1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company is 25/F., Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong.

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

The principal activities of the Company are property investment and investment holding. The principal activities of the principal subsidiaries and associates are shown in notes 45 and 46, respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group and the Company have applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

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

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

2 Effective for annual periods beginning on or after 1 March 2006.

3 Effective for annual periods beginning on or after 1 May 2006.

4 Effective for annual periods beginning on or after 1 June 2006.

5 Effective for annual periods beginning on or after 1 November 2006.

6 Effective for annual periods beginning on or after 1 March 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

BASIS OF CONSOLIDATION

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS (CONTINUED)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

GOODWILL

Goodwill arising on acquisitions prior to 1 January 2005

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

Goodwill arising on acquisitions on or after 1 January 2005

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

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT PROPERTIES

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

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

Investment properties are classified as assets held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, except for there is a change in use, evidenced by commencement of owner-occupation, for a transfer from investment property to leasehold land and building or commencement of development with a view to sale, for a transfer from investment property to properties held for sale.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (other than properties under development) are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of leasehold land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

PROPERTIES UNDER DEVELOPMENT

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

INVESTMENTS IN SUBSIDIARIES

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

INTERESTS IN ASSOCIATES

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

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

Any excess of the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognised immediately in profit or loss.

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

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by an identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTIES HELD FOR SALE

Properties held for sale are stated at the lower of cost and the estimated market value.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average cost method.

FINANCIAL INSTRUMENTS

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Available-for-sale financial assets

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including bank and other borrowings, trade and other payables and advances from subsidiaries for the Company are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact 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

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

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

IMPAIRMENT LOSSES (OTHER THAN GOODWILL)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

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

(i) Property development

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Premium income

Premium is recognised on an accrual basis.

(iii) Return on investments

Dividend income from investments is recognised when the Group's rights to receive payments have been established, whilst interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iv) Sales of goods

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

(v) Management fee

Management fee income is recognised when services are rendered.

(vi) Agency fee

Agency fee income is recognised when services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION

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

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

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

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

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

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

BORROWING COSTS

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

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

RETIREMENT BENEFITS COSTS

Payments to the retirement benefits schemes are charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASING

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

FOREIGN CURRENCIES

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

ESTIMATED IMPAIRMENT ON TRADE RECEIVABLES, LOANS RECEIVABLE AND ADVANCES TO INVESTEE COMPANIES

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

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

WRITE-DOWN OF PROPERTIES HELD FOR SALE

Management exercises its judgment in deciding whether write-down of properties held for sale is required with reference to the existing market environment, the sales performance in previous years and estimated market value of the properties, i.e. the estimated selling price less estimated costs of selling expenses. A specific write-down of properties held for sale is made if the estimated market value of the properties is lower than its carrying value.

ESTIMATED IMPAIRMENT ON PROPERTIES UNDER DEVELOPMENT

Management regularly reviews the recoverability of the Group's properties under development with reference to its intended use and current market environment. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

ESTIMATED IMPAIRMENT ON PROPERTIES UNDER DEVELOPMENT (CONTINUED)

In determining whether impairment on properties under development is required, the Group takes into consideration the intended use of the properties, the current market environment, the estimated market value of the properties and/or the present value of future cash flows expected to receive from the properties. Impairment is recognised based on the higher of estimated future cash flows and estimated market value.

5. FINANCIAL INSTRUMENTS

A. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include investments in equity and debt securities, advances to investees companies, loans receivable, trade and other receivables, trade and other payables, borrowings, bank accounts with Chong Hing Bank Limited and its subsidiaries, fixed bank deposits with more than three months to maturity when raised and other bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

Certain loans receivable, fixed bank deposits with more than three months to maturity when raised and other bank balances of the Group are denominated in foreign currencies. Details of these are disclosed in notes 25 and 29. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(ii) *Interest rate risk*

The Group's exposure to changes in interest rates is mainly attributable to its cash and cash equivalents, loans receivable and borrowings. Balances at variable rates exposed the Group to cash flow interest-rate risk. Balances at fixed rates exposed the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents, loan receivable and borrowings are set out in respective notes.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

(iii) *Other price risk*

The Group has investments in both listed and unlisted equity securities. Therefore, the Group is exposed to equity security price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

5. FINANCIAL INSTRUMENTS (CONTINUED)

A. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group's principal financial assets include trade receivables, loans receivable, advances to investee companies and bank balances and deposits. The Group's and the Company's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In addition, the Company is also exposed to credit risk which will cause a financial loss to the Company due to financial guarantee contract issued to a bank in respect of banking facilities granted to a subsidiary. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

With respect of credit risk arising from other major financial assets of the Group, the Group's exposure to credit risk arising from default of counterparties is limited as the counterparties have good credit standing and the Group does not expect any significant loss for uncollected advances/deposits from these entities.

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

Certain assets of the Group were also pledged for the banking facilities. With regard to the carrying values of the assets pledged and the utilised banking facilities, the directors of the Company consider that the Company's credit risk is minimal.

B. FAIR VALUE

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

5. FINANCIAL INSTRUMENTS (CONTINUED)

B. FAIR VALUE (CONTINUED)

- the fair value of unlisted available-for-sale investments that are stated at fair value are determined with reference to market values of underlying assets, or arrived at on the basis of valuations carried out by CCMP Capital Asia Pte. Ltd., an independent firm of professional fund manager not connected to the Group on the Group's fund investments. CCMP Capital Asia Pte. Ltd. possesses appropriate qualifications and recent experiences in the valuation of similar investments with reference to market evidence of transaction prices for similar investments in the similar industries.

- the fair values of the Group's advances to investee companies and the Company's amounts due from/to subsidiaries at the balance sheet date, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate, approximate the corresponding carrying amounts. The effective interest rate on the non-interest bearing portion is 4.76% (2005: 5.05%) per annum.

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

6. REVENUE

Revenue represents the aggregate of the following amounts received and receivable during the year. An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2006 HK$'000	2005 HK$'000
Continuing operations		
Proceeds from disposal of properties	**240,669**	222,870
Gross rental income	**100,619**	96,074
Proceeds from disposal of listed investments	**25,038**	81,619
Sales of goods	**26,256**	30,579
Interest income	**26,030**	18,798
Property management and agency fees	**12,174**	12,296
Dividend income from unlisted investments	**1,645**	3,602
Dividend income from listed investments	**36**	628
Other income (Note)	**—**	81,734
	432,467	548,200
Discontinued operation		
Gross insurance premium	**—**	16,531
	432,467	564,731

6. REVENUE (CONTINUED)

Note: During the year ended 31 December 2005, Chong Yip Finance Limited ("CYFL"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party under which CYFL advanced a loan of US$20 million (approximately HK$155,124,000) to that third party at prevailing market interest rate. Under this agreement, the third party would use the amount borrowed to subscribe for shares in a listed company and 50% of any profit arising from the subsequent sale of such shares would be shared by CYFL. The sale of the above shares was completed prior to 31 December 2005 and a profit of approximately HK$81,734,000 was recorded by CYFL. CYFL received full repayment of the loan together with interest thereon, and the above profit from that independent third party prior to 31 December 2005.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

BUSINESS SEGMENTS

For management purposes, the Group is currently organised in five operating divisions — property investment, property development, property management, treasury investment and trading and manufacturing. These divisions are the basis on which the Group reports its primary segment information.

