006.
[5] Effective for annual periods beginning on or after 1st June, 2006.
[6] Effective for annual periods beginning on or after 1st November, 2006.
[7] Effective for annual periods beginning on or after 1st March, 2007.
[8] Effective for annual periods beginning on or after 1st January, 2008.

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 Hong Kong Financial Reporting Standards 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 and the Hong Kong Companies Ordinances.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

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.

An item of investment properties 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 fair value of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method, at the following rates per annum:

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 $33^1/_3$%

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.

When an item of property, plant and equipment is transferred to investment property carried at fair value, if the carrying amount is increased, the surplus is credited directly to equity (property revaluation reserve). On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained profits. The transfer from revaluation surplus to retained profits is not made through profit or loss.

Subsidiaries

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

Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an investment in a joint venture.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment loss is treated as revaluation increase.

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.

Investments held for trading

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

Available-for-sale financial assets

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, deposits, bills receivable, amount due from subsidiaries and bank balances and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities

Financial liabilities (including creditors, amounts due to minority shareholders of subsidiaries, amount due to subsidiaries and bank borrowings) are measured at amortised cost using the effective interest method at each balance sheet date subsequent to initial recognition.

Equity instruments

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

Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) in initially recognised as deferred income within creditors and accrued charges. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to the relevant asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in creditors and accrued charges in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

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 the profit as reported in the consolidated 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

The Group as lessor

Rental income from operating leases is recognised in the consolidated 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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lease by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Borrowing costs

Borrowing costs are recognized in profit and loss in the year in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective 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.

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

Payments to the Group's Mandatory Provident Fund Scheme and other defined contribution retirement schemes are charged as an expense when employees have rendered service entitling them to the contributions.

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, 2006

	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*
Turnover						
External sales	2,219,620	16,985	2,976	1,417	–	2,240,998
Inter-segment sales	–	1,299	–	–	(1,299)	–
Total turnover	2,219,620	18,284	2,976	1,417	(1,299)	2,240,998

Inter-segment sales are charged at prevailing market rates.

	Sales of chemicals and metals	Property investment	Security investment	Other activities	Eliminations	Consolidated
Results						
Segment result	71,657	17,190	17,203	125	–	106,175
Interest income from bank deposits						3,611
Unallocated other income						3,578
Unallocated corporate expenses						(15,674)
Finance costs						(15,574)
Share of loss of associates	–	–	–	(5,215)	–	(5,215)
Gain on disposal of interest in an associate	–	–	–	13,198	–	13,198
Profit before taxation						90,099
Income tax expense						(9,923)
Profit for the year						80,176

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments ***(continued)***

At 31st December, 2006

	Sales of chemicals and metals	Property investment	Security investment	Other activities	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	567,621	294,517	194,244	171	1,056,553
Interests in associates	453	–	–	–	453
Unallocated corporate assets					173,582
Consolidated total assets					1,230,588
Liabilities					
Segment liabilities	72,516	11,323	209	29	84,077
Unallocated corporate liabilities					512,046
Consolidated total liabilities					596,123

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	469	20	–	50	539
Depreciation	897	963	–	805	2,665

For the year ended 31st December, 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments ***(continued)***

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
Turnover						
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

Inter-segment sales are charged at prevailing market rates.

	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
Results						
Segment result	65,862	23,316	10,475	72	–	99,725
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	–	3,257
Profit before taxation						83,655
Income tax expense						(11,881)
Profit for the year						71,774

For the year ended 31st December, 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments ***(continued)***

At 31st December, 2005

	Sales of chemicals and metals	Property investment	Security investment	Other activities	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	323,033	268,633	205,375	130	797,171
Interests in associates	453	–	–	27,223	27,676
Unallocated corporate assets					124,481
Consolidated total assets					949,328
Liabilities					
Segment liabilities	24,856	24,398	434	13	49,701
Unallocated corporate liabilities					284,495
Consolidated total liabilities					334,196

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

Geographical segments

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

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

The following table provides an analysis of the Group's sales by locations of customers:

	Revenue by geographical market	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong	**1,646,701**	1,443,806
Taiwan	**334,035**	246,668
Elsewhere in the PRC	**110,140**	139,635
Others	**150,122**	134,060
	2,240,998	1,964,169

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

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:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	At 31.12.2006	At 31.12.2005	**Year ended 31.12.2006**	Year ended 31.12.2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**514,046**	314,084	**518**	2,079
Taiwan	**81,143**	38,771	**–**	16
Elsewhere in the PRC	**270,955**	277,762	**21**	84
Others	**192,519**	190,854	**–**	–
	1,058,663	821,471	**539**	2,179

6. OTHER INCOME

Included in other income is interest income from bank deposits and structured bank deposits of HK$3,611,000 (2005: HK$2,282,000).

