1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 10 April 1996 under the Companies Act 1981 of Bermuda. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 July 1996. The directors consider Sure Expert Limited, a company incorporated in the British Virgin Islands to be the parent and ultimate parent company of the Company. The address of its registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

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

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 19 to the financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these new and revised standards and interpretations has resulted in change to the Group's accounting policy in respect of financial guarantee contracts.

In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKFRS 4 *Insurance contracts* and HKAS 37 *Provisions, contingent liabilities and contingent assets*. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 January 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliable measured. Subsequently, they are measured at the higher of the amount of the obligation under the contract, as determined in accordance with HKAS 37, and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. Further details of the new policy are set out in note 3(f)(viii). The adoption of these standards did not result in significant changes to the amounts or disclosures in these financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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 standards, amendments and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: disclosures[1]
HKFRS 8	Operating segments[8]
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 Treasure Share Transactions[6]
HK(IFRIC)-Int 12	Service Concession Arrangements[7]

[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.
[7] Effective for annual periods beginning on or after 1 January 2008.
[8] Effective for annual periods beginning on or after 1 January 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation of the financial statements*

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the leasehold properties are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRS requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other source. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 37.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) *Subsidiaries and minority interests*

Subsidiary are all entities over which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interest that meets the definition of a financial liability. 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. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company. 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.

In the company's balance sheet, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale.

(c) *Property, plant and equipment*

The building components of owner-occupied leasehold properties are stated at valuation less accumulated depreciation. Fair value is determined by an independent firm of qualified property valuers. Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Increases in valuation are credited to the leasehold buildings revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter charged to the income statement. Any subsequent increase are credited to the income statement up to the amount previously charged and thereafter to leasehold buildings revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

Other items of property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over the their estimated useful lives as follows:

– Building situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.	
– Plant and machinery	20%
– Leasehold improvement, furniture, fixture and equipment	10% – 50%
– Motor vehicles	20% – 33%

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the year in which they are incurred.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Upon the disposal of leasehold buildings, the relevant portion of the revaluations reserve realised in respect of previous valuations is released from the leasehold buildings revaluation reserve to retained earnings.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

Construction in progress represents factory building, plant and machinery and other fixed assets under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprised direct cost of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(d) Leased assets

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.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance lease charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3(m) below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) *Leased assets (continued)*

Rentals applicable to operating leases net of any incentives received from the leasing company are charged to the income statement on straight line basis over the lease term.

Prepaid land lease premium under operating leases are up-front payments to acquire long-term interests in lessee-occupied properties. Prepaid land lease premium are stated at cost less accumulated amortisation and any impairment and are amortised over the remaining lease terms on a straight-line basis to the income statement.

(e) *Inventories*

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure.

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

(f) *Financial instruments*

Financial assets and financial liabilities are recognised on the Group's and the Company's balance sheet when the Group and the Company have become a party to the contractual provisions of the instrument.

(i) *Financial assets at fair value through profit or loss*

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised in profit or loss. Upon disposal, the difference between the net sales proceeds and the carrying value is included in the income statement.

(ii) *Available-for-sale investments*

Available-for-sale investments are those non-derivates and are designated as available-for-sale investments or not classified under other investment categories. Available-for-sale investments are carried at fair value. Unrealised gain and losses (including transaction costs on acquisition) arising from changes in the fair value are recognised in investment revaluation reserve in accordance with HKAS 39. When the securities are sold, the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments in the investment revaluation reserve are treated as gains or losses on disposal. For investments where there is no active market and whose fair value cannot be reliably measured, such investments are measured at cost less any impairment losses at each balance sheet date subsequent to initial recognition.

(iii) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) *Financial instruments (continued)*

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are ready convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(v) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(vi) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(vii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are taken to equity as a deduction, net of tax, from the proceeds.

(viii) Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(j) and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) *Impairment of assets*

(i) *Impairment of investments in debt and equity securities and other receivables*

Investment in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decrease. Impairment losses for equity securities are not reversed.

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amounting exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– prepaid land lease premium;

– investment in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) *Impairment of assets (continued)*

(iii) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(iv) Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

(v) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) *Employee benefits*

(i) Short term employee benefits in the form of leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlement to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the company in an independently-administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The company's contributions to the MPF Scheme are recognised as an expense in the income statement as incurred.

Obligations for contributions to social security fund are recognised as an expense in the income statement as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) *Employee benefits (continued)*

(iii) *Share-based payments*

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

For share options granted under the Scheme, the fair value of the employee's services rendered in exchange for the grant of the options is recognised as an expense and credited to an employee share-based compensation reserve under equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

At the time when the share options are exercised, the amount previously recognised in the employee share-based payment reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee share-based payment reserve will be released directly to retained earnings.

(iv) *Termination benefits*

Termination benefits are recognised when, and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(i) *Income tax*

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

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised only to the extent that it is probable that future 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) *Revenue recognition*

Provided it is probable that the economic benefits will flow to the Group and the revenue and cost, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Sales of goods

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

Hotel revenue

Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income

Interest income is recognised as it accrues using the effective interest method.

Sales of trading securities

Sale proceeds of trading securities are recognised on a trade date basis.

(l) *Translation of foreign currencies*

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items such as equities instruments held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are, included in the fair value reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Translation of foreign currencies (continued)

Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

c. all resulting exchange differences are recognised as a separate component of equity.

(m) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

(n) Related parties

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

(i) directly, or indirectly through one or more intermediaries, the party:

- control, is controlled by, or is under common control with, the Group;
- has an interest in the company that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is a member of key management personnel of the Company or its parent company;

(iii) the party is a close member of the family of any individual refered to in (i) and (ii);

(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entities resides with, directly or indirectly, the individual referred to in (ii) or (iii);

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

(p) *Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and

- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

4. REVENUE

An analysis of the Group's revenues, which are also the Group's turnover, for both continuing and discontinued operations, is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Continuing operations		
Operating of hotels		
– room rental	87,759	58,035
– food and beverage sale	32,741	24,991
– income from casino	317,312	167,572
– other rental income	4,704	2,534
	442,516	253,132
Proceeds from sale of trading securities	10,872	674
	453,388	253,806
Discontinued operations		
Revenue from the sale of watches and watch components	64,349	128,024
	517,737	381,830

5. SEGMENTAL INFORMATION

Primary reporting format – business segments

For management purposes, the Group is organised into three business segments:

Hotel business – holding and operating of hotels: the operation of two hotels in Macau;
Watch business – manufacturing and selling of watches and watch components; and
Investment business – trading of listed securities.