The Group was also involved in the insurance business which was discontinued on 29 June 2005, details of which are set out in note 11.

Segment information about these businesses is presented below:

Year ended 31 December 2006

	Continuing Operations					Discontinued operation		
	Property investment HK$'000	Property development HK$'000	Property management HK$'000	Treasury investment HK$'000	Trading and manufacturing HK$'000	Insurance business HK'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE								
External sales	100,619	240,669	12,174	52,749	26,256	—	—	432,467
Inter-segment sales	—	—	4,228	423,479	—	—	(427,707)	—
Total revenue	100,619	240,669	16,402	476,228	26,256	—	(427,707)	432,467

Inter-segment sales are charged at prevailing market rates.

RESULTS								
Segment results	79,381	18,000	(1,400)	(18,621)	334	—	—	77,694
Finance costs								(69,870)
Share of results of associates	91	—	—	226,841	—	—	—	226,932
Profit before taxation								234,756
Income tax expense								(13,128)
Profit for the year								221,628

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

BUSINESS SEGMENTS (CONTINUED)

Balance Sheet

	As at 31 December 2006						
	Continuing operations					Discontinued operation	
	Property investment HK$'000	Property development HK$'000	Property management HK$'000	Treasury investment HK$'000	Trading and manufacturing HK$'000	Insurance business HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	3,261,809	1,988,093	2,155	900,789	69,964	—	6,222,810
Interests in associates	2,036	—	—	2,720,199	—	—	2,722,235
Unallocated corporate assets							77,094
Consolidated total assets							9,022,139
LIABILITIES							
Segment liabilities	95,700	74,247	3,531	10,361	3,555	—	187,394
Taxation payable							9,450
Deferred taxation							391,561
Unallocated corporate liabilities							2,707,827
Consolidated total liabilities							3,296,232

Other Information

	Year ended 31 December 2006							
	Continuing operations						Discontinued operation	
	Property investment HK$'000	Property development HK$'000	Property management HK$'000	Treasury investment HK$'000	Trading and manufacturing HK$'000	Others HK$'000	Insurance business HK$'000	Consolidated HK$'000
Allowance of bad and doubtful debts	1,548	—	—	1,171	—	—	—	2,719
Capital additions	196,547	267,866	—	—	221	1,204	—	465,838
Depreciation and amortisation	5,532	2,367	—	—	1,770	612	—	10,281
Loss on disposal of property, plant and equipment	—	—	—	—	—	131	—	131

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

BUSINESS SEGMENTS (CONTINUED)

	Year ended 31 December 2005							
	Continuing Operations					Discontinued operation		
	Property investment HK$'000	Property development HK$'000	Property management HK$'000	Treasury investment HK$'000	Trading and manufacturing HK$'000	Insurance business HK'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE								
External sales	96,074	222,870	12,296	186,381	30,579	16,531	—	564,731
Inter-segment sales	432	—	4,472	182,952	—	464	(188,320)	—
Total revenue	96,506	222,870	16,768	369,333	30,579	16,995	(188,320)	564,731

Inter-segment sales are charged at prevailing market rates.

RESULTS								
Segment results	116,938	(124,985)	(976)	65,907	783	2,605	—	60,272
Finance costs								(60,694)
Share of results of associates	90	—	—	184,023	—	—	—	184,113
Profit before taxation								183,691
Income tax expense								(44,129)
Profit for the year								139,562

Balance Sheet

	As at 31 December 2005						
	Continuing operations					Discontinued operation	
	Property investment HK$'000	Property development HK$'000	Property management HK$'000	Treasury investment HK$'000	Trading and manufacturing HK$'000	Insurance business HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	3,144,956	1,824,635	1,615	670,408	51,425	—	5,693,039
Interests in associates	1,945	—	—	2,611,208	—	—	2,613,153
Taxation recoverable							905
Unallocated corporate assets							54,796
Consolidated total assets							8,361,893
LIABILITIES							
Segment liabilities	12,747	103,273	2,886	4,723	2,813	—	126,442
Deferred taxation							385,976
Unallocated corporate liabilities							2,273,174
Consolidated total liabilities							2,785,592

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

BUSINESS SEGMENTS (CONTINUED)

Other Information

	Year ended 31 December 2005							
	Continuing operations						Discontinued operation	
	Property investment HK$'000	Property development HK$'000	Property management HK$'000	Treasury investment HK$'000	Trading and manufacturing HK$'000	Others HK$'000	Insurance business HK$'000	Consolidated HK$'000
Impairment of advance to an investee company	—	—	—	1,350	—	—	—	1,350
Allowance of bad and doubtful debts	—	15,418	—	—	—	—	—	15,418
Write-down of properties held for sale	—	10,000	—	—	—	—	—	10,000
Capital additions	23,245	193,883	—	—	—	—	—	217,128
Deficit on revaluation of leasehold land and buildings charged to the consolidated income statement	—	38,673	—	—	—	—	—	38,673
Depreciation and amortisation	5,646	3,851	—	—	2,670	782	120	13,069
Impairment loss recognised in respect of available-for-sale investments	—	—	—	37,005	—	—	—	37,005
Loss on disposal of property, plant and equipment	5,174	—	—	—	—	—	21	5,195

GEOGRAPHICAL SEGMENTS

The Group's operations are located in Hong Kong and other parts of the People's Republic of China (the "PRC"). Certain of the Group's property development and trading and manufacturing businesses are located in the PRC. Others are located in Hong Kong.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

GEOGRAPHICAL SEGMENTS (CONTINUED)

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	Year ended 31.12.2006 HK$'000	Year ended 31.12.2005 HK$'000
Hong Kong	**152,797**	300,800
PRC	**279,670**	263,931
	432,467	564,731

Revenue of HK$16,531,000 from the Group's discontinued insurance business in 2005 was derived principally from Hong Kong.

