1. CORPORATE INFORMATION

CNT Group Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 31st Floor and Units E & F on 28th Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

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

- manufacture and sale of paint products
- trading of steel products
- property investment
- property development
- strategic investments

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, certain available-for-sale investments, equity investment at fair value through profit or loss and pension scheme asset, which have been measured at fair value. Disposal groups and non-current assets held for sale were stated at the lower of their carrying amount and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 19 *Employee Benefits*

The amendment to HKAS 19 regarding actuarial gains and losses, group plans and disclosures introduces an additional recognition option for actuarial gains and losses arising in post-employment defined benefit schemes and additional disclosures requirements for defined benefit schemes. The Group has not used this option, and hence the adoption of this amendment has had no effect on these financial statements other than the required additional disclosures.

(b) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

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

(c) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on these financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(d) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

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

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

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

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

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in the jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Full impairment had been made by the Group on its interest in a jointly-controlled entity in prior years and the jointly-controlled entity is currently under deregistration process.

Goodwill

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of HKICPA's Statement of Standard Accounting Practice 30 *Business Combinations* ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against the consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and machinery is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Freehold buildings and leasehold land and buildings	2% – 4% or over the lease terms, whichever rate is higher
Leasehold improvements	10% – 33% or over the lease terms, whichever rate is higher
Plant and machinery	9% – 25%
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	18% – 25%

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

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

The transitional provisions set out in paragraph 80A of HKAS 16 *Property, plant and equipment* have been adopted for fixed assets stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for periods ended before 30 September 1995 have not been further revalued after that date.

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

Construction in progress represents buildings and offices under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and other related expenses incurred during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development are stated at cost less impairment losses. Cost includes all development expenditure, capitalised interest and other direct costs attributable to such properties.

Leases

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

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

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets

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

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

Fair value

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

In relation to trade receivables, an impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

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

Available-for-sale financial assets

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

Derecognition of financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and bills payable, other payables and accruals and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group 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*.

Derecognition of financial liabilities

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

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grant in relation to the contribution of a piece of land from the relevant authority in Mainland China is recognised at a nominal amount.

Revenue recognition

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

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

(b) rental income, in the period in which the properties are let, on a time proportion basis over the lease terms;

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

(d) dividend income, when the shareholders' right to receive payment has been established; and

(e) commission income and service fee income, in the period in which the services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Share-based payment transactions

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

Applicable to share options granted on 26 April 2001

The financial impact of share options granted under share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Applicable to share options granted on or after 1 January 2005

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Applicable to share options granted on or after 1 January 2005 (continued)

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

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

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

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

Paid leave carried forward

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pension schemes and other retirement benefits

The Group operates a funded final salary defined benefit pension scheme (the "Scheme") registered under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate in the Scheme. The expected costs of providing pensions under the Scheme are charged to the income statement over the periods during which the employees provide the related service to the Group.

An actuarial estimate is made annually by a professionally qualified independent actuary, using the projected unit credit actuarial valuation method, of the present value of the Group's future defined benefit obligation under the Scheme earned by the employees as at the balance sheet date (the "Scheme Obligation"). The assets contributed by the Group to the Scheme (the "Scheme Assets") are held separately from the assets of the Group in an independently administered fund, and are valued at their fair value at the balance sheet date.

The effect of actuarial gains and losses experienced in the estimation of the Scheme Obligation and the valuation of the Scheme Assets is initially recorded in the balance sheet and is subsequently recognised in the income statement only when the net cumulative actuarial gains or losses in the balance sheet exceed 10% of the higher of the Scheme Obligation and the fair value of Scheme Assets at the beginning of the period. Such "excess" net cumulative actuarial gain or loss is recognised in the income statement over the expected average remaining working lives of the employees participating in the Scheme.

When the Group improves the benefits provided by the Scheme, the effect of the resulting increase in the Scheme Obligation relating to past service by the employees is initially recorded in the balance sheet and is subsequently recognised in the income statement evenly over the period until the benefits vest with the employees.

The net total of the fair value of the Scheme Asset, plus any actuarial losses (less any actuarial gains) not recognized, plus any past service cost not yet recognised and minus the present value of the Scheme Obligation at the balance sheet date is recognised in the balance sheet within non-current assets or non-current liabilities, as appropriate. If the net amount results in an asset, the amount of the asset is limited to the net total of any net cumulative actuarial losses remaining in the balance sheet, and the present value of any future refunds from the Scheme or reductions in future contributions to the Scheme. Movements in the net asset or liability recognised in the balance sheet during the period, other than those deferred in the balance sheet, are recorded in the income statement for the period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pension schemes and other retirement benefits (continued)

The amounts of the contributions payable by the Group to the Scheme are determined by the actuary using the projected unit credit actuarial valuation method.

The Group also operates defined contribution schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the retirement benefits schemes exempted under the Hong Kong Mandatory Provident Fund Schemes Ordinance prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect of the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme.

The employees of the Group's subsidiaries which operate in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 8% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of distributable reserves within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Estimation of impairment loss of available-for-sale investments

In the absence of current prices in an active market for similar investment, the Group considers the discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing contracts, planned capacity and unit sales revenue, and by using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of the available-for-sale investments at 31 December 2006 was HK$167,087,000 (2005: HK$167,087,000).

4. SEGMENT INFORMATION

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

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

(a) the paint products segment engages in the manufacturing and sale of paint products;

(b) the property investment segment comprises:

  (i) the investment in residential and commercial premises for their rental income potential;

  (ii) the development and sale of properties;

(c) the "others" segment comprises, principally, the sale of crushed stone (discontinued during the year ended 31 December 2005), the trading of steel products and securities trading and investment;

(d) the marble and granite segment engages in the processing and sale of marble and granite (discontinued during the year ended 31 December 2005); and

(e) the fuel segment engages in the manufacturing and trading of fuel (discontinued during the year ended 31 December 2005).

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

Intersegment sales and transfers are transacted at mutually agreed terms.

Particulars in respect of the discontinued operations relating to the marble and granite and fuel business segments are set out in note 12.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss), certain asset and liability, income and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Year ended 31 December 2006	Paint products HK$'000	Property investment HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Continuing operations					
Segment revenue:					
Sales to external customers	569,427	6,098	35,527	—	611,052
Intersegment sales	—	5,209	—	(5,209)	—
Other income and gains	8,162	3,458	25,211	—	36,831
Total	577,589	14,765	60,738	(5,209)	647,883
Segment results	37,281	(11,173)	16,381	11,425	53,914
Interest income					1,681
Unallocated expenses					(39,548)
Finance costs					(7,573)
Share of profits and losses of associates					1,936
Profit before tax					10,410
Tax					(3,505)
					6,905
Discontinued operations					
Gain on disposal of discontinued operations					11,581
Profit for the year					18,486
Assets and liabilities:					
Segment assets	263,022	321,836	5,293	(868)	589,283
Interests in associates	—	17,447	—	—	17,447
Unallocated assets:					
Available-for-sale investments					167,087
Others					130,064
Total assets					903,881
Segment liabilities	133,713	4,815	2,599	(868)	140,259
Unallocated liabilities					87,151
Total liabilities					227,410