During the year, the Group disposed of its watch business.

5. SEGMENTAL INFORMATION (CONTINUED)

Primary reporting format – business segments (continued)

The following tables represent revenue and profit/(loss) information on each of the above business segments for the years ended 31 December 2005 and 2006, and certain assets and liabilities information regarding business segments at 31 December 2005 and 2006.

	Continuing operations						Discontinued operations			
	Holding and operating of hotels		Trading of listed securities		Total		Manufacturing and selling of watches and watch components		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	442,516	253,132	10,872	674	453,388	253,806	64,349	128,024	517,737	381,830
Segment result	174,993	88,767	827	(95)	175,820	88,672	(1,069)	(2,084)	174,751	86,588
Interest income					3,828	3,245	–	–	3,828	3,245
Unallocated operating income and expenses					(35,018)	(366,682)	–	(57)	(35,018)	(366,739)
Profit/(loss) from operations					144,630	(274,765)	(1,069)	(2,141)	143,561	(276,906)
Finance costs					(22,961)	(15,407)	(130)	(482)	(23,091)	(15,889)
Profit/(loss) before taxation					121,669	(290,172)	(1,199)	(2,623)	120,470	(292,795)
Taxation					–	–	–	41	–	41
Profit/(loss) for the year					121,669	(290,172)	(1,199)	(2,582)	120,470	(292,754)

5. SEGMENTAL INFORMATION (CONTINUED)

Primary reporting format – business segments (continued)

	Continuing operations						Discontinued operations			
	Holding and operating of hotels		Trading of listed securities		Total		Manufacturing and selling of watches and watch components		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	2,909,781	2,868,254	164	–	2,909,945	2,868,254	–	47,652	2,909,945	2,915,906
Unallocated assets					41,920	99,624	–	90	41,920	99,714
Total assets					2,951,865	2,967,878	–	47,742	2,951,865	3,015,620
Segment liabilities	29,062	49,285	–	–	29,062	49,285	–	40,125	29,062	89,410
Unallocated liabilities					322,936	505,238	–	7,243	322,936	512,481
Total liabilities					351,998	554,523	–	47,368	351,998	601,891
Other information										
Capital expenditure	36,061	568,567	–	–			478	1,491		
Depreciation and amortisation	110,036	48,339	–	–			518	1,760		
Significant non-cash expenses (other than depreciation and amortisation)	1,500	287	–	–			–	(867)		

5. SEGMENTAL INFORMATION (CONTINUED)

Secondary reporting format – geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, segment assets and capital expenditure are based on the geographical location of the assets.

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

	Continuing operations						Discontinued operations			
	Holding and operating of hotels		Trading of listed securities		Total		Manufacturing and selling of watches and watch components		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The People's Republic of China ("PRC") including Hong Kong excluding Macau	–	–	10,872	674	10,872	674	5,799	14,393	16,671	15,067
Macau	442,516	253,132	–	–	442,516	253,132	–	–	442,516	253,132
Middle East	–	–	–	–	–	–	10,316	27,002	10,316	27,002
South America	–	–	–	–	–	–	43,802	75,715	43,802	75,715
North America	–	–	–	–	–	–	2,764	8,247	2,764	8,247
Europe	–	–	–	–	–	–	323	261	323	261
Other locations	–	–	–	–	–	–	1,345	2,406	1,345	2,406
	442,516	253,132	10,872	674	453,388	253,806	64,349	128,024	517,737	381,830

5. SEGMENTAL INFORMATION (CONTINUED)

Secondary reporting format – geographical segments (continued)

The following is an analysis of the carrying amount of segment assets by location of assets:

	Continuing operations						Discontinued operations			
	Holding and operating of hotels		Trading of listed securities		Total		Manufacturing and selling of watches and watch components		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The People's Republic of China ("PRC") including Hong Kong excluding Macau	717	582	164	–	881	582	–	42,537	881	43,119
Macau	2,909,064	2,867,672	–	–	2,909,064	2,867,672	–	–	2,909,064	2,867,672
Middle East	–	–	–	–	–	–	–	2,459	–	2,459
South America	–	–	–	–	–	–	–	177	–	177
North America	–	–	–	–	–	–	–	2,129	–	2,129
Europe	–	–	–	–	–	–	–	163	–	163
Other locations	–	–	–	–	–	–	–	187	–	187
Unallocated assets					41,920	99,624	–	90	41,920	99,714
					2,951,865	2,967,878	–	47,742	2,951,865	3,015,620

The following is an analysis of the capital expenditures by location of assets:

	Continuing operations						Discontinued operations			
	Holding and operating of hotels		Trading of listed securities		Total		Manufacturing and selling of watches and watch components		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The People's Republic of China ("PRC") including Hong Kong and excluding Macau	–	–	994	2,448	994	2,448	478	1,491	1,472	3,939
Macau	36,061	568,567	–	–	36,061	568,567	–	–	36,061	568,567
	36,061	568,567	994	2,448	37,055	571,015	478	1,491	37,533	572,506

6. OTHER INCOME

	2006 HK$'000	2005 HK$'000
Continuing operations		
Interest income	3,828	3,245
Sundry income	2,981	1,949
	6,809	5,194
Discontinued operations		
Sundry income	80	144
	6,889	5,338

7. STAFF COSTS

	2006 HK$'000	2005 HK$'000
Continuing operations		
Staff costs (including directors' remuneration)		
– salaries, wages and other benefits	24,794	15,055
– contributions to defined contribution retirement plan	123	90
– equity-settled share-based payment expenses		
– expenses in relation to giving of shares by the controlling shareholder as gift *(NB1)*	–	448,000
– expenses in relation to the grant of unlisted warrants *(NB2)*	–	48,800
– expenses in relation to the grant of share options *(NB3)*	22,784	–
Amount shown as staff costs in the consolidated income statement	47,701	511,945
Staff costs included in operating costs in the consolidated income statement	44,705	27,971
Total staff costs for continuing operations	92,406	539,916
Discontinued operations		
Staff costs		
– salaries, bonus, allowances and benefits in kind	15,232	31,373

7. STAFF COSTS (CONTINUED)

NB 1: Upon the completion of the acquisition of Grandview Hotel on 31 March 2005, the controlling shareholder of the Company, Perfect View Development Limited, bestowed Choose Right Limited ("Choose Right") with its 400,000,000 shares and Sure Expert Limited ("Sure Expert") with its 1,200,000,000 shares respectively, for inviting Mr. Lee Wai Man, being the beneficial owner of Choose Right and Mrs. Chu Yuet Wah, now an executive director of the Company, being the beneficial owner of Sure Expert, to be consultants of the Company in relation to the management of Grandview Hotel with gaming entertainment. The transaction falls within the one of the three types of share-based payment transaction—equity-settled share-based payment transaction and the Company measured the services rendered, and the corresponding increase in equity, directly, at the fair value of the shares given.