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

	Carrying amount of segment assets		Additions to property, plant and equipment, investment properties and properties under development	
	As at 31.12.2006 HK$'000	As at 31.12.2005 HK$'000	**As at 31.12.2006 HK$'000**	As at 31.12.2005 HK$'000
Hong Kong	**3,825,412**	3,316,735	**4,751**	23,245
PRC	**2,397,398**	2,375,620	**461,087**	193,883
Others	**—**	684	**—**	—
	6,222,810	5,693,039	**465,838**	217,128

8. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on borrowings wholly repayable within five years:		
Bank loans	**118,590**	85,932
Other borrowings	**8**	47
	118,598	85,979
Less: Amount capitalised as cost of properties under development at a capitalisation rate of 4.66% (2005: 2.79%) per annum	**(48,728)**	(25,285)
	69,870	60,694

9. SHARE OF RESULTS OF ASSOCIATES

	2006 HK$'000	2005 HK$'000
Share of results of associates comprise:		
Share of results of associates	**264,224**	212,731
Share of taxation of associates	**(37,292)**	(32,328)
Discount on acquisition of additional interest in an associate (note 20)	**—**	3,710
	226,932	184,113

10. INCOME TAX EXPENSE

	Continuing operations and consolidated	
	2006	2005
	HK$'000	HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	**4,862**	11,519
Overprovision in prior years	**(22)**	—
	4,840	11,519
Taxation in other jurisdictions		
Current year	**8,638**	—
Over provision in prior years	**(5,935)**	—
	2,703	—
	7,543	11,519
Deferred taxation		
Current year	**5,585**	32,610
	13,128	44,129

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. INCOME TAX EXPENSE (CONTINUED)

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

	2006 HK$'000	2005 HK$'000
Profit before taxation		
— Continuing operations	234,756	181,086
— Discontinued operation	—	2,605
	234,756	183,691
Hong Kong Profits Tax at the rate of 17.5% (2005: 17.5%)	41,082	32,146
Tax effect of share of results of associates	(39,713)	(31,571)
Tax effect of expenses not deductible for tax purpose	19,168	60,618
Tax effect of income not taxable for tax purpose	(8,549)	(27,375)
Overprovision in respect of prior years	(5,957)	—
Tax effect of tax losses not recognised	8,194	10,404
Tax effect of utilisation of tax losses previously not recognised	(5,337)	(93)
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,240	—
Tax charge for the year	13,128	44,129

11. DISCONTINUED OPERATION

On 3 March 2005, the Company and Chong Hing Bank Limited (formerly known as Liu Chong Hing Bank Limited) ("CH Bank"), an associate of the Company, entered into a conditional sale and purchase agreement pursuant to which CH Bank agreed to acquire from the Company the entire issued share capital of Liu Chong Hing Insurance Company Limited ("LCH Insurance") for a total consideration of HK$212 million. Details of this disposal are set out in the Company's announcement dated 14 March 2005 and the 2005 annual report. The disposal was completed on 29 June 2005.

The operation of LCH Insurance included insurance business and treasury investment business. The results of the insurance business of LCH Insurance for the period from 1 January 2005 to 29 June 2005, were as follows:

	HK$'000
Revenue	16,995
Direct costs	(14,390)
Profit for the period	2,605

11. DISCONTINUED OPERATION (CONTINUED)

During the year ended 31 December 2005, LCH Insurance contributed approximately HK$2,605,000 to the Group's profit for the year and approximately HK$4,071,000 to the Group's cash flows.

The carrying amounts of the assets and liabilities of LCH Insurance at the date of disposal are disclosed in note 37.

12. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Profit for the year has been arrived at after charging:						
Directors' emoluments (Note 13)	**15,317**	15,518	**—**	—	**15,317**	15,518
Other staff costs	**18,959**	15,592	**—**	3,119	**18,959**	18,711
Staff retirement scheme contributions, net of HK$8,000 (2005: HK$187,000) forfeited contributions	**1,375**	1,139	**—**	226	**1,375**	1,365
Total staff costs	**35,651**	32,249	**—**	3,345	**35,651**	35,594
Allowance of bad and doubtful debts	**2,719**	15,418	**—**	—	**2,719**	15,418
Amortisation of prepaid lease payments capitalised as cost of properties under development	**893**	894	**—**	—	**893**	894
Auditors' remuneration	**1,509**	1,796	**—**	101	**1,509**	1,897
Depreciation and amortisation	**10,281**	12,949	**—**	120	**10,281**	13,069
Exchange loss (included in direct costs)	**—**	2,139	**—**	—	**—**	2,139
Impairment of advance to an investee company	**—**	1,350	**—**	—	**—**	1,350
Loss on disposal of available-for-sale investments	**—**	1,730	**—**	—	**—**	1,730
Loss on disposal of investments held for trading	**—**	1,758	**—**	—	**—**	1,758
Loss on disposal of property, plant and equipment	**131**	5,174	**—**	21	**131**	5,195
Operating lease rentals in respect of land and buildings	**2,383**	2,549	**—**	396	**2,383**	2,945
Write-down of properties held for sale	**—**	10,000	**—**	—	**—**	10,000
and after crediting:						
Exchange gain (included in direct costs)	**12,584**	—	**—**	—	**12,584**	—
Gain on disposal of an investment property	**50**	—	**—**	—	**50**	—
Gain on disposal of investments held for trading	**3,501**	—	**—**	—	**3,501**	—
Gross rental income from investment properties	**100,619**	96,074	**—**	—	**100,619**	96,074
Less: direct operating expenses from investment properties that generated rental income during the year	**(9,925)**	(16,810)	**—**	—	**(9,925)**	(16,810)
direct operating expenses from investment properties that did not generate rental income during the year	**—**	(136)	**—**	—	**—**	(136)
	90,694	79,128	**—**	—	**90,694**	79,128
Imputed interest income on non-current interest-free loans to investee companies	**8,788**	3,193	**—**	—	**8,788**	3,193

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 13 (2005: 14) directors were as fellows:

2006

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Total emoluments HK$'000
Liu Lit Man	80	—	—	80
Liu Lit Mo	40	7,294	174	7,508
Liu Lit Chi	40	—	—	40
Liu Kam Fai, Winston	40	2,720	118	2,878
Lee Wai Hung	40	1,543	154	1,737
Liu Lit Chung	40	1,963	61	2,064
Andrew Liu	40	—	—	40
Liu Chun Ning, Wilfred	40	560	50	650
Liu Kwun Shing, Christopher	—	—	—	—
Lee Tung Hai, Leo	80	—	—	80
Ng Ping Kin, Peter	80	—	—	80
Cheng Mo Chi, Moses	80	—	—	80
Tong Tsin Ka	80	—	—	80
Total	680	14,080	557	15,317

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(A) DIRECTORS' EMOLUMENTS (CONTINUED)