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Year ended 31 December 2006	Paint products HK$'000	Property investment HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Other segment information:					
Depreciation	9,993	2,951	155	—	13,099
Capital expenditure	15,147	350	129	—	15,626
Loss on disposal of subsidiaries, net	—	—	59	—	59
Gain on disposal of an available-for-sale investment	—	—	(15,237)	—	(15,237)
Gain on disposal of assets/liabilities of disposal groups classified as held for sale, net	—	(299)	—	—	(299)
Gain on subsequent remeasurement of assets of disposal groups classified as held for sale, net	—	(473)	—	—	(473)
Write-back of impairment of a property under development	—	(1,450)	—	—	(1,450)
Impairment of an amount due from an associate	—	10,233	—	—	10,233
Write-down of inventories to net realisable value	1,530	—	—	—	1,530
Fair value loss on investment properties, net	—	1,780	—	—	1,780
Impairment of trade receivables	1,163	—	—	—	1,163
Write-back of impairment of deposits and other receivables	—	—	(1,996)	—	(1,996)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Year ended 31 December 2005	Continuing operations: Paint products HK$'000	Continuing operations: Property investment HK$'000	Continuing operations: Others HK$'000	Continuing operations: Eliminations HK$'000	Continuing operations: Total HK$'000	Discontinued operations: Marble and granite HK$'000	Discontinued operations: Fuel HK$'000	Discontinued operations: Eliminations HK$'000	Discontinued operations: Total HK$'000	Consolidated HK$'000
Segment revenue:										
Sales to external customers	501,995	5,191	44,058	–	551,244	503	1,839	–	2,342	553,586
Intersegment sales	–	5,474	–	(5,474)	–	–	1,641	(1,641)	–	–
Other income and gains	5,622	28,084	9,421	–	43,127	4,761	–	–	4,761	47,888
Total	507,617	38,749	53,479	(5,474)	594,371	5,264	3,480	(1,641)	7,103	601,474
Segment results	42,100	(1,737)	(1,320)	8,918	47,961	(429)	(3,722)	432	(3,719)	44,242
Interest income					722				–	722
Unallocated expenses					(41,996)				–	(41,996)
Finance costs					(7,526)				–	(7,526)
Share of profits and losses of associates					396				–	396
Loss before tax					(443)				(3,719)	(4,162)
Tax					(2,705)				–	(2,705)
Loss for the year					(3,148)				(3,719)	(6,867)
Assets and liabilities:										
Segment assets	268,057	307,241	2,689	(368)	577,619	377	–	–	377	577,996
Interests in an associate	–	25,372	–	–	25,372	–	–	–	–	25,372
Unallocated assets:										
Interests in associates					9,166				–	9,166
Available-for-sale investments					167,087				–	167,087
Assets of disposal groups classified as held for sale					352,142				3,569	355,711
Others					101,466				–	101,466
Total assets					1,232,852				3,946	1,236,798
Segment liabilities	138,345	25,336	3,000	(368)	166,313	13,614	3,076	–	16,690	183,003
Unallocated liabilities:										
Liabilities directly associated with the assets of disposal groups classified as held for sale					264,735				–	264,735
Others					142,895				–	142,895
Total liabilities					573,943				16,690	590,633

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Continuing operations					Discontinued operations				
Year ended 31 December 2005	**Paint products**	**Property investment**	**Others**	**Eliminations**	**Total**	**Marble and granite**	**Fuel**	**Eliminations**	**Total**	**Consolidated**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information:										
Depreciation	8,969	2,648	1,409	–	13,026	3,752	5	–	3,757	16,783
Capital expenditure	22,547	182,270	80	–	204,897	–	–	–	–	204,897
Impairment of an amount due from an associate	–	12,000	–	–	12,000	–	–	–	–	12,000
Unallocated amounts					426				–	426
					12,426				–	12,426
Write-down of inventories to net realisable value	1,056	–	–	–	1,056	–	–	–	–	1,056
Impairment of deposit for purchase of a property	–	10,299	–	–	10,299	–	–	–	–	10,299
Write-back of impairment of items of property, plant and equipment	–	–	–	–	–	(1,127)	–	–	(1,127)	(1,127)
Write-back of impairment of properties under development	–	(7,663)	–	–	(7,663)	–	–	–	–	(7,663)
Fair value gain on investment properties, net	–	(12,503)	–	–	(12,503)	–	–	–	–	(12,503)
Write-back of impairment of trade receivables	(1,547)	–	–	–	(1,547)	–	–	–	–	(1,547)
Write-back of impairment of other receivables	–	(4,754)	–	–	(4,754)	–	–	–	–	(4,754)

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue, certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

	Hong Kong		Mainland China		Japan		Others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**103,839**	106,634	**507,196**	445,096	**–**	1,839	**17**	17	**–**	–	**611,052**	553,586
Attributable to discontinued operations	**–**	(141)	**–**	(362)	**–**	(1,839)	**–**	–	**–**	–	**–**	(2,342)
Revenue from continuing operations	**103,839**	106,493	**507,196**	444,734	**–**	–	**17**	17	**–**	–	**611,052**	551,244
Other segment information:												
Segment assets	**338,390**	342,554	**547,588**	876,154	**–**	–	**17,903**	18,090	**–**	–	**903,881**	1,236,798
Capital expenditure	**1,258**	7,179	**14,368**	197,718	**–**	–	**–**	–	**–**	–	**15,626**	204,897

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and gross rental income received and receivable from investment properties during the year. All significant intra-group transactions have been eliminated on consolidation.

5. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of revenue, other income and gains is as follows:

	Notes	2006 HK$'000	2005 HK$'000
Revenue			
Sale of paint products		569,427	501,995
Sale of other goods		35,527	44,058
Gross rental income from investment properties		6,098	5,191
Attributable to continuing operations reported in the consolidated income statement		611,052	551,244
Attributable to discontinued operations:	12		
Sale of fuel		—	1,839
Sale of marble and granite		—	503
		611,052	553,586
Other income			
Bank interest income		1,681	722
Service fee income		156	1,977
Commission income		7,136	4,579
Income from contracting out a mining right		—	1,327
Government grants received/receivable from Mainland China authorities		3,940	1,920
Others		4,379	2,279
		17,292	12,804
Gains			
Fair value gain on investment properties, net	16	—	12,503
Gain on partial disposal of a subsidiary	39(b)	—	2,349
Gain on disposal of associates		—	158
Gain on disposal of an available-for-sale investment		15,237	—
Gain on disposal of assets/liabilities of disposal groups classified as held for sale, net		299	—
Gain on subsequent remeasurement of assets of disposal groups classified as held for sale, net		473	—
Write-back of impairment of properties under development	17	1,450	7,663
Write-back of impairment of deposits and other receivables		1,996	4,754
Write-back of impairment of trade receivables		—	1,547
Write-back of other payables and accruals		149	1,901
Exchange gains, net		1,616	170
		21,220	31,045
Total other income and gains		38,512	43,849

6. PROFIT/(LOSS) BEFORE TAX

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

	Note	2006 HK$'000	2005 HK$'000
Cost of inventories sold		**425,492**	381,714
Depreciation		**13,099**	13,026
Minimum lease payments under operating leases in respect of land and buildings		**10,645**	13,585
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**496**	386
Auditors' remuneration		**1,750**	1,850
Employee benefits expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**97,227**	84,442
Pension scheme contributions (defined contribution schemes)		**1,640**	1,763
Less: Forfeited contributions		**—**	(123)
Net pension scheme contributions#		**1,640**	1,640
Pension scheme costs (defined benefit scheme)	25(b)	**(48)**	93
		98,819	86,175
Write-down of inventories to net realisable value		**1,530**	1,056
Impairment of trade receivables		**1,163**	—

6. PROFIT/(LOSS) BEFORE TAX (continued)

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

	Notes	2006 HK$'000	2005 HK$'000
Included in "Other expenses, net" on the face of the consolidated income statement:			
Loss on disposal of items of property, plant and equipment, net		**712**	1,358
Loss on disposal of an investment property		**102**	—
Loss on disposal of subsidiaries, net		**59**	—
Fair value loss on investment properties, net	16	**1,780**	—
Impairment of an equity investment at fair value through profit or loss		**33**	—
Impairment of amounts due from associates	21	**10,233**	12,426
Impairment of available-for-sale investments		**—**	6
Impairment of deposit for purchase of a property		**—**	10,299
Impairment of other receivables		**—**	5,598
and after crediting:			
Gross rental income from investment properties		**6,098**	5,191

\# *The amounts of forfeited contributions available at the current and prior year ends to reduce contributions to the defined contribution schemes in future years were not material.*

7. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on bank loans wholly repayable within five years	**5,439**	6,109
Interest on other loans	**2,090**	1,367
Interest on finance leases	**44**	50
	7,573	7,526

8. DIRECTORS' REMUNERATION

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

	Group	
	2006 HK$'000	2005 HK$'000
Fees:		
Executive directors	**2,400**	2,250
Non-executive directors	**600**	750
	3,000	3,000
Other emoluments:		
Salaries, allowances and benefits in kind	**16,500**	15,712
Pension scheme contributions	**667**	611
	17,167	16,323
	20,167	19,323