NB 2: The Company also granted 80,000,000 (as adjusted for share consolidation of ten shares into one shares) warrants conferring rights to subscribe up to HK$200,000,000 in aggregate in cash for shares at an adjusted subscription price of HK$2.5 to Sure Expert to retain Mrs. Chu's support to the Company as a consultant in the future in respect of the management of Grandview Hotel. The warrant is measured using the Black-Scholes Option Pricing Model with the following variables:

Closing share price at date of grant	HK$2.8 (as adjusted for share consolidation of ten shares into one share)
Risk free rate (being the yield of 3-year Exchange Fund Notes)	3.614% as at 31 March 2005
Expected volatility *(note i)*	14%
Expiration of the warrants	3 years from 31 March 2005

(i) The volatility measured at the standard deviation of expected share price return is based on statistical analysis of daily shares prices over one year immediately preceding the grant date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the warrants and the historical volatility of the company shares set out above.

Details of the giving shares by the controlling shareholder and granting of warrants are disclosed in the Company's circular dated 22 February 2005.

NB 3: The Company granted 88,070,000 options during the year. Details refer to note 27(ii).

8. FINANCE COSTS

	2006	**2005**
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	23,069	15,659
Interest on other loans	12	183
Interest on convertible debts	–	44
Finance charges on obligation under finance lease	10	3
	23,091	15,889
Attributable to:		
Continuing operations	22,961	15,407
Discontinued operations	130	482
	23,091	15,889

9. TAXATION

	2006 HK$'000	2005 HK$'000
Deferred tax *(note 28)*		
– Current year	–	(41)
Attributable to:		
Continuing operations	–	–
Discontinued operations	–	(41)
	–	(41)

(a) No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit for the year (2005: nil).

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau has no assessable profit for the year (2005: nil).

No provision for overseas taxation has been made for the year as the subsidiaries operating in the PRC had no assessable income for PRC taxation purpose (2005: nil).

(b) The taxation for the year can be reconciled to the profit/(loss) before taxation per the consolidated income statement as follows:

	2006 HK$'000	2005 HK$'000
Profit/(loss) from continuing operations	121,669	(290,172)
Loss from discontinued operations	(1,199)	(2,623)
Profit/(loss) before taxation	120,470	(292,795)
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions *(note)*	21,869	(56,427)
Tax effect of non-deductible expenses	28,291	111,325
Tax effect of non-taxable income	(63,050)	(66,838)
Reversal of deferred tax not recognised	–	(420)
Deferred tax assets not recognised	12,890	12,319
Taxation for the year	–	(41)

Note: The tax rates adopted here are 15% for those entities operating in Macau and 17.5% for entities operating in other jurisdictions.

10. DISCONTINUED OPERATIONS

On 2 May 2006, the Company entered into an agreement with a third party for the disposal of its entire 100% shareholding interest in Million-Well Enterprises Corp. ("Million-Well") and a shareholder's loan in the sum of approximately HK$228 million due from Million-Well to the Company. Million-Well is an investment holding company and the Million-Well group is engaged in the manufacturing and trading of watches and watch components business ("Watch Business"). The cash consideration was HK$2 million. The transaction was completed on 30 June 2006. The gain on disposal of the Watch Business amounted to HK$6,172,000. Details of the assets and liabilities disposed of are disclosed in note 31.

The results of the discontinued operations included in the consolidated income statement are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2006	**2005**
	HK$'000	*HK$'000*
Loss for the year from discontinued operations		
Turnover	64,349	128,024
Cost of sales	(61,036)	(119,559)
Gross profit	3,313	8,465
Other operating income	80	144
Distribution costs	(396)	(1,854)
Other operating costs	–	(179)
Administrative expenses	(1,509)	(5,320)
Other gains	–	851
Staff costs	(2,557)	(4,248)
Finance costs	(130)	(482)
Loss before taxation	(1,199)	(2,623)
Taxation credit	–	41
Loss for the year from discontinued operations	(1,199)	(2,582)
Cash flows (used in)/from discontinued operations		
Net cash flows from operating activities	5,571	1,304
Net cash flows used in investing activities	(118)	(1,273)
Net cash flows (used in)/from financing activities	(5,616)	983
	(163)	1,014

11. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging/(crediting) the following:

	2006 HK$'000	2005 HK$'000
Cost of inventories sold *(note 1)*	86,597	128,380
Attributable to:		
– continuing operations	25,561	8,821
– discontinued operations	61,036	119,559
Auditors' remuneration *(note 2)*		
– audit services	500	650
– tax services	4	78
– other services	319	1,869
Amortisation of land lease premium *(note 2)*	19,066	11,696
Depreciation *(note 2)*		
– owned assets	92,270	38,827
– leased assets	3	11
Amortisation and depreciation attributable to:		
– continuing operations	110,821	48,773
– discontinued operations	518	1,761
Operating lease charges for hire of properties		
– minimum lease payments *(note 2)*	3,023	3,204
Attributable to:		
– continuing operations	2,871	2,403
– discontinued operations	152	801
Other operating expenses		
– impairment losses for trade and other receivables – continuing operations	2,767	183
– impairment losses for trade and other receivables – discontinued operations	–	195
– compensation for early termination of tenancy	–	20,000
– loss on disposal of property, plant and equipment – continuing operations	1,500	287
– gain on disposal of property, plant and equipment – discontinued operations	–	(16)
Other losses/(gains)		
– gain on disposal of available-for-sale investment	–	(2,000)
– revaluation surplus in respect of leasehold buildings – discontinued operations	–	(851)
– loss on disposal of subsidiaries	–	2,498

11. PROFIT/(LOSS) FOR THE YEAR (CONTINUED)

Notes:

(1) Included in costs of inventories sold were operating lease rentals and depreciation of HK$14,000 (2005: HK$501,000) and HK$227,000 (2005: HK$1,205,000) respectively, which had also been included in operating lease charges and depreciation disclosed above.