2005

		Other emoluments		
	Fees	Salaries and other benefits	Retirement scheme contributions	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000
Liu Lit Man	80	—	—	80
Liu Lit Mo	40	7,493	183	7,716
Liu Lit Chi	40	—	—	40
Liu Kam Fai, Winston	40	2,491	114	2,645
Lee Wai Hung	40	1,491	149	1,680
Liu Lit Chung	40	2,171	59	2,270
Andrew Liu	40	—	—	40
Liu Chun Ning, Wilfred	40	560	47	647
Liu Kwun Shing, Christopher	—	—	—	—
Lee Tung Hai, Leo	80	—	—	80
Peter Alan Lee Vine*	80	—	—	80
Ng Ping Kin, Peter	80	—	—	80
Cheng Mo Chi, Moses	80	—	—	80
Tong Tsin Ka	80	—	—	80
Total	760	14,206	552	15,518

* Peter Alan Lee Vine deceased on 13 April 2005

(B) EMOLUMENTS OF HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, four (2005: four) individuals were directors of the Company whose emoluments are included in the disclosure set out in note (a) above. The emoluments of the remaining highest paid individual were as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other benefits	**1,482**	1,527
Retirement scheme contributions	**78**	71
	1,560	1,598

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(c) During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the year.

14. DIVIDENDS

	2006 **HK$'000**	2005 HK$'000
Dividends recognised as distribution during the year:		
2005 final dividend paid at HK$0.12 (2005: HK$0.10) per share	**45,430**	37,858
2006 interim dividend paid at HK$0.10 (2005: HK$0.08) per share	**37,858**	30,287
	83,288	68,145

The final cash dividend of HK$0.15 (2005: HK$0.12) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

15. BASIC EARNINGS PER SHARE

FROM CONTINUING AND DISCONTINUED OPERATIONS

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of HK$223,141,000 (2005: HK$143,451,000) and on 378,583,440 (2005: 378,583,440) ordinary shares in issue during the year.

FROM CONTINUING OPERATIONS

The calculation of the basic earnings per share from continuing operations attributable to the equity holders of the Company is based on the following information:

	2006 **HK$'000**	2005 HK$'000
Earnings for the year attributable to equity holders of the Company	**223,141**	143,451
Less: Earnings for the year from discontinued operation	**—**	(2,605)
Earnings for the purpose of basic earnings per share from continuing operations	**223,141**	140,846

The denominators used are the same as those detailed above for basic earnings per share from continuing and discontinued operations.

15. BASIC EARNINGS PER SHARE (CONTINUED)

FROM DISCONTINUED OPERATION

Basic earnings per share for discontinued operation for the year ended 31 December 2005 was HK0.69 cent which was calculated based on the profit for the year ended 31 December 2005 from discontinued operation of HK$2,605,000. The denominators used are the same as those detailed above for basic earnings per share from continuing and discontinued operations.

There were no dilutive potential ordinary shares for both years, and therefore, diluted earnings per share is not presented.

16. INVESTMENT PROPERTIES/ASSETS HELD FOR SALE

	THE GROUP	THE COMPANY
	HK$'000	HK$'000
FAIR VALUE		
At 1 January 2005	3,224,050	680,000
Currency realignment	27,910	—
Transfer to properties held for sale	(213,000)	—
Net increase (decrease) in fair value recognised in the income statement	53,802	(20,000)
At 31 December 2005	3,092,762	660,000
Currency realignment	10,505	—
Acquisition of a subsidiary	193,000	—
Transfer to assets held for sale	(76,307)	—
Disposals	(13,700)	—
Net increase in fair value recognised in the income statement	8,289	—
At 31 December 2006	3,214,549	660,000

During the year ended 31 December 2006, investment properties at fair values of approximately HK$76,307,000 were transferred to assets held for sale (2005: HK$213,000,000 were transferred to properties held for sales). The fair values of the Group's investment properties and assets held for sale at 31 December 2006 were arrived at on the basis of valuations carried out by Vigers Appraisal & Consulting Ltd., an independent firm of professional valuers not connected with the Group. Vigers Appraisal & Consulting Ltd. is a member of the Institute of Valuers, and it possesses appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

16. INVESTMENT PROPERTIES/ASSETS HELD FOR SALE (CONTINUED)

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

The carrying value of investment properties shown above comprises:

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held under:				
Long leases in Hong Kong	**2,895,200**	2,880,300	**660,000**	660,000
Long-term land use right in the PRC	**305,349**	188,462	**—**	—
Medium-term leases in Hong Kong	**14,000**	24,000	**—**	—
	3,214,549	3,092,762	**660,000**	660,000

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, motor vehicles and computer equipment HK$'000	Total HK$'000
THE GROUP				
COST OR VALUATION				
At 1 January 2005	56,184	27,309	36,189	119,682
Currency realignment	2,792	2,284	1,311	6,387
Additions	—	56	23,189	23,245
Disposal of a subsidiary	—	—	(4,563)	(4,563)
Disposals	—	—	(9,480)	(9,480)
Deficit on revaluation	(41,374)	—	—	(41,374)
At 31 December 2005	17,602	29,649	46,646	93,897
Currency realignment	2,345	1,186	94	3,625
Additions	—	221	5,074	5,295
Disposals	—	—	(2,012)	(2,012)
Surplus on revaluation	(2,330)	—	—	(2,330)
At 31 December 2006	17,617	31,056	49,802	98,475
Comprising:				
At cost	—	31,056	49,802	80,858
At valuation — 2006	17,617	—	—	17,617
	17,617	31,056	49,802	98,475
DEPRECIATION AND AMORTISATION				
At 1 January 2005	—	12,416	25,732	38,148
Currency realignment	—	733	152	885
Charged for the year	2,709	2,670	7,690	13,069
Disposal of a subsidiary	—	—	(3,795)	(3,795)
Eliminated on disposals	—	—	(4,285)	(4,285)
Deficit on revaluation	(2,709)	—	—	(2,709)
At 31 December 2005	—	15,819	25,494	41,313
Currency realignment	—	719	43	762
Charged for the year	2,431	1,770	6,080	10,281
Eliminated on disposals	—	—	(1,881)	(1,881)
Surplus on revaluation	(2,431)	—	—	(2,431)
At 31 December 2006	—	18,308	29,736	48,044
CARRYING VALUE				
At 31 December 2006	17,617	12,748	20,066	50,431
At 31 December 2005	17,602	13,830	21,152	52,584