7. FINANCE COSTS

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

8. GAIN ON DISPOSAL OF INTEREST IN AN ASSOCIATE

On 25th October 2006, Pacific Apex International Limited, a wholly-owned subsidiary of the Company, disposed of its entire 16.48% of the issued share capital in Asia Commercial Holdings Limited, an associate of the Company, to an independent third party, for a cash consideration of HK$37,400,000. The gain on such disposal is recognised in the consolidated income statement.

Details of the disposal are set out in the circular of the Company dated 16th November, 2006.

9. INCOME TAX EXPENSE

	2006	2005
	HK$'000	*HK$'000*
The tax charge attributable to the Group comprises:		
Current taxation		
Hong Kong Profits Tax	**7,989**	7,616
Profits Tax outside Hong Kong	**2,189**	1,886
	10,178	9,502
(Over)underprovision in prior years		
Hong Kong Profits Tax	**(261)**	1,374
Profits Tax outside Hong Kong	**(639)**	(47)
	(900)	1,327
	9,278	10,829
Deferred taxation *(Note 31)*	**645**	1,052
	9,923	11,881

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.

For the year ended 31st December, 2006

9. INCOME TAX EXPENSE *(continued)*

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

	Hong Kong		Elsewhere in the PRC		Other countries		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) before taxation	**68,179**	62,203	**15,328**	21,814	**6,592**	(362)	**90,099**	83,655
Application tax rate	**17.5%**	17.5%	**9.9%**	9.9%	**21.5%**	21.5%		
Tax at the domestic income tax rate	**11,931**	10,885	**1,517**	2,160	**1,417**	(78)	**14,865**	12,967
Tax effect of expenses not deductible for tax purpose	**890**	205	**453**	344	**499**	312	**1,842**	861
Tax effect of income not taxable for tax purpose	**(4,990)**	(3,108)	**(357)**	(185)	**(1,025)**	–	**(6,372)**	(3,293)
Tax effect of utilisation of previous tax losses not recognised	**(950)**	(982)	**–**	–	**–**	–	**(950)**	(982)
Tax effect of unrecognised tax loss	**589**	1,214	**–**	–	**–**	–	**589**	1,214
Tax effect of share of results of associates	**913**	(568)	**–**	–	**–**	–	**913**	(568)
Tax effect on different tax rate of operations in other jurisdiction	**–**	–	**–**	–	**(242)**	173	**(242)**	173
(Over)underprovision in prior years	**(261)**	1,374	**(639)**	(100)	**–**	53	**(900)**	1,327
Others	**56**	328	**122**	(146)	**–**	–	**178**	182
Tax charge for the year	**8,178**	9,348	**1,096**	2,073	**649**	460	**9,923**	11,881

10. PROFIT FOR THE YEAR

	2006 *HK$'000*	2005 *HK$'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration		
– current year	**1,421**	1,211
– underprovision in the prior year	**–**	75
	1,421	1,286
Impairment loss on trade debtors	**3,040**	1,663
Loss on disposal of property, plant and equipment	**–**	147
Net foreign exchange loss	**1,202**	–
Rental payments in respect of properties under operating leases	**3,692**	1,836
Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments)	**587**	587
Share of tax of associates (included in share of results of associates)	**382**	212
and after crediting:		
Dividend income from listed investments	**2,513**	2,425
Gain on disposal of property, plant and equipment	**178**	–
Gross rental income from investment properties	**16,985**	15,766
Less: direct operating expenses from investment properties that generated rental income during the year	**(41)**	(38)
	16,944	15,728
Net foreign exchange gain	**–**	1,191
Reversal of impairment loss on trade debtors	**532**	35