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2006	2005
	HK$'000	HK$'000
Sir David Akers-Jones	**300**	200
Li Hui Yan	**—**	200
Lau Wong Fat	**—**	100
Danny T Wong	**200**	200
	500	700

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

(b) Executive directors and a non-executive director

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
2006				
Executive directors:				
Tsui Tsin Tong	**1,050**	**9,818**	**444**	**11,312**
Lam Ting Ball, Paul	**200**	**2,063**	**12**	**2,275**
Tsui Ho Chuen, Philip	**500**	**2,273**	**90**	**2,863**
Tsui Yam Tong, Terry	**500**	**1,943**	**105**	**2,548**
Wong Chi Keung, Alvin	**150**	**403**	**16**	**569**
	2,400	**16,500**	**667**	**19,567**
Non-executive director:				
Hung Ting Ho, Richard	**100**	**—**	**—**	**100**
	2,500	**16,500**	**667**	**19,667**

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director (continued)

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2005				
Executive directors:				
Tsui Tsin Tong	1,150	9,601	409	11,160
Lam Ting Ball, Paul	100	1,970	13	2,083
Tsui Ho Chuen, Philip	500	2,242	83	2,825
Tsui Yam Tong, Terry	500	1,899	106	2,505
	2,250	15,712	611	18,573
Non-executive director:				
Hung Ting Ho, Richard	50	—	—	50
	2,300	15,712	611	18,623

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2005: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2005: one) non-director, highest paid employee for the year are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,212**	1,127
Pension scheme contributions	**66**	66
	1,278	1,193

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**187**	193
Overprovision in prior years	**(3)**	(46)
Current – Elsewhere		
Charge for the year	**3,539**	2,316
Deferred *(note 35)*	**(218)**	242
	3,505	2,705

The share of tax attributable to associates amounting to HK$400,000 (2005: HK$27,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

10. TAX (continued)

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2006		2005	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before tax (including profit/(loss) from discontinued operations)	**21,991**		(4,162)	
Tax at the statutory tax rate	**3,848**	**17.5**	(728)	(17.5)
Lower tax rate for specific provinces in the PRC	**(4,660)**	**(21.2)**	(6,572)	(157.9)
Adjustments in respect of current tax of previous periods	**(3)**	**—**	(46)	(1.1)
Profits and losses attributable to associates	**(339)**	**(1.5)**	(69)	(1.7)
Depreciation adjustment	**(58)**	**(0.3)**	146	3.5
Income not subject to tax	**(5,763)**	**(26.2)**	(5,196)	(124.8)
Expenses not deductible for tax	**5,043**	**22.9**	9,378	225.3
Tax losses utilised from previous periods	**(5,378)**	**(24.5)**	(17)	(0.4)
Tax losses not recognised	**10,815**	**49.2**	5,809	139.6
Tax charge at the Group's effective rate	**3,505**	**15.9**	2,705	65.0
Tax charge attributable to discontinued operations	**—**		—	
Tax charge attributable to continuing operations reported in the consolidated income statement	**3,505**		2,705	

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit/(loss) attributable to equity holders of the parent for the year ended 31 December 2006 includes a loss of HK$66,137,000 (2005: HK$233,581,000) which has been dealt with in the financial statements of the Company (note 38(b)).

12. DISCONTINUED OPERATIONS AND ASSETS/LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

(a) Discontinued operations

On 20 April 2005, the board of directors of the Group approved the discontinuance of the marble and granite business and the fuel business, which formed separate reporting segments of the Group.

The results from the discontinued operations for the years ended 31 December 2006 and 2005 are as follows:

	Marble and granite		Fuel		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REVENUE	—	503	—	1,839	—	2,342
Cost of sales	—	(303)	—	(2,083)	—	(2,386)
Gross profit/(loss)	—	200	—	(244)	—	(44)
Other income and gains	—	4,761	—	—	—	4,761
Selling and distribution costs	—	(39)	—	(858)	—	(897)
Administrative expenses	—	(4,496)	—	(965)	—	(5,461)
Other expenses, net	—	(855)	—	(1,223)	—	(2,078)
Loss for the year from discontinued operations	—	(429)	—	(3,290)	—	(3,719)
Gain on disposal of discontinued operations *(note 39(a))*	**8,370**	—	**3,211**	—	**11,581**	—

12. DISCONTINUED OPERATIONS AND ASSETS/LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (continued)

(a) Discontinued operations (continued)

The net cash flows incurred by the discontinued operations are as follows:

	Marble and granite		Fuel		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Operating activities	**—**	1,061	**—**	1,272	**—**	2,333
Investing activities	**—**	234	**—**	—	**—**	234
Net cash inflow	**—**	1,295	**—**	1,272	**—**	2,567

	2006	2005
	HK cents	HK cents
Earnings/(loss) per share:		
Basic, from the discontinued operations	**0.75**	(0.24)
Diluted, from the discontinued operations	**N/A**	N/A

The calculation of basic earnings/(loss) per share amounts from the discontinued operations is based on:

	2006	2005
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations	**HK$11,581,000**	HK$(3,719,000)
Weighted average number of ordinary shares in issue during the year	**1,535,590,000**	1,532,970,000

12. DISCONTINUED OPERATIONS AND ASSETS/LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (continued)

(b) Assets/liabilities of disposal groups classified as held for sale

During the year, the Group completed the disposal of the following assets or disposal groups:

(i) the Group's remaining effective 95% equity interest in a subsidiary engaged in property development in Dalian, the PRC;

(ii) certain investment properties in Lee Man Commercial Building;

(iii) a wholly-owned subsidiary which is engaged in property investment in Futian, Shenzhen;

(iv) the Group's entire 21% equity interest in an associate, Shenzhen Huate Packing Co. Ltd. ("Shenzhen Huate"); and

(v) certain machinery and a piece of leasehold land of the discontinued marble and granite business of the Group.

The above assets and associated liabilities, which were expected to be sold within twelve months from 31 December 2005, had been classified as disposal groups held for sale and were presented separately in the balance sheet as at 31 December 2005. Further details of the above disposal transactions were set out in the Company's annual report for the year ended 31 December 2005.

The major classes of assets and liabilities of the disposal groups as at their respective dates of disposal and 31 December 2005 were as follows:

	At dates of disposal in 2006 HK$'000	31 December 2005 HK$'000
Assets		
Property, plant and equipment	**3,137**	2,992
Investment properties	**30,892**	34,517
Property under development	**278,240**	239,046
Prepaid land premium	**806**	806
Interests in associates	**24,722**	25,422
Prepayments, deposits and other receivables	**123,792**	35,857
Cash and cash equivalents	**12,947**	17,071
	474,536	355,711

12. DISCONTINUED OPERATIONS AND ASSETS/LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (continued)

(b) Assets/liabilities of disposal groups classified as held for sale (continued)

	At dates of disposal in 2006 HK$'000	31 December 2005 HK$'000
Liabilities		
Other payables and accruals	**(284,824)**	(168,355)
Interest-bearing bank and other borrowings	**(99,000)**	(96,000)
Tax payable	**(475)**	(380)
	(384,299)	(264,735)
Associated exchange reserve	**9,856**	14,030
Net carrying value directly associated with the disposal groups	**100,093**	105,006
Gain on disposal of disposal groups classified as held for sale	**299**	
	100,392	
Satisfied by:		
Cash, net of expenses	**78,592**	
Investment properties	**21,800**	
	100,392	

13. DIVIDEND

	2006 HK$'000	2005 HK$'000
Proposed conditional final - HK1 cent (2005: Nil) per ordinary share	**15,395**	—

The proposed conditional final dividend, which will be payable in scrip with an option to elect cash, is payable out of the contributed surplus account of the Company and is conditional on the approval of the Company's shareholders, inter alia, (i) the cancellation of the share premium account and the capital redemption reserve account of the Company; and (ii) the transfer of the credit arising from the above cancellation to the contributed surplus account of the Company at the forthcoming annual general meeting.

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$18,739,000 (2005: loss of HK$7,865,000) and the weighted average number of ordinary shares of 1,535,590,000 (2005: 1,532,970,000) in issue during the year.