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land and building held in the PRC under a long-term use right HK$'000	Furniture, fixtures, motor vehicles and computer equipment HK$'000	Total HK$'000
THE COMPANY			
COST OR VALUATION			
At 1 January 2005	364	10,718	11,082
Additions	—	530	530
At 31 December 2005	364	11,248	11,612
Additions	—	1,204	1,204
Disposals	—	(1,892)	(1,892)
At 31 December 2006	364	10,560	10,924
Comprising:			
At cost	—	10,560	10,560
At valuation — 2006	364	—	364
	364	10,560	10,924
DEPRECIATION AND AMORTISATION			
At 1 January 2005	—	9,205	9,205
Charged for the year	8	775	783
Surplus on revaluation	(8)	—	(8)
At 31 December 2005	—	9,980	9,980
Charged for the year	8	604	612
Eliminated on disposals	—	(1,760)	(1,760)
Surplus on revaluation	(8)	—	(8)
At 31 December 2006	—	8,824	8,824
CARRYING VALUE			
At 31 December 2006	364	1,736	2,100
At 31 December 2005	364	1,268	1,632

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at he following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 3%
Plant and machinery	10%
Furniture, fixtures, motor vehicles and computer equipment	10 – 20%

The carrying value of land and buildings held by the Group, which are all situated in the PRC, shown above comprises:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Held under:		
Long-term land use rights	**14,379**	14,364
Medium-term land use rights	**3,238**	3,238
	17,617	17,602

The leasehold land and buildings of the Group were valued on 31 December 2006 by Vigers Appraisal & Consulting Ltd. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The resulting surplus arising on revaluation of the Group amounting to approximately HK$101,000 (2005: a deficit of HK$38,665,000) has been dealt with as follows:

(i) a surplus of approximately HK$93,000 (2005: a deficit of HK$38,673,000) has been charged to the consolidated income statement; and

(ii) a surplus of approximately HK$8,000 (2005: HK$8,000) has been credited to the property revaluation reserve.

The resulting surplus arising on revaluation of the Company amounting to HK$8,000 (2005: HK$8,000) has been credited to property revaluation reserve.

The amount of land and buildings of the Group and of the Company that would have been included in the financial statements at the balance sheet date had the assets been carried at historical cost less accumulated depreciation and accumulated impairment loss is approximately HK$15,186,000 and HK$165,000 (2005: HK$17,602,000 and HK$173,000) respectively.

18. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
COST		
At beginning of the year	**1,012,918**	802,693
Currency realignment	**24,752**	16,342
Additions	**267,543**	193,883
At end of the year	**1,305,213**	1,012,918

Included in properties under development is net interest capitalised of approximately HK$320,075,000 (2005: HK$271,347,000). The properties are developed for future use as investment properties.

19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$'000	HK$'000
Cost of unlisted shares/capital contribution	**374,168**	319,095
Less: Impairment loss recognised	**(130,297)**	(10,000)
	243,871	309,095

During the year, the directors reviewed and examined the current operations of the subsidiaries and identified that the present value of estimated net future cash flows from certain subsidiaries are lower than their carrying amounts. Accordingly, the carrying amounts of these balances are reduced to their respective recoverable amounts.

Particulars of the Company's principal subsidiaries as at 31 December 2006 are set out in note 45.

20. INTERESTS/INVESTMENTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2006 **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000
Cost of investments in associates				
Listed in Hong Kong	**235,058**	235,058	**—**	—
Unlisted	**3**	3	**3**	3
Share of post-acquisition reserves, net of dividends received	**2,487,174**	2,378,092	**—**	—
	2,722,235	2,613,153	**3**	3
Fair value of listed investments	**3,449,202**	2,449,491	**—**	—

During the year ended 31 December 2005, a discount on acquisition of approximately HK$3,710,000 arising on the acquisition of additional interest in CH Bank had been included as income in the determination of the Group's share of results of associates.

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

	2006 **HK$'000**	2005 HK$'000
Total assets	**63,033,976**	49,977,669
Total liabilities	**(56,978,179)**	(44,140,647)
Net assets	**6,055,797**	5,837,022
The Group's share of net assets of associates	**2,773,379**	2,664,297
Revenue	**2,740,810**	1,719,629
Profit for the year	**503,325**	398,163
The Group's share of results of associates for the year	**226,932**	180,403

Particulars of the Group's principal associates as at 31 December 2006 are set out in note 46.

21. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Available-for-sale investments comprise:				
Equity securities listed outside Hong Kong, at fair value	**912**	686	**185**	139
Unlisted equity securities, at fair value	**239,952**	241,787	**105,584**	107,420
Unlisted equity securities, at cost less impairment	**26,739**	26,739	**—**	—
	267,603	269,212	**105,769**	107,559

The above unlisted equity securities stated at cost less impairment represent investments in unlisted equity securities issued by private entities incorporated in Hong Kong. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 December 2005, the directors had reviewed the carrying value of the Group's available-for-sale investments which are stated at cost less impairment and determined that the recoverable amount of certain available-for-sale investments was below their carrying value with reference to present value of estimated future cash flows. An impairment loss at the amount of approximately HK$37,005,000 had been charged to the consolidated income statement in that year.

22. PREPAID LEASE PAYMENTS

	THE GROUP	
	2006 HK$'000	2005 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land held under medium-term land use right in the PRC	**33,989**	34,882
Analysed for reporting purposes as:		
Current assets	**894**	894
Non-current assets	**33,095**	33,988
	33,989	34,882

23. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

The amounts due from subsidiaries are unsecured and have no fixed repayment terms. Of the amounts, approximately HK$1,414,263,000 (2005: HK$1,350,991,000) bears interest at an effective interest rate ranging from 4.58% to 5.34% (2005: 1.12% to 5.11%) per annum (repricing semi-annually) and the remaining balance is non-interest bearing. In the opinion of the Company's directors, the amounts due from subsidiaries will not be repayable in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current assets.

24. ADVANCES TO INVESTEE COMPANIES

The advances are unsecured and have no fixed repayment terms. Of the advances, an amount of HK$5,500,000 (2005: HK$5,500,000) bears interest at an effective interest rate ranging from 4.29% to 5.18% (2005: 4.63% to 4.76%) per annum and the remaining balance is non-interest bearing. In the opinion of the Company's directors, the investee companies will not fully repay the advances in the next twelve months from the balance sheet date and, accordingly, the advances have been classified as non-current assets.