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11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 8 (2005: 8) directors were as follows:

	Leung Shu Wing HK$'000	Leung Miu King HK$'000	Wong Chi Kin HK$'000	Wong Choi Ying HK$'000	Yuen Tin Fan, Francis HK$'000	Wong Kong Chi HK$'000	Lai Chung Wing, Robert HK$'000	Chan Wing Lee HK$'000	Total 2006 HK$'000
Fees	–	–	–	–	300	150	300	300	1,050
Other emoluments									
Salaries and other benefits	803	828	487	868	–	150	–	–	3,136
Contributions to retirement benefits schemes	–	12	12	12	–	–	–	–	36
Performance related incentive payments *(Note)*	635	715	152	155	–	–	–	–	1,657
Total emoluments	1,438	1,555	651	1,035	300	300	300	300	5,879

	Leung Shu Wing HK$'000	Leung Miu King HK$'000	Wong Chi Kin HK$'000	Wong Choi Ying HK$'000	Yuen Tin Fan, Francis HK$'000	Wong Kong Chi HK$'000	Lai Chung Wing, Robert HK$'000	Chan Wing Lee HK$'000	Total 2005 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
Total emoluments	1,026	439	607	984	300	300	300	300	4,256

Note: The performance related incentive payment is determined based on the Group's performance for each of the two years ended 31st December, 2006.

No directors waived any emoluments in the year ended 31st December, 2005 and 2006.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included two directors (2005: one director), details of whose emoluments are included in the amounts disclosed in note 11 above. The emoluments of the remaining highest paid employees, other than directors of the Company, are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**2,677**	4,122
Performance related incentive payments	**725**	453
Retirement benefits scheme contributions	**36**	48
	3,438	4,623

For the year ended 31st December, 2006

12. EMPLOYEES' EMOLUMENTS *(continued)*

Their emoluments were within the following bands:

	2006 Number of employees	2005 Number of employees
HK$1,000,001 to HK$1,500,000	**3**	4

13. DIVIDENDS

	2006 HK$'000	2005 HK$'000
Dividend recognized as distributions during the year:		
Interim dividend paid in respect of 2006 of 4 cents (2005: 10 cents) per ordinary share	**17,820**	44,550
Final dividend paid in respect of 2005 of 10 cents (2004: 10 cents) per ordinary share	**44,550**	44,550
	62,370	89,100

The final dividend of 6 cents for the year ended 31st December, 2006 per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. 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$77,637,000 (2005 as restated: HK$70,240,000) and on 445,500,000 ordinary shares (2005: 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 the change in accounting policy shown in note 2 above:

	2006 HK cents	2005 HK cents
Reported figures before adjustments	**17.61**	15.24
Adjustments arising from changes in accounting policy	**(0.18)**	0.53
Restated	**17.43**	15.77

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue in either 2006 or 2005.

15. INVESTMENT PROPERTIES

	THE GROUP *HK$'000*
VALUATION	
At 1st January, 2005	260,326
Increase in fair value	9,955
Disposal	(3,720)
At 31st December, 2005	266,561
Transfer from property, plant and equipment	3,197
Increase in fair value	3,517
At 31st December, 2006	273,275

The Group's investment properties comprise:

	2006 HK$'000	2005 HK$'000
Properties held under medium-term leases:		
– in Hong Kong	13,930	11,400
– elsewhere in the PRC	208,930	205,920
	222,860	217,320
Properties held under long leases:		
– elsewhere in the PRC	47,117	49,241
– overseas	3,298	–
	273,275	266,561

The fair value of the Group's investment properties at 31st December, 2006 has been arrived at on the basis of a valuation carried out on that date by Messrs. Knight Frank and Jones Lang LaSalle independent qualified professional valuers not connected with the Group. Messrs. Knight Frank are members of the Hong Kong Institute of Surveyors, and Jones Lang LaSalle are members of Singapore Institute of Surveyors and Valuers and both have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conforms to International Valuation Standards, were 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$3,517,000 which has been credited to the consolidated income statement.