The calculation of basic earnings/(loss) per share amounts from continuing operations is based on the profit for the year attributable to ordinary equity holders of the parent of HK$7,158,000 (2005: loss of HK$4,146,000) and the weighted average number of ordinary shares of 1,535,590,000 (2005: 1,532,970,000) in issue during the year.

A diluted earnings per share amount for the year ended 31 December 2006 has not been disclosed as the exercise price of the Company's outstanding share options were higher than the average market price of the Company's ordinary shares during the year and accordingly, the share option had no dilutive effect.

No diluted loss per share amount was presented for the year ended 31 December 2005 as the effect of the Company's outstanding share options was anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land and buildings HK$'000	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2006								
At 1 January 2006:								
Cost or valuation	18,502	233,775	184	10,046	114,912	22,746	21,773	421,938
Accumulated depreciation and impairment	(855)	(63,779)	—	(6,275)	(92,968)	(15,704)	(17,292)	(196,873)
Net carrying amount	17,647	169,996	184	3,771	21,944	7,042	4,481	225,065
At 1 January 2006, net of accumulated depreciation and impairment	17,647	169,996	184	3,771	21,944	7,042	4,481	225,065
Additions	—	473	4,024	2,241	3,290	2,303	2,945	15,276
Disposals	—	—	—	(186)	(1,217)	(126)	(370)	(1,899)
Depreciation provided during the year	(112)	(6,575)	—	(954)	(2,354)	(1,558)	(1,546)	(13,099)
Transfers	—	—	(2,449)	203	2,229	17	—	—
Exchange realignment	—	739	6	69	175	48	24	1,061
At 31 December 2006, net of accumulated depreciation and impairment	17,535	164,633	1,765	5,144	24,067	7,726	5,534	226,404
At 31 December 2006:								
Cost or valuation	18,502	235,178	1,765	11,644	118,036	22,083	21,237	428,445
Accumulated depreciation and impairment	(967)	(70,545)	—	(6,500)	(93,969)	(14,357)	(15,703)	(202,041)
Net carrying amount	17,535	164,633	1,765	5,144	24,067	7,726	5,534	226,404
Analysis of cost or valuation :								
At cost	18,502	25,150	1,765	11,644	118,036	22,083	21,237	218,417
At 31 December 1994 valuation	—	202,000	—	—	—	—	—	202,000
At 30 June 2005 valuation (transferred from investment properties)	—	8,028	—	—	—	—	—	8,028
	18,502	235,178	1,765	11,644	118,036	22,083	21,237	428,445

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Freehold land and buildings HK$'000	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2005								
At 1 January 2005:								
Cost or valuation	18,486	261,851	1,196	8,101	161,042	21,852	24,630	497,158
Accumulated depreciation and impairment	(763)	(63,451)	–	(5,459)	(131,978)	(16,097)	(18,823)	(236,571)
Net carrying amount	17,723	198,400	1,196	2,642	29,064	5,755	5,807	260,587
At 1 January 2005, net of accumulated depreciation and impairment	17,723	198,400	1,196	2,642	29,064	5,755	5,807	260,587
Additions	–	11,645	31	2,205	5,255	3,022	736	22,894
Disposals	–	(404)	–	(56)	(4,456)	(221)	(216)	(5,353)
Depreciation provided during the year	(87)	(6,019)	–	(1,023)	(6,443)	(1,373)	(1,838)	(16,783)
Write-back of impairment	–	–	–	–	1,127	–	–	1,127
Transfers	–	1,067	(1,067)	–	–	–	–	–
Classified as assets of disposal groups held for sale	–	–	–	–	(2,726)	(153)	(20)	(2,899)
Transfer to investment properties, net	–	(35,374)	–	–	–	–	–	(35,374)
Exchange realignment	11	681	24	3	123	12	12	866
At 31 December 2005, net of accumulated depreciation and impairment	17,647	169,996	184	3,771	21,944	7,042	4,481	225,065
At 31 December 2005:								
Cost or valuation	18,502	233,775	184	10,046	114,912	22,746	21,773	421,938
Accumulated depreciation and impairment	(855)	(63,779)	–	(6,275)	(92,968)	(15,704)	(17,292)	(196,873)
Net carrying amount	17,647	169,996	184	3,771	21,944	7,042	4,481	225,065
Analysis of cost or valuation :								
At cost	18,502	23,747	184	10,046	114,912	22,746	21,773	211,910
At 31 December 1994 valuation	–	202,000	–	–	–	–	–	202,000
At 30 June 2005 valuation (transferred from investment properties)	–	8,028	–	–	–	–	–	8,028
	18,502	233,775	184	10,046	114,912	22,746	21,773	421,938

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2006				
At 1 January 2006:				
Cost	1,861	3,005	1,869	6,735
Accumulated depreciation	(1,861)	(2,743)	(1,869)	(6,473)
Net carrying amount	—	262	—	262
At 1 January 2006, net of accumulated depreciation	—	262	—	262
Additions	—	113	—	113
Disposals	—	(13)	—	(13)
Depreciation provided during the year	—	(97)	—	(97)
At 31 December 2006, net of accumulated depreciation	—	265	—	265
At 31 December 2006:				
Cost	1,861	3,073	1,869	6,803
Accumulated depreciation	(1,861)	(2,808)	(1,869)	(6,538)
Net carrying amount	—	265	—	265

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2005				
At 1 January 2005:				
Cost	1,861	2,984	1,869	6,714
Accumulated depreciation	(1,861)	(2,708)	(1,809)	(6,378)
Net carrying amount	—	276	60	336
At 1 January 2005, net of accumulated depreciation	—	276	60	336
Additions	—	89	—	89
Disposals	—	(14)	—	(14)
Depreciation provided during the year	—	(89)	(60)	(149)
At 31 December 2005, net of accumulated depreciation	—	262	—	262
At 31 December 2005:				
Cost	1,861	3,005	1,869	6,735
Accumulated depreciation	(1,861)	(2,743)	(1,869)	(6,473)
Net carrying amount	—	262	—	262

Note: As an arrangement of attracting foreign investments in Xuzhou, the Group entered into certain agreements (the "Xuzhou Agreements") with the Xuzhou Economic Development Zone Committee ("徐州經濟開發區管委會") (the "Xuzhou Authority", under the municipal government of Xuzhou) on 10 April 2004. Pursuant to the Xuzhou Agreements, the Xuzhou Authority arranged the construction of the plant and office buildings for a solvent manufacturing subsidiary in Xuzhou (the "Xuzhou Subsidiary") and also provide the required funding to the Xuzhou Subsidiary for the construction in the form of a loan to the Xuzhou Subsidiary (the "Construction Loan"). The piece of land on which the plant and office buildings were constructed (the "Xuzhou Land") was granted by the Xuzhou Authority to the Xuzhou Subsidiary and the legal title to the Xuzhou Land will be transferred to the Xuzhou Subsidiary upon the completion of the legal formality of the land use right certificate. The construction of the plant and office buildings was completed, and the plant and office buildings were handed over to the Group for the solvent operation in July 2005. Up to the date of these financial statements, the legal formality to obtain the land use right of the Xuzhou Land and property ownership certificates of the plant and office buildings is still in progress pending for the finalisation of land premium payable to the Xuzhou Authority. At the balance sheet date, the aggregate carrying value of the plant and office buildings of the Xuzhou Subsidiary amounted to HK$12,145,000 (2005: HK$12,525,000).

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of the Group's items of property, plant and equipment held under finance leases included in the total amount of office equipment and motor vehicles at 31 December 2006 amounted to HK$669,000 (2005: HK$921,000).

Certain of the Group's leasehold land and buildings situated in Hong Kong and Mainland China were revalued at 31 December 1994, by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers. The leasehold land and buildings situated in Hong Kong were revalued at open market value, based on their existing use. The leasehold land and buildings situated in Mainland China were revalued based on a combination of the market and depreciated replacement costs. Since 31 December 1994, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16 from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time. Certain leasehold land and buildings of the Group which had been revalued in 1994 were classified as finance leases under paragraph 16 of HKAS 17 as the lease payments could not be allocated reliably between land and buildings elements. Accordingly, the entire lease has been classified as a finance lease of the Group's property, plant and equipment.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment, their total carrying amount at 31 December 2006 would have been HK$128,741,000 (2005: HK$134,226,000).