25. LOANS RECEIVABLE

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fixed-rate loan receivable	**—**	20,000	**—**	—
Variable-rate loans receivable	**71,967**	69,339	**66,281**	66,281
	71,967	89,339	**66,281**	66,281
Analysed for reporting purposes:				
Current assets	**5,686**	21,080	**—**	—
Non-current assets	**66,281**	68,259	**66,281**	66,281
	71,967	89,339	**66,281**	66,281

25. LOANS RECEIVABLE (CONTINUED)

Loans receivable comprise:

	Maturity date	Collateral	Effective interest rate	Carrying amount 2006 HK$'000	Carrying amount 2005 HK$'000
HK$20,000,000 fixed-rate loan receivable	30 June 2006	Listed equity securities in Hong Kong	10%	—	20,000
US$3,000,000 5 years variable-rate loan receivable	5 March 2009	—	4.30% (2005: 4.30%) and repricing semi-annually	**23,400**	23,400
US$2,000,000 10 years variable-rate loan receivable	8 August 2013	—	0.39% (2005: 1.51%) and repricing quarterly	**15,600**	15,600
US$1,000,000 3 years variable-rate loan receivable	12 April 2008	—	5.59% (2005: 4.55%) and repricing semi-annually	**7,800**	7,800
US$1,000,000 3½ years variable-rate loan receivable	11 January 2009	—	4.32% (2005: 3.55%) and repricing quarterly	**7,800**	7,800
US$997,500 7 years variable-rate loan receivable	27 May 2011	—	4.55% (2005: 4.55%) and repricing semi-annually	**7,781**	7,781
Others				**9,586**	6,958
				71,967	89,339

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

	**Denominated in US$** HK$'000
As at 31 December 2006	66,281
As at 31 December 2005	66,281

26. INVENTORIES/PROPERTIES HELD FOR SALE

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
The Group's inventories comprise:		
Raw materials	**1,303**	1,140
Work in progress	**978**	1,178
Finished goods	**7,669**	7,223
	9,950	9,541

The cost of inventories recognised as an expense during the year amounted to approximately HK$22,532,000 (2005: HK$26,240,000).

The inventories and properties held for sale are expected to be realised in the next twelve months of the balance sheet date.

27. TRADE AND OTHER RECEIVABLES

The Group operates a controlled credit policy and allows an average credit period of 30–90 days to its trade customers, other than customers for sales of properties, who satisfy the credit evaluation. Proceeds receivable for sales of properties are receivable according to the terms of sale and purchase agreements. The aged analysis of trade receivables of HK$38,073,000 (2005: HK$57,742,000) which are included in trade and other receivables is as follows:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Within 30 days	**30,206**	42,877
Between 31 days to 90 days	**6,072**	12,114
Over 90 days	**1,795**	2,751
	38,073	57,742

The Company had no trade receivables at the balance sheet date.

28. INVESTMENTS HELD FOR TRADING

Investments held for trading represent equity securities listed on The Stock Exchange of Hong Kong Limited.

29. BANK ACCOUNTS WITH CH BANK AND ITS SUBSIDIARIES/FIXED BANK DEPOSITS WITH MORE THAN THREE MONTHS TO MATURITY WHEN RAISED/OTHER BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 3.82% to 5.25% (2005: 3.60% to 5.10%) per annum. The fixed deposits carry fixed interest rates ranging from 1.71% to 2.07% (2005: 2.7%) per annum.

Certain bank accounts with CH Bank and its subsidiaries, fixed bank deposits with more than three months to maturity and other bank balances and cash of the Group and the Company are denominated in currencies other than the functional currency of the relevant group entities.

30. TRADE AND OTHER PAYABLES

At the balance sheet date, included in trade and other payables are trade payables of HK$15,777,000 (2005: HK$21,817,000) and the aged analysis is as follows:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Within 30 days	**10,269**	14,616
Between 31 days to 90 days	**1,277**	1,278
Over 90 days	**4,231**	5,923
	15,777	21,817

The Company had no trade payables at the balance sheet date.

31. BORROWINGS

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Bank loans				
Secured	**402,923**	357,450	**—**	117,900
Unsecured	**2,285,325**	1,895,619	**2,285,325**	1,895,619
Total bank borrowings	**2,688,248**	2,253,069	**2,285,325**	2,013,519
Amounts due to associates (note (i))	**377**	220	**377**	220
Amounts due to minority shareholders (note (ii))	**16,188**	16,836	**—**	—
	2,704,813	2,270,125	**2,285,702**	2,013,739
The maturity of borrowings is as follows:				
Bank borrowings				
On demand or within one year	**706,367**	703,863	**706,367**	703,863
More than one year but not exceeding two years	**1,283,595**	949,349	**880,672**	709,799
More than two years but not exceeding three years	**357,278**	599,857	**357,278**	599,857
More than three years but not exceeding four years	**341,008**	—	**341,008**	—
Total bank borrowings	**2,688,248**	2,253,069	**2,285,325**	2,013,519
Amounts due to associates	**377**	220	**377**	220
Amounts due to minority shareholders	**16,188**	16,836	**—**	—
	2,704,813	2,270,125	**2,285,702**	2,013,739
Less: Amount due within one year shown under current liabilities				
— Bank borrowings	**(706,367)**	(703,863)	**(706,367)**	(703,863)
— Amounts due to associates	**(377)**	—	**(377)**	—
— Amounts due to minority shareholders	**(16,188)**	—	**—**	—
	(722,932)	(703,863)	**(706,744)**	(703,863)
Amounts due after one year				
— Bank borrowings	**1,981,881**	1,549,206	**1,578,958**	1,309,656
— Amounts due to associates	**—**	220	**—**	220
— Amounts due to minority shareholders	**—**	16,836	**—**	—
	1,981,881	1,566,262	**1,578,958**	1,309,876

31. BORROWINGS (CONTINUED)

Notes:

(i) These borrowings are unsecured, bear interest at an effective interest rate ranging from 2.95% to 3.5% (2005: 0.18% to 3.2%) per annum (repricing monthly) and have no fixed repayment terms. The amounts have been classified as current liabilities as the amounts are expected to be repaid in the next twelve months from the balance sheet date. The amounts had been classified as non-current liabilities at 31 December 2005.

(ii) These borrowings are unsecured, non-interest bearing and have no fixed repayment terms. The amounts have been classified as current liabilities as the amounts are expected to be in the next twelve months from the balance sheet date. The amounts had been classified as non-current liabilities at 31 December 2005.

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

	**Denominated in HK$** HK$'000
As at 31 December 2006	402,923
As at 31 December 2005	239,550

All of the bank loans are variable-rate borrowings which carry interest ranging from 4.15% to 5.48% (2005: 4.77% to 5.32%) per annum. Interest rates are repricing monthly. Details of assets pledged are set out in note 39.