During the year, certain properties with an aggregate fair value of HK$3,197,000 were reclassified from property, plant and equipment to investment properties. The fair value of such properties at the date of reclassification was determined by reference to the valuation conducted by Jones Lang LaSalle on that date. The difference between the fair value of these properties and their carrying value amounted to HK$1,545,000 that has been credited to property revaluation reserve.

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

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16. 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
THE GROUP						
COST OR VALUATION						
At 1st January, 2005	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
Currency realignment	828	29	129	–	8	994
Additions	–	70	–	358	111	539
Disposals	–	(68)	(506)	(77)	(5)	(656)
Increase in revaluation upon transfer to investment properties	768	–	–	–	–	768
Transfer to investment properties	(3,197)	–	–	–	–	(3,197)
At 31st December, 2006	35,646	14,648	3,126	2,260	2,168	57,848
Comprising:						
At cost	7,846	14,648	3,126	2,260	2,168	30,048
At valuation – 1991	27,800	–	–	–	–	27,800
	35,646	14,648	3,126	2,260	2,168	57,848
DEPRECIATION						
At 1st January, 2005	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
Currency realignment	197	27	92	–	5	321
Provided for the year	761	1,094	207	131	472	2,665
Eliminated on disposals	–	(67)	(380)	(77)	(5)	(529)
Written back upon transfer to investment properties	(777)	–	–	–	–	(777)
At 31st December, 2006	8,906	12,536	2,795	1,726	1,585	27,548
CARRYING VALUES						
At 31st December, 2006	26,740	2,112	331	534	583	30,300
At 31st December, 2005	28,522	3,135	627	307	941	33,532

Included in the leasehold land and buildings of the Group are certain lease payments that cannot be allocated reliably between the land and buildings element, the entire lease is treated as a finance lease and included in property, plant and equipment.

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

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$17,806,000 (2005: HK$19,243,000).

The Group has pledged its leasehold land and buildings having a net book value of approximately HK$6.1 million (2005: HK$7.3 million) to secure general banking facilities granted to the Group.

	Furniture, fixtures and equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At 1st January, 2005	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
Additions	17	32	49
Disposals	(14)	(9)	(23)
At 31st December, 2006	2,325	1,529	3,854
DEPRECIATION			
At 1st January, 2005	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
Provided for the year	382	422	804
Eliminated on disposals	(13)	(9)	(22)
At 31st December, 2006	1,610	1,089	2,699
CARRYING VALUES			
At 31st December, 2006	715	440	1,155
At 31st December, 2005	1,081	830	1,911

The Group's leasehold land and buildings comprise:

	Leasehold land and buildings	
	2006	2005
	HK$'000	*HK$'000*
Properties held under medium-term leases:		
– in Hong Kong	**20,668**	21,232
Properties held under long leases:		
– overseas	**6,072**	7,290
	26,740	28,522

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
Unlisted investments at cost, including deemed capital contribution in subsidiaries	**59,008**	52,105

Particulars of the subsidiaries at 31st December, 2006 are set out in note 38.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Cost of investment net of accumulated goodwill and impairment loss in associates		
Listed in Hong Kong	**–**	21,618
Unlisted	**757**	757
Share of post-acquisition profits and reserves, net of dividends received	**(304)**	5,301
	453	27,676

Particulars of the associate at 31st December, 2006 are as follows:

Name of associate	Form of business structure	Country of incorporation	Principal place of operation	Class of shares held	Percentage of issued share capital held by the Group %	Principal activities
KSIP (Thailand 1989) Co., Ltd.	Incorporated	Thailand	Thailand	Ordinary	49	Inactive

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

	31.12.2006	31.12.2005
	HK$'000	HK$'000
Total assets	**924**	306,546
Total liabilities	**–**	(140,351)
Net assets	**924**	166,195
Group's share of associate's net assets	**453**	27,676

18. INTERESTS IN ASSOCIATES *(continued)*

Revenue and results in respect of the associate disposed:

	Year ended 31.12.2006 *HK$'000*	Year ended 31.12.2005 *HK$'000*
Revenue	**340,963**	278,678
(Loss) profit for the period	**(31,600)**	19,734
Group's share of associates' (loss) profit for the period	**(5,215)**	3,257

19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2006 *HK$'000*	2005 *HK$'000*
Unlisted equity securities	–	585
Structured bank deposits, stated at fair value	**14,258**	28,714
	14,258	29,299

As at 31st December, 2005, investment in equity securities that are not measured at fair value amounted to HK$585,000 as their fair value cannot be measured reliably and accordingly, they continue to be carried at cost less impairment. During the year, those investments have been disposed of at HK$1,170,000 and a gain on disposal of HK$585,000 has been recognised in consolidated income statement for the year.