(2) Except for the amounts mentioned in note 1 above, which had been included in other items in the consolidated income statement, these amounts had been included in administrative expenses in the consolidated income statement.

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity shareholders of the Company includes a profit of HK$36,882,000 (2005: loss of HK$514,952,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2006 *HK$'000*	**2005** *HK$'000*
Interim, paid – HK3 cents (2005: nil) per share	36,380	–

The Board of Directors (the "Board") of the Company proposed a bonus issue of ordinary shares to shareholders on the basis of four bonus shares for every share held.

14. EARNINGS/(LOSS) PER SHARE

	2006 *HKcent*	**2005** *HKcent*
Basic earnings/(loss) per share		
From continuing operations	10.00	(25.35)
From discontinued operations	(0.10)	(0.23)
Total basic earnings/(loss) per share	9.90	(25.58)
Diluted earnings per share		
From continuing operations	10.00	N/A
From discontinued operations	(0.10)	N/A
Total diluted earnings per share	9.90	N/A

14. EARNINGS/(LOSS) PER SHARE (CONTINUED)

(a) *Basic earnings/(loss) per share*

The earnings/(loss) and weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share are as follows:

	2006 *HK$'000*	**2005** *HK$'000*
Profit/(loss) for the year attributable to equity holders of the Company	120,334	(292,754)
Loss for the year from discontinued operations used in the calculation of basic earnings/(loss) per share from discontinued operations	(1,199)	(2,582)
Earnings/(loss) used in the calculation of basic earnings/(loss) per share from continuing operations	121,533	(290,172)

	2006	**2005**
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	1,215,204,550	1,144,562,057

(b) *Diluted earnings per share*

The earnings used in the calculation of diluted earnings per share are the same as those for the basic earnings per share, as outlined above.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2006	**2005**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,215,204,550	N/A
Shares deemed to be issued for no consideration in respect of:		
– Share options and warrants	–	N/A
	1,215,204,550	N/A

Share options and warrants have no dilutive effect as the average market price of ordinary shares during the year does not exceed the exercise price of the share options and warrants.

Diluted loss per share for the year ended 31 December 2005 has not been presented as the effect of any dilution is anti-dilutive.

15. DIRECTORS' REMUNERATION

An analysis of remuneration paid and payable to directors of the Company for the year ended 31 December 2006 and 2005 is set as follows:

	Directors' fee	Salaries, allowances and benefits in kind	Share-based payments	Retirement scheme contribution	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Cheung Yu Shum, Jenkin (resigned on 10 February 2006)	–	–	–	–	–
Chu Yuet Wah	–	4,200	689	12	4,901
Wong Hin Shek, Hans	–	1,300	3,338	12	4,650
Chi Chi Hung, Kenneth	–	1,210	3,338	12	4,560
Non-executive directors					
Lee Wai Man (resigned on 10 February 2006)	136	–	–	–	136
Chu Nicholas Yuk Yui (appointed on 10 February 2006)	584	–	689	–	1,273
Independent non-executive directors					
Wong Yun Kuen	60	–	–	–	60
Lo Miu Shueng, Betty	60	–	–	–	60
Lau Man Tak, Ronald	60	–	–	–	60
	900	6,710	8,054	36	15,700

15. DIRECTORS' REMUNERATION (CONTINUED)

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Retirement scheme contribution HK$'000	2005 Total HK$'000
Executive directors					
Cheung Yu Shum, Jenkin (resigned on 10 February 2006)	–	200	–	–	200
Chu Yuet Wah	–	2,872	384,800	7	387,679
Chu Yuk Kuen (resigned on 6 June 2005)	–	–	–	–	–
Wong Hin Shek, Hans	–	1,100	–	9	1,109
Chi Chi Hung, Kenneth	–	548	–	5	553
Ng Tak Chak, Nelson (resigned on 6 April 2005)	–	–	–	–	–
Non-executive director					
Lee Wai Man (resigned on 10 February 2006)	883	–	112,000	–	112,883
Independent non-executive directors					
Wong King Shiu, Daniel (resigned on 8 June 2005)	–	–	–	–	–
Shum Ka Hei (resigned on 8 June 2005)	–	–	–	–	–
Wong Yun Kuen (appointed on 8 June 2005)	34	–	–	–	34
Lo Miu Shueng, Betty (appointed on 8 June 2005)	34	–	–	–	34
Lau Man Tak, Ronald (appointed on 8 June 2005)	11	–	–	–	11
Chan Chi Yuen (resigned on 28 October 2005)	25	–	–	–	25
	987	4,720	496,800	21	502,528

No directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2005 and 2006.

Other than the giving of shares by the controlling shareholder and the granting of unlisted warrants during the year ended 31 December 2005 as detailed in note 7 as an inducement to directors to join the Group, there were no other emoluments paid or payable as an inducement to directors to join the Group and no emoluments were paid or payable to the directors as compensation for loss of office during the years ended 31 December 2005 and 2006.

16. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2005: 4) are directors whose emoluments are disclosed in note 15. The emoluments in respect of the remaining two (2005: 1) highest paid individuals are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries and other emoluments	1,020	492
Retirement scheme contributions	12	9
Share-based payments	6,676	–
	7,708	501

No emoluments were paid or payable to the above highest paid individual as an inducement to join the Group or as compensation for loss of office during the years ended 31 December 2005 and 2006.

17. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold building held for own use HK$'000	Construction in progress HK$'000 (note f)	Plant and machinery HK$'000	Leasehold improvement, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 1 January 2005	18,966	–	40,962	16,257	2,348	78,533
Additions	267,436	–	734	130,636	2,996	401,802
Acquisition of subsidiaries	609,825	–	–	110,284	992	721,101
Disposals	–	–	–	(6,901)	(528)	(7,429)
Adjustment on revaluation	854,757	–	–	–	–	854,757
At 31 December 2005	1,750,984	–	41,696	250,276	5,808	2,048,764
Representing:						
Cost	–	–	41,696	250,276	5,808	297,780
At 2005 valuation	1,750,984	–	–	–	–	1,750,984
	1,750,984	–	41,696	250,276	5,808	2,048,764
At 1 January 2006	1,750,984	–	41,696	250,276	5,808	2,048,764
Additions	–	–	–	35,074	2,459	37,533
Disposals	–	–	–	(2,224)	–	(2,224)
Disposal of subsidiaries	(19,163)	–	(41,696)	(10,108)	(2,636)	(73,603)
Adjustment on revaluation	–	–	–	–	–	–
At 31 December 2006	1,731,821	–	–	273,018	5,631	2,010,470
Representing:						
Cost	–	–	–	273,018	5,631	278,649
At 2006 valuation	1,731,821	–	–	–	–	1,731,821
	1,731,821	–	–	273,018	5,631	2,010,470

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group	Leasehold building held for own use HK$'000	Construction in progress HK$'000 (note f)	Plant and machinery HK$'000	Leasehold improvement, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Accumulated depreciation						
At 1 January 2005	–	–	39,322	14,993	2,073	56,388
Charge for the year	13,015	–	551	24,598	674	38,838
Eliminated on disposals	–	–	–	(6,577)	(528)	(7,105)
Adjustment on revaluation	(13,015)	–	–	–	–	(13,015)
At 31 December 2005	–	–	39,873	33,014	2,219	75,106
At 1 January 2006	–	–	39,873	33,014	2,219	75,106
Charge for the year	39,362	–	227	51,431	1,253	92,273
Eliminated on disposals	–	–	–	(564)	–	(564)
Disposal of subsidiaries	–	–	(40,100)	(9,042)	(1,767)	(50,909)
Adjustment on revaluation	(39,321)	–	–	–	–	(39,321)
At 31 December 2006	41	–	–	74,839	1,705	76,585
Net book value						
At 31 December 2006	1,731,780	–	–	198,179	3,926	1,933,885
At 31 December 2005	1,750,984	–	1,823	217,262	3,589	1,973,658

(a) The Group's buildings for own use in Macau, were revalued by AA Property Services Limited, an independent professional valuer, on an open market value basis as at 31 December 2006.

(b) As at 31 December 2006, the total amount of revaluation surpluses of HK$39,321,000 have been transferred to the leasehold buildings revaluation reserve of the Group. As at 31 December 2005, included in the total amount of revaluation surpluses of HK$867,772,000, HK$866,921,000 had been transferred to the leasehold buildings revaluation reserve of the Group and the balance was recognised in the consolidated income statement.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Had these properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been:

	2006 *HK$'000*	2005 *HK$'000*
Buildings in the PRC excluding Hong Kong and Macau	–	19,942
Leasehold buildings in Macau	845,247	864,900
	845,247	884,842

(d) The analysis of net book value of properties is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Medium-term lease		
– in the PRC excluding Hong Kong SAR and Macau	–	19,163
– in Macau	1,731,780	1,731,821
	1,731,780	1,750,984

(e) The carrying amount of the Group's motor vehicles and equipment included an amount of HK$nil (2005: HK$199,000) and HK$10,000 (2005: HK$13,000) in respect of assets held under finance lease.

(f) Construction in progress ("CIP") represents the cost of construction in respect of the Watch Business' production facility in the PRC where construction has yet to be completed to its original intended use. Full provision had been made in previous years.

During the year, the Group disposed of the Watch Business. Details set out in note 10.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(g) The leasehold buildings for own use with net book value at 31 December 2006 of HK$1,730,000,000 (2005: HK$1,749,162,000) were pledged to the bank for banking facilities granted to the Group (note 25).

The Company	**Leasehold improvement, furniture, fixtures and equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost			
Additions during the year and at 31 December 2005	2,275	173	2,448
At 1 January 2006	2,275	173	2,448
Additions during the year	126	868	994
At 31 December 2006	2,401	1,041	3,442
Accumulated depreciation			
Charge for the year and at 31 December 2005	406	29	435
At 1 January 2006	406	29	435
Charge for the year	561	224	785
At 31 December 2006	967	253	1,220
Net book value			
At 31 December 2006	1,434	788	2,222
At 31 December 2005	1,869	144	2,013

18. PREPAID LAND LEASE PREMIUM

	The Group HK$'000
Cost	
At 1 January 2005	2,153
Additions	170,704
Acquisition of subsidiaries	680,000
At 31 December 2005 and 1 January 2006	852,857
Disposal of subsidiaries	(2,153)
At 31 December 2006	850,704
Accumulated amortisation	
At 1 January 2005	384
Provided for the year	11,696
At 31 December 2005 and 1 January 2006	12,080
Provided for the year	19,066
Disposal of subsidiairies	(427)
At 31 December 2006	30,719
Net book value	
At 31 December 2006	819,985
At 31 December 2005	840,777

At 31 December 2006, the land lease of the Group are situated in the Macau and are held under medium term leases. The leasehold land with net book value at 31 December 2006 of HK$819,302,000 (2005: HK$840,078,000) was pledged to the bank for banking facilities granted to the Group (note 25).

Analysed for reporting purposes as:

	2006 HK$'000	2005 HK$'000
Current asset	18,905	18,948
Non-current asset	801,080	821,829
	819,985	840,777

19. INVESTMENTS IN SUBSIDIARIES

	The Company 2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	–	69,532
Amounts due from subsidiaries	1,581,061	1,538,274
Amounts due to subsidiaries	(217,574)	(69,978)
Less: impairment loss	–	(298,236)
	1,363,487	1,239,592
Less: Amount due within one year and included in current assets	–	(3,000)
	1,363,487	1,236,592

Included in amounts due from subsidiaries are loans of HK$350,000,000 (2005: HK$303,000,000) which bear interest at 5% per annum. At 31 December 2005, among these interest-bearing loans, HK$3 million was repayable within one year from the balance sheet date.