The Group's land and buildings included above are held under the following lease terms:

	Hong Kong	Elsewhere	Total
	HK$'000	HK$'000	HK$'000
Freehold	—	18,502	18,502
Long term leases	64,028	—	64,028
Medium term leases	80,000	91,150	171,150
	144,028	109,652	253,680

At 31 December 2006, certain of the above land and buildings with an aggregate net book value of approximately HK$169,883,000 (2005: HK$174,974,000) were pledged to secure general banking facilities granted to the Group (note 33).

16. INVESTMENT PROPERTIES

	Group 2006 HK$'000	2005 HK$'000
Carrying amount at 1 January	**95,520**	82,160
Transfer from owner-occupied property, net *(note 15)*	**—**	35,374
Additions	**21,800**	—
Disposal	**(1,640)**	—
Fair value gain/(loss), net	**(1,780)**	12,503
Classified as assets of disposal groups held for sale	**—**	(34,517)
Carrying amount at 31 December	**113,900**	95,520

The Group's investment properties are held under the following lease terms:

	Group 2006 HK$'000	2005 HK$'000
Long term leases in Hong Kong	**46,900**	49,500
Medium term leases in:		
Hong Kong	**26,200**	25,020
Elsewhere	**40,800**	21,000
	67,000	46,020
	113,900	95,520

The Group's investment properties were revalued on 31 December 2006 by Vigers Appraisal & Consulting Limited or BMI Appraisals Limited, independent professionally qualified valuers. The properties were either revalued at open market value, based on their existing use, or on the basis of capitalisation of net rental income.

Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 43(a).

At 31 December 2006, certain of the Group's investment properties with an aggregate carrying value of HK$92,100,000 (2005: HK$95,520,000) were pledged to secure general banking facilities granted to the Group (note 33).

Further particulars of the Group's investment properties are included on page 131.

17. PROPERTY UNDER DEVELOPMENT

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**25,000**	74,380
Additions	**350**	59,035
Write-back of impairment during the year	**1,450**	7,663
Classified as assets of disposal groups held for sale	**—**	(116,078)
Carrying amount at 31 December	**26,800**	25,000

At the balance sheet date, the Group's property under development is held under a long term lease and is situated in Hong Kong.

18. PREPAID LAND PREMIUM

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**1,546**	2,378
Recognised during the year	**(44)**	(58)
Classified as assets of disposal groups held for sale	**—**	(806)
Exchange realignment	**65**	32
Carrying amount at 31 December	**1,567**	1,546

The leasehold land is held under a medium term lease and is situated in Mainland China.

19. GOODWILL

The amount of goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition or deemed acquisition of subsidiaries, is as follows:

	HK$'000
At 1 January and 31 December 2005	
Cost	10,581
Accumulated amortisation and impairment	(10,581)
Net carrying amount	—

	HK$'000
At 31 December 2006	
Cost	—
Accumulated amortisation and impairment	—
Net carrying amount	—

The amount of goodwill had been written-off by the Group upon the disposal of certain subsidiaries of the Group during the current year.

As further detailed in note 2.4, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against consolidated reserves.

The amount of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries and associates prior to the adoption of SSAP 30 in 2001, was HK$221,598,000 as at 31 December 2006 and 2005. The amount of goodwill is stated at its cost, less cumulative impairment of HK$175,548,000 which arose in years prior to 1 January 2005.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares/investments, at cost	**224,095**	224,095
Loans to subsidiaries	**1,660,276**	1,660,069
Due to subsidiaries	**(706)**	(721)
	1,883,665	1,883,443
Impairment	**(1,301,575)**	(1,232,050)
	582,090	651,393

Except for the amounts due from subsidiaries of HK$450,897,000 (2005: HK$403,741,000), which bear interest at the Hong Kong dollar prime rate plus 1% per annum, the amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loan to the subsidiaries. The carrying amounts of the amounts due to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
The China Paint Manufacturing Company (1946) Limited	Hong Kong	Ordinary HK$200,000 Non-voting deferred HK$1,761,300	—	100	Manufacture and sale of paint products and investment holding
The China Paint Manufacturing (Shenzhen) Co., Ltd. #	the PRC	HK$70,000,000	—	100	Manufacture and sale of paint products

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Paint Property Limited	Hong Kong	HK$100,000	—	100	Property investment
China Utilities Limited	British Virgin Islands	US$1	—	100	Investment holding
CNT Dalian Company Limited	Hong Kong	HK$2	—	100	Investment holding
CNT Finance Company Limited	Hong Kong	HK$2	100	—	Fund management
CNT Industries (BVI) Limited	British Virgin Islands	US$1,635,512	100	—	Investment holding
CNT Investments (BVI) Limited	British Virgin Islands	US$159,705	100	—	Investment holding
CNT Iron And Steel Limited	British Virgin Islands	US$1,566,804	—	100	Investment holding
CNT Iron And Steel Trading Company Limited	Hong Kong	HK$2	—	100	Trading of steel products
CNT-Jialing Investments Limited	Hong Kong	HK$10,000,000	100	—	Property investment
CNT Management And Secretaries Limited	Hong Kong	HK$2	100	—	Management and secretarial services

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CNT Solvents Co., (Xuzhou) Ltd. # *	the PRC	US$2,000,000	—	100	Manufacture and sale of solvents
Conley Investment Limited	Hong Kong	HK$2	—	100	Property investment
Dalian Qinggang Realestate Development Co., Ltd. ## *	the PRC	US$2,100,000	—	60	Property development
Dongola Holdings Limited	British Virgin Islands	US$1	100	—	Investment holding
Full Pool Limited	Hong Kong	HK$2	—	100	Property investment
Golden Premium Limited	Hong Kong	HK$2	—	100	Property development
Guangzhou City Wilfred Marble Company Limited	the PRC	HK$50,975,000	—	100	Property investment
Head Hero International Limited	Hong Kong	HK$1	—	100	Property investment
Hua Xia International Development Co. Ltd. *	Taiwan	NTD25,000,000	100	—	Property holding
Hubei Jinghua Paint Manufacturing Company Limited ## *	the PRC	RMB40,000,000	—	90.5	Manufacture and sale of paint products

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Majority Faith Corporation	British Virgin Islands	US$1	—	100	Investment holding
Multibest Resources Limited	British Virgin Islands	US$1	—	100	Investment holding
Ocean Wide Assets Limited	British Virgin Islands	US$1	—	100	Investment holding
Opulent Profits Limited	British Virgin Islands	US$1	—	100	Investment holding
Profit Source Limited	Hong Kong	HK$2	—	100	Securities investment and investment holding
Rainbow Path Enterprises Limited	Hong Kong	HK$1,000	—	100	Investment holding
R, J & Thomas Secretaries Limited	Hong Kong	HK$30,000	—	100	Investment holding
Tatpo Corporation Limited	Liberia	US$20,872	100	—	Investment holding

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

\# *Wholly foreign-owned enterprise registered under the PRC law*

\#\# *Sino-foreign equity joint venture registered under the PRC law*

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

21. INTERESTS IN ASSOCIATES

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**5,038**	11,783
Goodwill on acquisition	**—**	20,080
	5,038	31,863
Loans to associates	**22,642**	42,595
	27,680	74,458
Impairment	**(10,233)**	(39,920)
	17,447	34,538

At 31 December 2006, the loans to associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the loans to associates approximate to their fair values.