As at 31st December, 2006, structured bank deposits are measured at fair value with upper bound interest rate of 3.7%, which is also the effective interest rate, and maturity date on 6th August, 2009.

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 amounts are shown as non-current assets and measured at amortised cost at the effective interest rate of 5.04% per annum.

21. INVENTORIES

	THE GROUP	
	2006 **HK$'000**	2005 HK$'000
Raw materials	**163**	138
Finished goods	**289,698**	145,293
	289,861	145,431

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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$230,166,000 (2005: HK$143,603,000) which are included in the Group's debtors, deposits and prepayments are as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	129,225	69,903
31 – 60 days	66,214	46,194
61 – 90 days	23,178	19,960
91 – 120 days	10,245	6,167
121 -365 days	1,304	1,379
	230,166	143,603

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

The Group's bills receivable are aged within 90 days.

23. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Listed securities:		
– Equity securities listed in Hong Kong	34,406	33,195
– Equity securities listed elsewhere	31,478	25,804
	65,884	58,999
Quoted securities:		
– Mutual funds	113,949	116,784
	179,833	175,783

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.

Bank balances and short-term bank deposits carry interest at market rates with average interest rate of 3.75% and 2.71% respectively.

25. CREDITORS AND ACCRUED CHARGES

The aged analysis of the trade creditors of HK$62,209,000 (2005: HK$18,778,000) which are included in the Group's creditors and accrued charges are as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	61,848	17,376
31 – 60 days	361	1,267
Over 90 days	–	135
	62,209	18,778

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

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26. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The bank borrowings, which are due within one year, comprise:				
Bank loans				
– secured *(Note)*	**12,424**	5,801	**–**	–
– unsecured	**32,487**	24,297	**25,000**	15,000
Trust receipt and import loans	**444,417**	242,830	**–**	–
	489,328	272,928	**25,000**	15,000

Note: The bank loans were secured by the Group's bank deposits, investment held for trading and buildings charged to the bank from time to time.

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 5.04% (2005: 3.77%) per annum.

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollars	**Japanese yen**
	'000	*'000*
As at 31st December, 2006	5,953	202,807
As at 31st December, 2005	3,918	229,103

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 repayable on demand.

28. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

29. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At beginning and at end of the years 2005 and 2006	700,000,000	35,000
Issued and fully paid:		
At beginning and at end of the years 2005 and 2006	445,500,000	22,275

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30. RESERVES

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY			
At 1st January, 2005			
– as originally stated	153,728	255,524	409,252
– effect of change in accounting policy *(note 2)*	–	2,948	2,948
– as restated	153,728	258,472	412,200
Profit for the year	–	63,916	63,916
Dividends paid *(note 13)*	–	(89,100)	(89,100)
At 31st December, 2005	153,728	233,288	387,016
Profit for the year	–	43,176	43,176
Dividends paid *(note 13)*	–	(62,370)	(62,370)
At 31st December, 2006	153,728	214,094	367,822

The Company's reserves available for distribution to shareholders as at 31st December, 2006 comprised the retained profits of HK$214,094,000 (2005: HK$233,288,000).

31. DEFERRED TAX LIABILITIES

The Group's deferred tax liabilities are set out below:

	Fair value change of investment properties HK$'000	Revaluation of leasehold land and building HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2005	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
Charge to income for the year	645	–	–	645
Charge to reserve for the year	–	340	–	340
At 31st December, 2006	4,742	2,766	1,150	8,658

At the balance sheet date, the Group has unused tax losses of approximately HK$107 million (2005: HK$109 million) available for offset against future profits. No deferred tax assets 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.

For the year ended 31st December, 2006

32. 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	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,483**	1,670	**602**	422
In the second to fifth year inclusive	**23**	1,497	**60**	242
	1,506	3,167	**662**	664

Operating lease payments represent rentals payable by the Group and the Company for certain of its office premises. Leases are negotiated for term ranging from one to two years and rentals are fixed over the lease terms.