Apart from the above, the amounts due from/to subsidiaries were unsecured, interest-free and had no fixed term of repayment. The amounts were non-current in nature and their carrying amounts approximate their fair value.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ registration and operation	Particulars of registered/ issued and paid up share capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Bebright Limited#	British Virgin Islands	US$1	100%	100%	–	Investment holding
Futuremind Holdings Limited#	British Virgin Islands	US$1	100%	–	100%	Investment holding
GR Casa Real Holdings Limited#	British Virgin Islands	US$5	100%	–	100%	Investment holding
GR Casa Real (HK) Company Limited	Hong Kong	HK$2	100%	–	100%	Operating booking office for Casa Real Hotel

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ registration and operation	Particulars of registered/ issued and paid up share capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
GR Casa Real Company Limited	Macau	MOP100,000	100%	–	100%	Operating Casa Real Hotel
Golden Resorts Group Hotel Investment Limited	Macau	MOP100,000	100%	–	100%	Operating Grandview Hotel
Goventure Finance Limited^	British Virgin Islands	US$1	100%	100%	–	Operating casino in hotels
Next Champion Limited#	British Virgin Islands	US$1	100%	100%	–	Investment holding
Golden 28 Club*	Macau	HK$50,000,000	80%	–	80%	Operating casino in hotels
Crystal Sea Group Limited#	British Virgin Islands	US$1	100%	100%	–	Investment holding
Noble Brand Limited#	British Virgin Islands	US$1	100%	100%	–	Trading of listed securities

\# Companies operate principally in Hong Kong instead of in their respective places of incorporation/establishment.

^ Companies operate principally in Macau instead of in their respective places of incorporation/establishment.

* Golden 28 Club is registered in Macau as an individual enterprise in the name of Mrs. Chu Yuet Wah.

20. INVENTORIES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Continuing operations		
Food and beverage	1,965	2,076
Discontinued operations		
Raw material	–	4,429
Work in progress	–	7,067
Finished goods	–	1,938
	–	13,434
	1,965	15,510

21. AVAILABLE-FOR-SALE INVESTMENT

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Investment fund, at cost	15,539	–

During the year, the Group subscribed for Category A Units of McDonnell Loan Opportunity Fund of US$2,000,000. The investment fund is redeemable after one year from the date the Group subscribed the fund at the fund's net asset value. The Group is entitled to dividend of 5% per annum which is payable semi-annually in February and August. There is no public market for the investment fund and, in the opinion of the directors, its fair value cannot be reliably measured. Such investment fund is measured at cost less any impairment losses at 31 December 2006.

22. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 0 – 60 days to its customers.

	The Group		The Company	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	53,472	54,744	–	–
Deposits and prepayments	18,150	4,963	856	855
	71,622	59,707	856	855

All of trade and other receivable are expected to be recovered within one year.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an ageing analysis of trade receivables at the balance sheet date:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
0 – 3 months	50,379	50,885
4 – 6 months	1,596	3,725
Over 6 months	4,264	134
	56,239	54,744
Provision	(2,767)	–
	53,472	54,744

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the Group's entities to which they relate:

	The Group	
	2006	**2005**
United States Dollars	–	US$656,000

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	7,258	26,789	–	–
Other payable and accruals	18,086	60,543	2,348	3,737
	25,344	87,332	2,348	3,737

All of other trade and other payables are expected to be settled within one year.

The following is an ageing analysis of trade payables at the balance sheet date:

	2006	**2005**
	HK$'000	*HK$'000*
0 – 3 months	7,046	15,464
4 – 6 months	212	2,639
7 – 12 months	–	2,800
Over 12 months	–	5,886
	7,258	26,789

23. TRADE AND OTHER PAYABLES (CONTINUED)

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the Group's entities to which they relate:

	The Group	
	2006	2005
United States Dollars	–	US$313,000
Reminbi	–	Rmb22,070,000

24. BORROWINGS

	The Group		The Company	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	6,651	7,064	30	1,193
Bank loans, secured – *note 25*	320,000	507,243	–	–
Obligations under finance lease – *note 26*	3	195	–	–
	326,654	514,502	30	1,193
Amount due within one year and included in current liabilities	6,654	14,383	30	1,193
Amount due after one year	320,000	500,119	–	–

25. BANK LOANS, SECURED

At 31 December 2006, the secured bank loans were repayable as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Within 1 year or on demand	–	7,243
After 1 year but within 2 years	320,000	–
After 2 years but within 5 years	–	500,000
	320,000	500,000
	320,000	507,243

25. BANK LOANS, SECURED (CONTINUED)

Included in bank loan is the following amount denominated in a currency other than the functional currency of the Group's entities to which they relate:

	2006	2005
Reminbi	–	Rmb7,750,000

At 31 December 2006, the banking facilities of certain subsidiaries were secured by mortgages over their leasehold land and buildings with an aggregate carrying amount of HK$2,549,302,000 (2005: HK$2,589,240,000).

The average effective interest rate of the bank loans is 4.11% (2005: 4.11% and 5.9%).

The carrying amounts of bank loans and overdrafts approximate to their fair value.

26. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2006, the Group had obligations under finance leases repayable as follows:

	Minimum lease payment		Present value of minimum lease payment	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance lease:				
Within 1 year	3	87	3	76
In the second year	–	83	–	72
In the third and fifth years, inclusive	–	53	–	47
Less: future finance charges	–	(28)	–	–
Present value of lease obligation	3	195	3	195
Less: amount due for settlement within one year shown under current liabilities			(3)	(76)
Amount due for settlement after one year			–	119

27. EMPLOYEE RETIREMENT BENEFITS

(i) Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employee are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

(ii) Share option scheme

The Company has a share option scheme (the "Scheme") which was adopted on 7 June 2004 whereby the directors of the Company may, at their discretion, select participants as incentives or rewards for their contribution to the Group to take up options at HK$1 per option to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the shares in issue from time to time. The total number of shares available for issue under the Scheme is 289,744,329 which represents 23% of the issued share capital as at the date of this annual report. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% 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 date of expiry of the option or in accordance with the terms of the Scheme at any time during a period to be notified by board of directors to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the share.

27. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(ii) Share option scheme (continued)

Details of the share options outstanding as at 31 December 2006 which have been granted under the Scheme are as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price	Balance at 1 January 2005 and 31 December 2005	Granted in 2006	Exercised in 2006	Lapsed in 2006	Balance at 31 December 2006
Consultants	12/11/2004	15/11/2004 to 14/11/2006	HK$1.51	66,100,000	–	19,830,000	46,270,000	–
Directors:								
Chu Yuet Wah	28/4/2006	28/4/2006 to 31/12/2009	HK$2.00	–	2,500,000	–	–	2,500,000
Chu Yuk Yui	28/4/2006	28/4/2006 to 31/12/2009	HK$2.00	–	2,500,000	–	–	2,500,000
Wong Hin Shek	28/4/2006	28/4/2006 to 31/12/2009	HK$2.00	–	12,120,000	–	–	12,120,000
Chi Chi Hung	28/4/2006	28/4/2006 to 31/12/2009	HK$2.00	–	12,120,000	–	–	12,120,000
Staff	28/4/2006	28/4/2006 to 31/12/2009	HK$2.00	–	24,240,000	–	–	24,240,000
		1/1/2007 to 31/12/2009	HK$2.00	–	5,350,000	–	580,000	4,770,000
Consultants	28/4/2006	28/4/2006 to 31/12/2009	HK$2.00	–	29,240,000	–	–	29,240,000
				66,100,000	88,070,000	19,830,000	46,850,000	87,490,000

The estimated fair value of the options granted during the year was HK$0.2754.

The fair value was calculated using the Binomial pricing model. The inputs into the model were as follows:

Weighted average share price	HK$1.95
Exercise price	HK$2.00
Expected volatility	9%
Expected life	3 years
Risk-free rate	4.15%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year.

Because the Binomial pricing model requires the input of highly substantive assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

A share-based payment expense amounting to HK$22,784,000 has been recognised by the Company for the year ended 31 December 2006 in relation to share options granted by the Company.

28. DEFERRED TAXATION

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation *HK$'000*	Other assets *HK$'000*	Unused tax losses *HK$'000*	Total *HK$'000*
At 1 January 2005	–	41	8	49
Acquisition of subsidiaries	4	–	5,571	5,575
Credit to consolidated income statement	–	29	12	41
At 31 December 2005 and 1 January 2006	4	70	5,591	5,665
Disposal of subsidiaries	(1)	(70)	(19)	(90)
Credit to consolidated income statement	–	–	–	–
At 31 December 2006	3	–	5,572	5,575

At 31 December 2006, the Group has unused tax losses of approximately HK$183,903,000 (2005: approximately HK$182,295,000) available for offset against future profits. A deferred tax asset has been recognised for the year ended 31 December 2006 in respect of HK$37,143,000 (2005: HK$37,256,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward for a period of:

	2006 *HK$'000*	2005 *HK$'000*
More than one year but not more than two years	51,654	–
More than two years but not more than three years	85,840	61,863
Indefinitely	9,266	83,176
	146,760	145,039

29. SHARE CAPITAL

	2006 Number of shares	2006 Amount HK$'000	2005 Number of shares	2005 Amount HK$'000
Ordinary shares of HK$0.01 (2005: HK$0.10) each				
Authorised:				
At 1 January	3,000,000,000	300,000	30,000,000,000	300,000
Capital reduction	27,000,000,000	–	–	–
Share consolidation	–	–	(27,000,000,000)	–
At 31 December	30,000,000,000	300,000	3,000,000,000	300,000
Issued and fully paid:				
At 1 January	1,212,651,098	121,265	9,526,510,980	95,265
Capital reduction	–	(109,139)	–	–
Issue of shares	19,830,000	198	2,600,000,000	26,000
Capital reorganisation	–	–	(10,913,859,882)	–
At 31 December	1,232,481,098	12,324	1,212,651,098	121,265

Details of the changes in the Company's share capital during the year ended 31 December 2006 are as follows:

(i) Pursuant to a special resolution passed on 29 June 2006, a capital reduction was undertaken and became effective on 30 June 2006. Under the capital reduction, the nominal value of all the issued shares be reduced from HK$0.1 each to HK$0.01 each by way of a reduction of capital to the extent of HK$0.09 on each of the issued shares pursuant to Section 46 of the Companies Act 1981 of Bermuda, thereby reducing the issued and paid up capital of the Company from the amount of approximately HK$121.27 million in respect of the 1,212,651,098 Shares in issue to HK$12.13 million and transfer the credit of approximately HK$109.14 million arising therefrom together with the credit of approximately HK$218.94 million arising from the proposed cancellation of part of the share premium of the Company of approximately HK$1,415.42 million as at 31 December 2005 to the contributed surplus account of the Company, in accordance with the Bye-laws and all applicable laws, and then, together with the credit of approximately HK$448 million from the employee share-based payment reserve, set off the accumulated losses of the Company. Upon the reduction of capital on each of the issued shares as aforesaid, each authorised but unissued share of HK$0.1 each was subdivided into the new shares of HK$0.01 each.

(ii) During the year, 19,830,000 ordinary shares of HK$0.01 each were issued pursuant to the share option scheme of the Company.

Warrants

As at 31 December 2006, the Company had outstanding 80,000,000 warrants conferring rights to subscribe up to HK$200,000,000 in aggregate in cash for shares at an adjusted subscription price of HK$2.5 granted to Sure Expert, details of which are disclosed in note 7 to the financial statements. Each warrant confers upon the holder the right to subscribe in cash for one ordinary share of HK$0.01 each in the Company at any time until 31 March 2008.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 22 to 23 of the financial statements.

Company	Share premium account	Contributed surplus	Employee share-based payment reserve	Capital reserve	Retained earnings/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	821,424	69,332	–	418	(261,125)	630,049
Issue of shares upon the conversion of convertible bond	10,000	–	–	(418)	–	9,582
Issue of shares for the acquisition of assets	95,000	–	–	–	–	95,000
Issue of shares for the acquisition of subsidiaries and assets	489,000	–	–	–	–	489,000
Employee share-based payment	–	–	496,800	–	–	496,800
Loss for the year	–	–	–	–	(514,952)	(514,952)
At 31 December 2005	1,415,424	69,332	496,800	–	(776,077)	1,205,479
At 1 January 2006	1,415,424	69,332	496,800	–	(776,077)	1,205,479
Capital reduction	(218,938)	–	(448,000)	–	776,077	109,139
Issue of shares upon exercise of share option	29,745	–	–	–	–	29,745
Employee share-based payment	–	–	22,784	–	–	22,784
Profit for the year	–	–	–	–	36,882	36,882
Dividend paid	–	–	–	–	(36,380)	(36,380)
At 31 December 2006	1,226,231	69,332	71,584	–	502	1,367,649

(a) The share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses.