Particulars of the principal associates as at 31 December 2006 are as follows:

Name	Particulars of issued ordinary/ registered share capital	Place of incorporation/ registration	Percentage of equity attributable to the Group# 2006	2005	Principal activities
Arran Investment Company, Limited	Ordinary shares of HK$100 each	Hong Kong	50	50	Property investment
Liaoyang Beiyang Realestate Development Company Limited	US$1,240,000	the PRC	50	50	Property development
Shenzhen Huate Packing Co., Ltd.	HK$43,510,000	the PRC	—	21	Manufacture and sale of containers
Treasure Auctioneer International Limited	Ordinary shares of US$1 each	British Virgin Islands	—	45	Investment holding

\# *None of the associates of the Group were audited by Ernst & Young Hong Kong or other Ernst & Young International member firms for the years ended 31 December 2005 and 2006.*

21. INTERESTS IN ASSOCIATES (continued)

Liaoyang Beiyang Realestate Development Company Limited and Arran Investment Company, Limited are corporate associates indirectly held by the Company as at 31 December 2006. The financial year end of Liaoyang Beiyang Realestate Development Company Limited is coterminous with that of the Group, while Arran Investment Company, Limited has a financial year ending 31 October. The consolidated financial statements are adjusted for material transactions between this associate and Group companies between the financial year end date of this associate and that of the Group.

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

The Group has discontinued the recognition of its share of losses of Liaoyang Beiyang Realestate Development Company Limited because the share of losses of the associate exceeded the Group's interest in the associate and the Group had no binding obligation to make good any losses incurred by the associate. The Group's unrecognised share of profits of this associate for the current year and its cumulative losses were HK$710,000 (2005: loss of HK$2,002,000) and HK$4,935,000 (2005: HK$5,645,000), respectively.

All the above associates have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates (including Shenzhen Huate for the year ended 31 December 2005) extracted from their financial statements:

	2006	2005
	HK$'000	HK$'000
Assets	**33,009**	304,817
Liabilities	**8,546**	234,284
Revenues	**2,350**	349,144
Profit	**2,101**	11,068

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted equity investments, at cost	**231,946**	244,377
Impairment	**(64,859)**	(77,290)
	167,087	167,087

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. These unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

23. DEPOSIT FOR PURCHASE OF A PROPERTY

The amount represents a deposit paid to an independent third party (the "Vendor") in May 1999 for the acquisition of certain lots of land in Hong Kong, subject to the surrender to and regrant (the "Regrant") by the Hong Kong SAR Government (the "Government") of such lots of land. The land premium payable by the Group for the Regrant is under negotiation with the Government. As the Regrant of the land was not completed before 12 May 2002, the Group has the right to demand repayment of the entire deposit. An extension of the planning permission validity period was granted to 18 October 2007 by the Town Planning Board. The Regrant has not been completed to date. The Group has not demanded the repayment of the deposit with a view to holding the land for its own development or other purposes, and accordingly, the deposit paid continues to be classified as a non-current asset. Impairment of HK$42,000,000 had been made by the Group in prior years and no further impairment was made against the carrying amount of the deposit in the current year by reference to an independent valuation performed by BMI Appraisals Limited, independent professionally qualified valuers.

24. MORTGAGE LOAN RECEIVABLE

	Group	
	2006	2005
	HK$'000	HK$'000
Mortgage loan receivable, secured	**—**	810
Portion classified as current assets	**—**	(44)
Non-current portion	**—**	766
Mortgage loan receivable repayable:		
Within one year	**—**	44
In the second year	**—**	52
In the third to fifth years, inclusive	**—**	190
After five years	**—**	524
	—	810

The carrying amount of the Group's mortgage loan receivable at 31 December 2005 approximated to its fair value, which was determined using the effective interset method. The outstanding amount of mortgage loan receivable was fully settled during the year.

25. PENSION SCHEME ASSET

(a) The amounts recognised in the consolidated balance sheet were as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Present value of the defined benefit obligation	**(5,331)**	(6,854)
Fair value of scheme assets	**9,515**	9,423
	4,184	2,569
Net unrecognised actuarial gains	**(2,967)**	(1,679)
Net asset recognised	**1,217**	890

25. PENSION SCHEME ASSET (continued)

(b) The components of the Group's net pension scheme cost recognised in the consolidated income statement for the year, together with the actual return on the scheme assets for the year, were as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current service cost	**343**	400
Interest cost on defined benefit obligation	**252**	345
Expected return on pension scheme assets	**(604)**	(633)
Net cumulative actuarial gain recognised in the income statement	**(46)**	(29)
Administration costs and group life premium deducted from contributions	**7**	10
	(48)	93
Actual return on scheme assets	**1,681**	609

The above amount of the Group's net pension scheme cost was included in the "Administrative expenses" on the face of the consolidated income statement.

(c) Movements in the present value of the Group's defined benefit obligation were as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 January	**6,854**	7,295
Interest cost	**252**	345
Current service cost	**343**	400
Benefits paid	**(1,861)**	(786)
Actuarial gain	**(257)**	(400)
At 31 December	**5,331**	6,854

25. PENSION SCHEME ASSET (continued)

(d) Movements in the Group's fair value of scheme assets were as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 January	**9,423**	9,246
Expected return on scheme assets	**604**	633
Contributions	**272**	354
Benefits paid	**(1,861)**	(786)
Actuarial gain/(loss) on scheme assets	**1,077**	(24)
At 31 December	**9,515**	9,423

(e) The Group expects to pay HK$239,000 in contributions to the Group's pension scheme asset during the year ending 31 December 2007.

(f) Scheme assets consist of the following:

	2006	2005
Equities	**70%**	77%
Bonds	**21%**	17%
Cash	**9%**	6%
Total	**100%**	100%

(g) The principal actuarial assumptions used in determining the Group's net pension scheme asset as at the balance sheet date were as follows:

	2006	2005
Discount rate	**3.7%**	4.2%
Expected rate of return on the pension scheme asset	**7.0%**	7.0%
Future salary increases	**3.2%**	3.2%

The expected return on the pension scheme asset is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligations.

25. PENSION SCHEME ASSET (continued)

(h) Other historical information of the Group's pension scheme assets and liabilities were are follows:

	2006 HK$'000	2005 HK$'000
Present value of the defined benefit obligation	**(5,331)**	(6,854)
Fair value of scheme assets	**9,515**	9,423
Experienced gain arising on scheme assets	**320**	402
Experienced gain arising on scheme liabilities	**1,077**	(24)

(i) In addition to the above disclosures, the following information is further provided pursuant to the requirements of the Listing Rules. The actuarial valuation of the Group's pension scheme asset as at 31 December 2006 was performed by an actuarial manager of HSBC Life (International) Limited, a member of Actuarial Society of Hong Kong, using the valuation method detailed under the heading "Employee benefits: Pension schemes and other retirement benefits" in note 2.4. The defined benefit scheme is funded by the employers to provide benefits based on the members' salaries and services.

As at 31 December 2006, the level of funding of the pension scheme was 178%, as calculated under the projected unit credit actuarial valuation method.

26. INVENTORIES

	Group	
	2006 HK$'000	2005 HK$'000
Raw materials and spare parts	**36,810**	33,346
Work in progress	**4,415**	4,730
Finished goods	**11,062**	19,507
	52,287	57,583

27. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to three months to normal customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group	
	2006	2005
	HK$'000	HK$'000
Within three months	**96,081**	82,176
Four to six months	**4,723**	12,399
Over six months	**3,903**	5,722
	104,707	100,297

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**586**	831	**—**	—
Deposits and other receivables	**17,414**	29,269	**757**	3,147
	18,000	30,100	**757**	3,147

The carrying amounts of deposits and other receivables approximate to their fair values.

29. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	HK$'000
Equity investment listed in Hong Kong, at fair value	**—**	33

The above equity investment at 31 December 2005 and 2006 was classified as held for trading.

30. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**92,018**	92,468	**6,679**	1,225
Time deposits				
– with original maturity date less than three months	**32,038**	4,144	**—**	—
– with original maturity date more than three months	**4,403**	—	**—**	—
Cash and cash equivalents	**128,459**	96,612	**6,679**	1,225

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$90,100,000 (2005: HK$79,428,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values. None of the Group's cash and cash equivalents were pledged as at balance sheet date.