The Group as lessor:

Property rental income earned during the year is disclosed in note 10. The properties held have committed tenants for the lease term ranging 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	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**12,087**	12,590
In the second to fifth year inclusive	**9,676**	6,955
	21,763	19,545

33. CONTINGENT LIABILITIES

As at 31st December, 2006, the financial guarantee given to banks in respect of banking facilities utilised by the subsidiaries amounted to HK$457,667,000 (2005: HK$258,182,000) of which HK$6,254,000 (2005: HK$2,667,000) was recognised in the Company's balance sheet as financial guarantee contracts included in creditors and accrued charges.

A subsidiary of the Company 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 to this supplier pursuant to which the Company absolutely and unconditionally guarantees the punctual payment and performance of obligations by the subsidiary of the Company under the stock consignment agreement at the maximum cap of US$450,000 for thirty-six months from 19th April, 2006. At 31st December, 2006, the consignment inventories amounted to HK$3,060,000 (2005: HK$2,164,000). The fair value of the financial guarantee contract of the Group is considered immaterial.

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34. PLEDGE OF ASSETS

At 31st December, 2006, certain bank deposits, investments held for trading and buildings with aggregate carrying values of HK$25,408,000 (2005: HK$25,544,000) were pledged to banks to secure banking facilities granted to the Group.

35. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme and other defined contribution retirement schemes 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 TRANSACTIONS

Other than the consignment agreement and related guarantee provided as disclosed in note 33, the Group has the following transactions with related parties:

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 total consideration of HK$755,000. Full amounts had been paid up to the year ended 31st December, 2005. In addition, the Company also paid system maintenance fees of HK$167,000 (2005: HK$177,000) to the subsidiary of the associate during the year up to the effective date of disposal of the associate.

The above captioned associate is disposed of during the year *(see note 8)*.

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

37. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Allowance of doubtful debts

The Group makes allowances for bad and doubtful debts when there is objective evidence that receivables balances are impaired. The balances of the receivables are based on the present value of estimated future cash flows discounted at the effective rate computed at initial recognition. The directors involved a considerable amount of judgment in assessing the ultimate realisation of these receivables including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their activity to make payments, additional allowance may be required.

38. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The risks associated with the 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, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. Other than the financial assets recognised on the Company's balance sheet as at 31st December, 2006, the Company also exposed to credit risk in respect of the financial guarantees granted to its subsidiaries as disclosed in note 33.

38. FINANCIAL INSTRUMENTS *(continued)*

a. Financial risk management objectives and policies *(continued)*

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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. 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.

Market risk

Foreign exchange risk

Several subsidiaries of the Company have foreign currency investments held for trading and bank borrowings which are denominated in currency other than the functional currency of the relevant group entities, which expose the Group to foreign currency risk. The Group will use forward exchange contracts to hedge its foreign currency exposure when considered appropriate.

Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank borrowings which are matured within one year and variable-rate structured bank deposits and other bank deposits. The Group currently does not have a specific interest rate hedging policy to hedge against its exposures to interest rate risk. However, management closely monitors interest rate exposures and will consider entering into interest rate swap transactions to hedge significant interest rate risk should the need arise.

Other price risk

The Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles in accordance with the limits set by the Group.

Liquidity risk

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

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the management maintains flexibility in funding by maintaining availability under committed credit lines.

b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid and ask prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

For the year ended 31st December, 2006

39. SUBSIDIARIES

Particulars of the subsidiaries at 31st December, 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital		Percentage of issued/ registered capital held by the Company	Principal activities
			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
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
Kee Shing (Coins) Limited	Hong Kong	Hong Kong PRC	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 and Taiwan	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
Kee Shing Property Consultants (Shanghai) Co., Ltd.#	Shanghai, PRC	Elsewhere in the PRC	RMB2,902,060	–	100*	Property management

39. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital Ordinary	Non-voting Preferred *(Note)*	Percentage of issued/ registered capital held by the Company %	Principal activities
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
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
Sure Glory Ventures, Inc.	British Virgin Islands	Australia	US$2	–	100*	Investment holding
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
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 31st December, 2006 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.