(b) The contributed surplus represents the difference between the nominal value of the Company's shares issued and the value of net assets of the underlying subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), a company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

30. RESERVES (CONTINUED)

(c) The employee share-based payment reserve comprises the following:

- the fair value of the shares given by the controlling shareholder for equity-settled share-based payment transaction recognised in accordance with HKFRS 2. Details are set out in note 7;
- the fair value of unlisted warrant granted for share-based payment transaction recognised in accordance with HKFRS 2. Details are set out in note 7.
- the fair value of unexercised share options granted to employees of the Company recognised in accordance with HKFRS 2. Details are set out in note 27.

The reserve available for distribution by the Company to the shareholders as at 31 December 2006 is approximately HK$69,834,000. (2005: nil).

31. DISPOSAL OF SUBSIDIARIES

On 2 May 2006, the Company entered into an agreement with a third party for the disposal of its entire 100% shareholding interest in Million-Well together its subsidiaries (the "Million-Well Group") and a shareholder's loan in the sum of approximately HK$228 million due from Million-Well to the Company. The net liabilities of Million-Well Group at the date of disposal were as follows:

	HK$'000
Net liabilities disposed of:	
Properties, plant and equipment	22,694
Prepaid land lease premium	1,726
Deferred tax assets	90
Trade and other receivables	9,288
Inventories	13,434
Bank balances and cash	1,330
Trade and other payables	(47,503)
Bank borrowings	(4,808)
Obligations under finance leases	(366)
Tax payables	(57)
Net liabilities	(4,172)
Gain on disposal	6,172
Consideration received – cash	2,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	HK$'000
Cash consideration	2,000
Cash and cash equivalents disposed of	(1,330)
Net inflow of cash and cash equivalents	670

32. CASH AND CASH EQUIVALENTS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Time deposits	31,856	92,294
Cash at bank and in hand	63,750	28,009
Cash held in a securities account maintained in a securities company	164	–
Cash and cash equivalents in the consolidated balance sheet	95,770	120,303
Bank overdraft *(note 24)*	(6,651)	(7,064)
Cash and cash equivalents in the consolidated cash flow statement	89,119	113,239

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the Group's entities of which they relate:

	The Group	
	2006	2005
Reminbi	Rmb1,463,000	Rmb53,000

Cash at banks and cash held in a securities account maintained in a securities company earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for varying period of between 1 days and one month depending on the immediate cash requirements of the Group, and earn interest at respective short term time deposits rates. The carrying amount of the cash and cash equivalent approximate to their fair value.

33. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(i) Foreign exchange risk

The Group's monetary assets and transactions are principally denominated in Hong Kong Dollars ("HK$"), United States Dollars ("US$") and Macau Paracs ("MOP"). The Group is exposed to foreign exchange risk arising from the exposure of HK$ against US$. Considering that the exchange rate between HK$ and US$ is pegged, the Group believes its exposure to exchange rate risk is minimal.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Price risk

The Group has no significant concentration of price risk and commodity price risk. The extent of the Group's price risk exposure is represented by the change in equity securities price.

(iv) Credit risk

The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank, and trade and other receivables. Cash transactions are limited to high-credit-quality institutions.

In order to minimise the credit risk in respect of the trade and other receivables, the Group reviews the recoverable amount at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

At the balance sheet date, the Group has a certain concentration of credit risk as 39% (2005: 40%) and 54% (2005: 47%) of total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

(v) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in short and longer term.

34. OPERATING LEASE ARRANGEMENT

(a) The Group leases its land and buildings under operating lease arrangements, and the terms of the leases range from one to ten years and the leases are repayable in fixed monthly instalments. The lease agreements are renewable at the end of the respective lease terms. There is no arrangement for contingent rent payments.

At 31 December 2006, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	45,626	40,529
After one year but within five years	182,047	161,482
Over five years	370,433	365,384
	598,106	567,395

34. OPERATING LEASE ARRANGEMENT (CONTINUED)

(b) The Group entered into non-cancellable operating lease arrangements with landlords and the terms of the leases range from one to five years.

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	2,564	3,025
After one year but within five years	501	3,275
	3,065	6,300

35. COMMITMENTS AND CONTINGENT LIABILITIES

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Capital commitments:		
– contracted but not provided in the financial statements	6,216	3,392
– authorised but not contracted for	1,500	254
	7,716	3,646

As at 31 December 2006, the Company has executed corporate guarantees to the total amount of HK$500,000,000 for bank loans granted to two subsidiaries, which are wholly repayable in April 2008 and June 2008 respectively. The directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company as 31 December 2006 under the guarantees issued is the outstanding amount of the bank loan of the subsidiaries of HK$320,000,000. The Company has not recognised any deferred income in respect of the corporate guarantees as its fair value cannot be reliably measured and its transaction price was $nil.

Apart from the above, the Group and the Company had no material commitments or contingent liabilities at the balance sheet date.

36. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party and connected transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 15 and certain of the highest paid employees as disclosed in note 16 as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Short-term employee benefits	8,630	6,199
Post-employment benefits	48	30
Equity compensation benefits	14,730	496,800
	23,408	503,029

Total remuneration is included in "Staff costs" (note 7).

(b) During the year, the Group paid financial advisory services fee of HK$320,000 (2005: HK$1,600,000) to a corporation controlled by a director of the Company.

37. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

Valuation of share options granted

The fair value of share option granted was calculated using the Binomial pricing model based on the Group's management's significant inputs into calculation included an estimated life of share options granted to be ten years based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

37. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Estimated fair value of leasehold properties

The fair value of each leasehold property individually is determined at each balance sheet date by independent professional valuers using the income approach whereby the incomes derived from the hotel operations with regard to past trading accounts and the rental income derived from existing tenancies on the property interest are captialised at an appropriate rate of return with due allowance for outgoings and expenses wherever applicable. This methodology is based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each leasehold property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Realisation of deferred tax assets

Deferred tax assets relating to tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.