31. TRADE AND BILLS PAYABLES

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

	Group	
	2006	2005
	HK$'000	HK$'000
Within three months	**71,582**	41,869
Four to six months	**5,207**	26,175
Over six months	**775**	10,060
	77,564	78,104

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

32. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income	**—**	14,335	**—**	—
Other payables	**28,371**	34,310	**5**	145
Accruals	**36,755**	36,390	**2,395**	3,398
	65,126	85,035	**2,400**	3,543

The other payables are non-interest-bearing and have an average term of three months.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate per annum	Maturity	Group 2006 HK$'000	Group 2005 HK$'000	Company 2006 HK$'000	Company 2005 HK$'000
Current						
Finance lease payables *(note 34)*	3.4% - 7.9%	2007	**480**	426	**16**	16
Bank loans - secured	5.3% - 7%	2007	**29,175**	80,858	**—**	—
Bank loans - unsecured	—	2007	**—**	9,600	**—**	—
Import loans - secured	6.5% - 7.8%	2007	**8,945**	14,723	**—**	—
Import loans - unsecured	—	2007	**—**	6,975	**—**	—
Other loan	5.5%	2007	**2,173**	—	**—**	—
			40,773	112,582	**16**	16
Non-current						
Finance lease payables *(note 34)*	3.4% - 7.9%	2008 - 2009	**272**	587	**51**	32
Bank loans - secured	5.5% - 7%	2008 - 2012	**19,110**	24,473	**—**	—
Other loan	5.5%	2008 - 2015	**13,285**	13,718	**—**	—
			32,667	38,778	**51**	32
			73,440	151,360	**67**	48

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans and import loans:				
Within one year or on demand	**38,120**	112,156	**—**	—
In the second year	**4,882**	4,643	**—**	—
In the third to fifth years, inclusive	**10,563**	12,463	**—**	—
Beyond five years	**3,665**	7,367	**—**	—
	57,230	136,629	**—**	—
Other borrowings repayable:				
Within one year or on demand	**2,653**	426	**16**	16
In the second year	**1,898**	1,929	**17**	13
In the third to fifth years, inclusive	**5,016**	4,755	**34**	19
Beyond five years	**6,643**	7,621	**—**	—
	16,210	14,731	**67**	48
	73,440	151,360	**67**	48

Notes:

(a) The Group's bank loans and import loans are secured by:

(i) mortgages over certain of the Group's land and buildings with an aggregate net book value at the balance sheet date of approximately HK$169,883,000 (2005: HK$174,974,000); and

(ii) mortgages over certain of the Group's investment properties with an aggregate carrying value at the balance sheet date of approximately HK$92,100,000 (2005: HK$95,520,000).

(b) The Group's other loan represented the Construction Loan as detailed in note 15, which will be secured by the land and buildings of Xuzhou Subsidiary upon completion of the transfer of the related land use right, bears interest at a rate of 5.5% per annum and is repayable by nine instalments over a 10-year period with the first instalment due by July 2007.

(c) Included in the Group's interest-bearing bank and other borrowings are borrowings with carrying amounts of HK$40,098,000 and HK$4,386,000, which are denominated in Reiminbi and New Taiwan dollars, respectively. All other borrowings of the Group are denominated in Hong Kong dollars.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Other interest rate information:

	Fixed rate		Floating rate	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
Finance lease payables	**752**	1,013	**—**	—
Bank loans – secured	**—**	—	**48,285**	105,331
Bank loans – unsecured	**—**	—	**—**	9,600
Import loans – secured	**—**	—	**8,945**	14,723
Import loans – unsecured	**—**	—	**—**	6,975
Other loan	**15,458**	13,718	**—**	—
Company				
Finance lease payables	**67**	48	**—**	—

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

	Carrying amounts		Fair values	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
Finance lease payables	**272**	587	**265**	575
Bank loans – secured	**19,110**	24,473	**18,637**	23,814
Other loan	**13,285**	13,718	**13,285**	11,179
	32,667	38,778	**32,187**	35,568
Company				
Finance lease payables	**51**	32	**51**	31

The fair values of the Group's and the Company's borrowings have been calculated by discounting the expected future cash flows at the prevailing interest rates.

34. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles and office equipment for its operations. These leases are classified as finance leases and have remaining lease terms ranging from one to three years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

At 31 December 2006, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
Amounts payable:				
Within one year	**505**	459	**480**	426
In the second year	**244**	419	**238**	404
In the third to fifth years, inclusive	**37**	186	**34**	183
Total minimum finance lease payments	**786**	1,064	**752**	1,013
Future finance charges	**(34)**	(51)		
Total net finance lease payables	**752**	1,013		
Portion classified as current liabilities *(note 33)*	**(480)**	(426)		
Non-current portion *(note 33)*	**272**	587		

34. FINANCE LEASE PAYABLES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Company				
Amounts payable:				
Within one year	**20**	19	**16**	16
In the second year	**20**	13	**17**	12
In the third to fifth years, inclusive	**37**	21	**34**	20
Total minimum finance lease payments	**77**	53	**67**	48
Future finance charges	**(10)**	(5)		
Total net finance lease payables	**67**	48		
Portion classified as current liabilities *(note 33)*	**(16)**	(16)		
Non-current portion *(note 33)*	**51**	32		

35. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**3,968**	3,726	**5,752**	5,743	**9,720**	9,469
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	**(218)**	242	**—**	—	**(218)**	242
Deferred tax debited to equity during the year	**—**	—	**845**	9	**845**	9
Gross deferred tax liabilities at 31 December	**3,750**	3,968	**6,597**	5,752	**10,347**	9,720

Deferred tax asset

Group

	Losses available for offsetting against future taxable profit	
	2006	2005
	HK$'000	HK$'000
Gross deferred tax asset at 1 January and at 31 December	**6**	6
Net deferred tax liabilities at 31 December	**10,341**	9,714

35. DEFERRED TAX (continued)

The Group has tax losses arising in Hong Kong of HK$693,302,000 (2005: HK$655,235,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax asset has not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

36. SHARE CAPITAL

Shares

	2006	2005
	HK$'000	HK$'000
Authorised:		
2,880,000,000 ordinary shares of HK$0.10 each	**288,000**	288,000
Issued and fully paid:		
1,539,472,193 (2005: 1,532,970,193) ordinary shares of HK$0.10 each	**153,947**	153,297

36. SHARE CAPITAL (continued)

Shares (continued)

There was no movement of the Company's share capital in the prior year. During the year, the subscription rights attaching to 6,502,000 share options were exercised at the subscription price of HK$0.1576 per share (note 37(b)), resulting in the issue of 6,502,000 shares of HK$0.10 each for a total cash consideration before expenses, of HK$1,025,000. A summary of the transaction during the year in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2005 and 1 January 2006	1,532,970,193	153,297	701,316	854,613
Share options exercised	6,502,000	650	375	1,025
At 31 December 2006	**1,539,472,193**	**153,947**	**701,691**	**855,638**

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 37.

37. SHARE OPTION SCHEMES

The Company operates three share option schemes, which entitle the holders of share options granted under the schemes to subscribe for ordinary shares of the Company at any time during the exercisable periods of the options. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

(a) Share option scheme adopted in 1991

On 2 May 1991, the Company adopted a share option scheme (the "1991 Scheme") for the primary purpose of providing incentives to directors and eligible employees of the Group.

The exercise price of a share in respect of any particular option granted was the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option.

The 1991 Scheme expired on 2 May 2001 and a new scheme was adopted on 13 June 2001 (note 37(b)). The share options which had been granted under the 1991 Scheme but which remain unexercised shall continue to be valid and exercisable in accordance with their terms of issue and the rules of the 1991 Scheme. All the share options under the 1991 Scheme were expired during the year.

Movement of share options under the 1991 Scheme during the year are as follows:

Category of participant	Date of grant	Vesting/ Exercise period	Exercise price per share HK$	Number of share options: Balance at 1 January 2006	Expired during the year	Balance at 31 December 2006
Directors and their associates	26 April 2001	26 April 2001 to 25 April 2006	0.2152	8,000,000	(8,000,000)	—

37. SHARE OPTION SCHEMES (continued)

(b) Share option scheme adopted in 2001

On 13 June 2001, a share option scheme (the "2001 Scheme") was approved by the shareholders for the purpose of providing incentives to the executive directors and employees of the Group by offering them an opportunity to benefit from the growth of the Group.

The exercise price of a share in respect of any particular option granted was the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option.