32. DEFERRED TAXATION

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

	THE GROUP					**THE COMPANY**
	Accelerated tax depreciation HK$'000	**Other taxable temporary differences** HK$'000	**Revaluation of properties** HK$'000	**Tax losses** HK$'000	**Total** HK$'000	**Accelerated tax depreciation** HK$'000
At 1 January 2005	22,064	27,132	322,332	(18,162)	353,366	58,491
Charge (credit) to income statement for the year	275	(26,119)	45,133	13,321	32,610	(1,328)
At 31 December 2005	22,339	1,013	367,465	(4,841)	385,976	57,163
Charge (credit) to income statement for the year	(526)	(1,013)	6,005	1,119	5,585	2,236
At 31 December 2006	21,813	—	373,470	(3,722)	391,561	59,399

At the balance sheet date, the Group had unused tax losses of HK$351 million (2005: HK$341 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$21 million (2005: HK$28 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$330 million (2005: HK$313 million) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

The Company had no unused tax losses at the balance sheet date.

33. NON-INTEREST BEARING ADVANCES FROM SUBSIDIARIES

The amounts are unsecured, non-interest bearing and have no fixed repayment terms. The amount will not be demanded for repayment in the next twelve months of the balance sheet date and, accordingly, the amounts have been classified as non-current liabilities.

34. SHARE CAPITAL

	2006 & 2005
	HK$'000
Ordinary shares of HK$1 each	
Authorised:	
At 1 January and 31 December	600,000
Issued and fully paid:	
At 1 January and 31 December	378,583

35. RESERVES

	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY					
At 1 January 2005	200	—	2,955	1,145,952	1,149,107
Surplus on revaluation of properties	8	—	—	—	8
Gains on fair value changes of available-for-sale investments	—	10,733	—	—	10,733
Net income recognised directly in equity	8	10,733	—	—	10,741
Loss for the year	—	—	—	(28,471)	(28,471)
Total recognised income and expenses for the year	8	10,733	—	(28,471)	(17,730)
Dividends paid	—	—	—	(68,145)	(68,145)
At 31 December 2005	208	10,733	2,955	1,049,336	1,063,232
Surplus on revaluation of properties	8	—	—	—	8
Losses on fair value changes of available-for-sale investments	—	(30,252)	—	—	(30,252)
Net income and expenses recognised directly in equity	8	(30,252)	—	—	(30,244)
Profit for the year	—	—	—	199,485	199,485
Total recognised income and expenses for the year	8	(30,252)	—	199,485	169,241
Dividends paid	—	—	—	(83,288)	(83,288)
At 31 December 2006	216	(19,519)	2,955	1,165,533	1,149,185

The Company's reserves available for distribution to shareholders at 31 December 2006 amounted to HK$1,165,533,000 (2005: HK$1,049,336,000), being its accumulated profits at that date.

36. ACQUISITION OF ASSETS

On 1 December 2006, the Group acquired the entire issued share capital of Prime Ocean Development Limited ("Prime Ocean") for a consideration of HK$140,000,000. This acquisition comprised of the acquisition of certain investment properties with carrying value of approximately HK$193 million and related liabilities at the amount of approximately HK$53 million.

	Acquiree's fair value
	HK$'000
Net assets acquired:	
Investment properties	193,000
Trade and other payables	(53,000)
	140,000
Satisfied by:	
Cash	135,000
Consideration payable included in trade and other payable	5,000
	140,000
Net cash outflow arising on acquisition:	
Cash consideration paid	135,000

37. DISPOSAL OF A SUBSIDIARY

As explained in note 11, on 29 June 2005, the Group discontinued its insurance business at the time of disposal of LCH Insurance. The net assets of LCH Insurance at the date of disposal were as follows:

	29.6.2005
	HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	768
Available-for-sale investments	26,722
Investments held for trading	257
Trade and other receivables	9,473
Trade and other payables	(27,827)
Taxation payable	(299)
Bank balances and cash	90,410
	99,504
Unrealised gain on disposal included in interests in associates (Note i)	51,144
Gain on disposal of interest in a subsidiary (Note ii)	61,352
Total consideration	212,000
Satisfied by:	
Cash	212,000
Net cash inflow arising on disposal:	
Cash consideration received	212,000
Bank balances and cash disposed of	(90,410)
	121,590

The impact of LCH Insurance on the Group's results and cash flows for the year ended 31 December 2005 is disclosed in note 11.

Notes:

(i) The unrealised gain on disposal represented the unrealised gain resulting from the disposal of interest in LCH Insurance to CH Bank to the extent of the Group's interests in CH Bank, which was included in interests in associates.

(ii) The gain on disposal of interest in a subsidiary represented the disposal of the Group's interests in its insurance business, which was discontinued during the year ended 31 December 2005, and a portion of its business included in the Group's treasury investment segment. The full amount has been disclosed under the continuing operations of the Group as, in the opinion of the directors, it is not practicable to quantify the relevant gain attributable to the respective business activities.

38. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 April 2002, which replaced the previous share option scheme, for the primary purpose of providing incentives to directors and eligible employees, and will expire on 24 April 2012. Under the Scheme, the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company at HK$10 per option. Additionally, the Company may, from time to time, grant share options to outside eligible third parties at the discretion of the Board of Directors.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the 5th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the Company's share on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, or the closing price of the shares on the date of grant.

No options have been granted under the Scheme since the Scheme was adopted.

39. PLEDGE OF ASSETS

THE GROUP

At the balance sheet date, the Group's properties under development, prepaid lease payments and certain investment properties of the Group with an aggregate carrying value of HK$2,572,026,000 (2005: HK$925,000,000) were pledged to banks to secure general banking facilities granted to the Group.

THE COMPANY

At the balance sheet date, the investment properties of the Company with an aggregate carrying value of HK$660,000,000 (2005: HK$660,000,000) were pledged to banks to secure general banking facilities made available to the Company. In addition, the Company also pledged the shares of a subsidiary in favour of a bank against facilities granted to that subsidiary.

40. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Capital expenditure in respect of property development expenditure contracted for but not provided in the financial statements	**343,826**	506,611	**—**	—
Capital expenditure in respect of the contributions to the capital of an investee company contracted for but not provided in the financial statements	**84,786**	119,401	**84,786**	119,401
	428,612	626,012	**84,786**	119,401

41. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

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

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Within one year	**192**	80	**192**	80
In the second to fifth year inclusive	**80**	—	**80**	—
	272	80	**272**	80

Operating lease payments represent rentals payable for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed throughout the leases period.

41. OPERATING LEASE COMMITMENTS (CONTINUED)

THE GROUP AS LESSOR

Property rental income earned by the Group during the year amounted to approximately HK$101 million (2005: HK$96 million). Most of the properties held have committed tenants for the next one to five years.