With effect from 1 September 2001, the Stock Exchange amended Chapter 17 (Share Option Schemes) of the Listing Rules. In response to the amendments, the Company terminated the 2001 Scheme and then adopted a new scheme on 28 June 2002 (note 37(c)). The share options which had been granted under the 2001 Scheme but which remain unexercised shall continue to be valid and exercisable in accordance with their terms of issue and the rules of the 2001 Scheme.

The 6,502,000 share options exercised during the year resulted in the issue of 6,502,000 ordinary shares of the Company of HK$0.10 each and new share capital of HK$650,000 and share premium of HK$375,000 (before issue expenses), as further detailed in note 36. At the balance sheet date, all the other share options were expired.

Movements of share options under the 2001 Scheme during the year are as follows:

				Number of share options			
Category of participant	Date of grant	Vesting/ Exercise period	Exercise price per share HK$	Balance at 1 January 2006	Exercised during the year	Expired during the year	Balance at 31 December 2006
Directors and their associates	27 September 2001	27 September 2001 to 26 September 2006	0.1576	115,750,000	(6,400,000)*	(109,350,000)	–
Other employees, in aggregate	27 September 2001	27 September 2001 to 26 September 2006	0.1576	6,288,000	(102,000)#	(6,186,000)	–
				122,038,000	(6,502,000)	(115,536,000)	–

* The weighted average closing price of the Company's share immediately before and at the exercise date were HK$0.137 and HK$0.152 respectively.

\# The weighted average closing price of the Company's share immediately before and at the exercise dates were HK$0.216 and HK$0.195 respectively.

37. SHARE OPTION SCHEMES (continued)

(c) Share option scheme adopted in 2002

In order to comply with the amended Listing Rules with effect from 1 September 2001, the Company adopted a new share option scheme (the "2002 Scheme") to replace the 2001 Scheme for the purpose of providing incentives to attract and retain employees of the Group, as well as other eligible persons, who made contributions to the Group. The 2002 Scheme was approved and adopted on 28 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

At 31 December 2006, no share options had been granted under the 2002 Scheme.

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 38 to 39 of the financial statements.

Certain amounts of goodwill arising on the acquisition of subsidiaries and associates in prior years remain eliminated against consolidated reserves, as explained in note 19.

38. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005	701,316	6,171	288,473	(263,240)	732,720
Loss for the year	—	—	—	(233,581)	(233,581)
At 31 December 2005 and 1 January 2006	701,316	6,171	288,473	(496,821)	499,139
Issue of shares	375	—	—	—	375
Proposed conditional 2006 final dividend	—	—	(15,395)	—	(15,395)
Loss for the year	—	—	—	(66,137)	(66,137)
At 31 December 2006	**701,691**	**6,171**	**273,078**	**(562,958)**	**417,982**

A portion of the contributed surplus arose as a result of the transfer from the share premium account pursuant to a court approval obtained in 1992 for the purpose of writing off goodwill arising on the acquisition of subsidiaries.

The remaining portion of the contributed surplus arose in 1991 as a result of a Group reorganisation and originally represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the consolidated net asset value of the acquired subsidiaries.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

39. DISPOSAL OF SUBSIDIARIES AND PARTIAL DISPOSAL OF A SUBSIDIARY

(a) Disposal of subsidiaries during the year

	Notes	Subsidiaries of continuing operations HK$'000	Subsidiaries of discontinued operations HK$'000	Total HK$'000
Net assets disposed of:				
Interest in associates		8,755	—	8,755
Prepayments and other receivables		37	—	37
Trade payables		(189)	(2,279)	(2,468)
Accruals and other payables		(302)	(10,313)	(10,615)
Exchange reserves		733	35	768
Minority interests		—	991	991
		9,034	(11,566)	(2,532)
Gain/(loss) on disposal of subsidiaries, net	6, 12(a)	(59)	11,581	11,522
		8,975	15	8,990
Satisfied by cash and resulted in cash inflow		8,975	15	8,990

(b) During the prior year, the Group disposed of a 5% equity interest in a subsidiary to an independent third party for a cash consideration of HK$2,349,000, resulting in a gain and cash inflow of HK$2,349,000 (note 5).

40. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) As detailed in notes 15 and 33(b), the funding for the construction of the plant and office buildings held by Xuzhou Subsidiary for solvent operation was provided by the Xuzhou Authority in the form of the Construction Loan. At the balance sheet date, the carrying amount of the Construction Loan was approximately HK$15,458,000 (2005: HK$13,718,000).

(b) As detailed in note 12(b), the Group disposed of its investment property in Futian, Shenzhen, with a fair value of HK$21,800,000 at the date of disposal in exchange for other investment properties in the nearby area together with HK$7,000,000 cash during the year.

41. CONTINGENT LIABILITIES

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**40,160**	75,468

42. PLEDGE OF ASSETS

Details of the Group's bank loans and other borrowings, which are secured by the assets of the Group, are included in note 33.

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**3,415**	4,368
In the second to fifth years, inclusive	**4,692**	1,765
	8,107	6,133

(b) As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to eight years.

At 31 December 2006, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**6,515**	6,055	**34**	153
In the second to fifth years, inclusive	**5,782**	5,947	**—**	—
After five years	**580**	156	**—**	—
	12,877	12,158	**34**	153

44. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted, but not provided for:		
Acquisition of an interest in a joint venture company – *note*	**21,450**	21,450
Construction of a property under development classified as assets held for sale	**—**	82,759
Purchase of land use rights	**6,515**	4,061
Capital contribution to a subsidiary	**5,952**	13,260
Purchases of items of property, plant and equipment	**548**	—
	34,465	121,530

The Company had no material capital commitments at the balance sheet date.

Note: On 15 December 2000, the Group entered into an agreement (the "Agreement") with an independent third party (the "JV Partner"), for the subscription of a 25% equity interest in a joint venture company at a consideration of US$3,000,000. Pursuant to the Agreement, the joint venture company would acquire from the JV Partner certain exclusive rights to manufacture, distribute and sell certain fuel and other products currently held or to be further developed or acquired by the JV Partner (the "Rights"). On 15 January 2001, in accordance with the Agreement, the Group paid a deposit of US$250,000. The remaining balance of the consideration is US$2,750,000 (approximately HK$21,450,000). Due to the uncertainties of the JV Partner's ownership of the Rights, the directors may consider terminating the Agreement.

45. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	Group	
	2006	2005
	HK$'000	HK$'000
Purchases of raw materials and work in progress from an associate	**288**	18,859

The directors considered that the purchases of raw materials and work in progress were made according to the prices and conditions similar to those offered by other suppliers. The balance due to the associate as at 31 December 2005 was HK$1,816,000. The Group's entire interest in the associate was disposed of during the year.

(b) Outstanding balances with related parties

Details of the Group's amounts due from its associates as at the balance sheet date are disclosed in note 21.

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

	2006	2005
	HK$'000	HK$'000
Short term employee benefits	**18,900**	17,962
Post-employment benefits	**667**	611
Total compensation paid to key management personnel	**19,567**	18,573

Further details of directors' emoluments are included in note 8.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other borrowings and cash and term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's policies for managing each of these risks are as follows:

Cash flow interest rate risk

The Group is exposed to interest rate risks due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short term in nature whereas interest-bearing financing liabilities are mainly bank borrowings with primarily floating interest rates. The Group is therefore exposed to cash flow interest rate risk. The Group's policy is to obtain the most favourable interest rates available.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group's main operating subsidiaries are located in Hong Kong and Mainland China and the Group's sales and purchases were mainly conducted in Hong Kong dollars and Renminbi. The Group also has significant investments in Mainland China and its balance sheet, with a portion of its bank loans denominated in Renminbi included, can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi. The Group does not expect significant movements in the exchange rate.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and overdrafts. The Group's policy is to regularly monitor the current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and available banking facilities to meet its liquidity requirements in the short and longer terms.

47. POST BALANCE SHEET EVENTS

(a) On 17 March 2007, the Group entered into a memorandum for sale with an independent third party (the "Vendor") to purchase a residential house in Yuen Long, Hong Kong, at a cash consideration of HK$36,484,000. A deposit of HK$1,824,200 had been paid to the Vendor. The purchase is expected to be completed on or before 17 September 2007.

(b) During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2007.