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

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Within one year	**91,466**	54,828	**15,526**	12,858
In the second to fifth year inclusive	**109,594**	39,015	**14,543**	11,351
	201,060	93,843	**30,069**	24,209

42. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution scheme (the "ORSO Scheme") for the qualifying employees of certain companies in the Group and in December 2000, enrolled all other eligible employees into a Mandatory Provident Fund Scheme (the "MPF Scheme"). The ORSO Scheme is registered under the Occupational Retirement Schemes Ordinance. The assets of both schemes are held separately from those of the Group, in funds under the control of trustees.

The contributions payable to the fund by the Group are charged to the income statement at rates specified in the rules of the ORSO Scheme. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. At the balance sheet date, there are no forfeited contributions, which arose upon employees leaving the ORSO Scheme and which were available to reduce the contributions payable in the future years (2005: Nil).

The retirement benefits cost for the MPF Scheme charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

In addition, certain employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

43. RELATED PARTY DISCLOSURES

(A) RELATED PARTY TRANSACTIONS

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

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Income received and receivable from associates				
Rental income	**9,674**	8,259	**9,674**	8,259
Management and other service fee income	**4,845**	4,370	**4,845**	4,370
Interest income	**4,670**	1,882	**4,670**	1,882
	19,189	14,511	**19,189**	14,511
Income received and receivable from subsidiaries				
Rental income	**—**	—	**—**	432
Management and other service fee income	**—**	—	**1,440**	1,604
Interest income	**—**	—	**90,366**	74,987
	—	—	**91,806**	77,023
Expenses paid and payable to an associate				
Interest expenses	**8**	47	**8**	47
Rental expenses	**1,372**	1,334	**1,372**	1,334
	1,380	1,381	**1,380**	1,381
Expenses paid and payable to subsidiaries				
Management fee expenses	**—**	—	**240**	240

43. RELATED PARTY DISCLOSURES (CONTINUED)

(A) RELATED PARTY TRANSACTIONS (CONTINUED)

As set out in note 11, pursuant to a sale and purchase agreement entered into between the Company and CH Bank on 3 March 2005, CH Bank acquired from the Company the entire issued share capital of LCH Insurance for a total consideration of HK$212 million. Details of this disposal are set out in the Company's announcement dated 14 March 2005.

On 3 March 2006, the Company and CH Bank entered into a sale and purchase agreement for the disposal of an investment property to CH Bank at a consideration of HK$13,750,000.

In addition, at the balance sheet date, the Company had a financial guarantee contract issued to a bank in respect of banking facilities granted to a subsidiary. The amount utilised by the subsidiary amount to approximately HK$403 million (HK$357 million) as at 31 December 2006.

(B) RELATED PARTY BALANCES

Details of the Group's and the Company's outstanding balances with related parties, including bank accounts with CH Bank and its subsidiaries, at 31 December 2006, are set out in the balance sheets and notes 23, 29, 31 and 33.

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The emoluments of directors and other members of key management of the Group and the Company during the year were as follows:

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Short-term benefits	**14,760**	14,966	**14,760**	14,966
Post-employment benefits	**557**	552	**557**	552
	15,317	15,518	**15,317**	15,518

The emoluments of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

44. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group acquired a plot of land in Foshan, Guangzhou, the PRC at a consideration of RMB476 million (equivalent to approximately HK$476 million). The Group intends to develop this project in several phases over a period of 4 to 5 years.

45. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Issued ordinary share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Liu Chong Hing Estate Company, Limited	Hong Kong	HK$10,000,000	100	—	Investment holding
Liu Chong Hing Godown Company, Limited	Hong Kong	HK$72,000,000	100	—	Property investment
Liu Chong Hing Property Management and Agency Limited	Hong Kong	HK$1,000,000	100	—	Property management and agency
Abaleen Enterprises Limited	Hong Kong	HK$100,000	100	—	Property investment
Alain Limited	Hong Kong	HK$9,500	100	—	Investment holding
Bonsun Enterprises Limited	Hong Kong	HK$2,000,000	100	—	Property investment
Chong Yip Finance Limited	Hong Kong	HK$1,000,000	100	—	Money lending
Devon Realty Limited	Hong Kong	HK$200	100	—	Property investment
Donington Company Limited	Hong Kong	HK$200	100	—	Property investment
Gem Gain Enterprises Limited	Hong Kong	HK$30	100	—	Investment holding
Great Earnest Limited	Hong Kong	HK$200	100	—	Property investment
Heng Kin Investment Limited	Hong Kong	HK$2	100	—	Property investment
Jacot Limited	Hong Kong	HK$2	100	—	Investment holding
Ko Yew Company Limited	Hong Kong	HK$200	100	—	Property investment
Luxpolar Limited	Hong Kong	HK$2	—	100	Property investment
Marble Kingdom Limited	Hong Kong	HK$2	100	—	Investment holding
Prime Ocean Development Limited	Hong Kong	HK$10,000	—	100	Property investment
Queen Profit International Investment Limited	Hong Kong	HK$61,540	83.75	—	Investment holding
Speed World Investment Limited	Hong Kong	HK$100	—	60	Investment holding
Top Team Limited	Hong Kong	HK$200	100	—	Investment holding
Wealth Good Investment Limited	Hong Kong	HK$2	100	—	Investment holding
Yue Tung Ching Kee Company Limited	Hong Kong	HK$2,000,000	100	—	Property investment

45. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation or establishment/ operations	Issued ordinary share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Guangzhou Chong Hing Property Development Company Limited ("Guangzhou Chong Hing")	PRC	RMB170,000,000	—	60	Property development
Maanshan Gaoke Magnetic Material Company Limited ("Maanshan Gaoke")	PRC	RMB41,000,000	—	51.5	Manufacturing of magnetic materials
Shanghai Huang Pu Liu Chong Hing Property Development Company Limited ("Shanghai Huang Pu")	PRC	US$27,000,000	—	95	Property development
China Link Technologies Limited	British Virgin Islands/Hong Kong	US$100	100	—	Investment holding
Determined Resources Limited	British Virgin Islands/Hong Kong	US$1,000	100	—	Share investment
Terryglass Limited	British Virgin Islands/ Thailand	US$1,000	100	—	Investment holding

Guangzhou Chong Hing is a sino-foreign cooperative enterprise while Maanshan Gaoke and Shanghai Huang Pu are sino-foreign equity joint ventures established in the PRC.

None of the subsidiaries had any debt securities outstanding during the year and at the balance sheet date.

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

46. PRINCIPAL ASSOCIATES

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

Name of associate	Form of business structure	Place of incorporation/ operations	Class of share held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities
CH Bank (listed in Hong Kong)	Incorporated	Hong Kong	Ordinary	45.8%	45.8%	Banking business
Falconmate Limited	Incorporated	Hong Kong	Ordinary	50%	50%	Property investment

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form 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.