Summary of Significant Differences Between Hong Kong and United States Generally Accepted Accounting Principles

(Expressed in Hong Kong dollars)

The Group's accounting policies conform with generally accepted accounting principles in Hong Kong ("HK GAAP") which differ in certain material respects from those applicable generally accepted accounting principles in the United States of America ("US GAAP").

The information below has not been subjected to independent audit or review, and has not presented fully the disclosures in accordance with all applicable financial accounting standards under US GAAP. Full compliance with all applicable US GAAP disclosure requirements will be presented in Form 20-F to be filed with the United States – Securities and Exchange Commission.

The significant differences relate principally to the following items and the adjustments considered necessary to present the net loss and shareholders' equity in accordance with US GAAP are set out below.

(a) Investment properties revaluation and depreciation

Under HKGAAP, all changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model.

Under US GAAP, investment properties are stated at cost and depreciated over the shorter of the useful life and the land lease terms. Accordingly, the investment properties of the Group and its jointly controlled entity, which are stated at open market value, have been restated at historical cost less accumulated depreciation.

Depreciation has been based on the historical cost of the properties held by the Group and its jointly controlled entity and the useful lives of such properties range from 44 to 46 years. The gross historical cost of properties held by the Group and its jointly controlled entity subject to depreciation under US GAAP which are not depreciated under HK GAAP at 31 December 2006 amounted to \$3,821,000 (2005: \$3,821,000) and \$140,000,000 (2005: \$140,000,000), respectively.

In the US GAAP reconciliation of net loss for the year, the adjustments represent the reversal of revaluation gain in respect of the Group's properties of \$156,000 (2005: \$nil), and the depreciation in respect of the properties held by the Group amounting to \$83,000 (2005: \$83,000) and the Group's proportionate share of depreciation in respect of the property held by its jointly controlled entity amounting to \$1,750,000 (2005: \$1,750,000) and the Group's proportionate share of revaluation loss in respect of the property held by its jointly controlled entity of \$nil (2005: \$7,150,000). In the US GAAP reconciliation of shareholders' equity at 31 December 2006, the adjustments represent the reversal of revaluation gain in respect of the investment properties of the Group of \$156,000 (2005: \$nil) and the Group's proportionate share of revaluation loss in respect of the property held by its jointly controlled entity of \$1,650,000 (2005: \$1,650,000).

(b) Impairment of long-lived assets

The Group periodically reviews the carrying amount of the assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Under HK GAAP, the estimated future cash flows are discounted at a discount rate when assessing the recoverable amount of the asset.

Under US GAAP, in accordance with SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", recoverability of the assets is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

Given that the undiscounted cash flows expected to be generated by certain long-lived assets were below the carrying amount of such assets and subject to impairment under HK GAAP, the assets are also considered impaired under US GAAP. Accordingly, the impairment loss recognised under HK GAAP has not been reversed for US GAAP purposes.

(c) Share options

The Company has granted share options to directors and employees. Under HK GAAP and prior to 1 January 2005, the proceeds received were recognised as an increase to capital upon the exercise of the share options. The Company did not account for the issuance of stock options until they were exercised. With effect from 1 January 2005, in order to comply with HKFRS 2, the Group recognizes the fair value of such share options as an expense in the consolidated income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognized in a capital reserve within equity.

Under US GAAP, and prior to 1 January 2006, the Group followed Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees", and determined compensation expenses based on the excess, if any, of the quoted market price of the shares on the date of grant over the exercise price of the stock options. Such amount was charged to the consolidated income statement over the vesting period of the options. With effect from 1 January 2006, in order to comply with Statement of Financial Accounting Standards No. 123 (revised 2004) ("SFAS 123R"), "Share-Based Payment", the Group recognises compensation expense for all share-based payments at fair value. The Group adopted the modified-prospective transition method in which effective from 1 January 2006, compensation expense is recognised at fair value for (i) share options granted after 1 January 2006; and (ii) all share options granted prior to 1 January 2006 that remain unvested at that date. No restatement for prior periods is required.

(c) Share options (Continued)

Given share options granted prior 1 January 2006 became exercisable before 1 January 2006 and no share options were granted after 1 January 2006, there is no effect to the Group as a result of adoption of SFAS 123R.

(d) Minority interests

Under International Financial Reporting Standard, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated statements of income as an allocation of the total net income for the year between the minority interests and the equity shareholders of the Company. Under USGAAP, minority interests at the balance sheet date are presented in the consolidated balance sheet either as liabilities or separately from liabilities and equity. Minority interests in the results of the Group for the year are also separately presented in the consolidated statements of income as a component of net income.

The effect on net loss of significant differences between HK GAAP and US GAAP is as follows:

	Note	2006 $'000	2005 $'000
Net loss attributable to equity shareholders as reported under HK GAAP		**(79,480)**	(135,564)
Adjustments:			
Investment properties	(a)	**(1,833)**	(1,833)
Revaluation of investment properties	(a)	**(156)**	7,150
Approximate net loss as reported under US GAAP		**(81,469)**	(130,247)
Loss per share under US GAAP – basic and diluted		**(19.71 cents)**	(31.52 cents)

The effect on shareholders' equity of significant differences between HK GAAP and US GAAP is as follows:

	Note	2006 $'000	2005 $'000
Shareholders' equity as reported under HK GAAP		**1,980,442**	2,058,625
Adjustments:			
Accumulated depreciation on investment properties	(a)	**(6,098)**	(4,265)
Revaluation reserve	(a)	**1,494**	1,650
Property, plant and equipment	(b)	**1,080**	1,080
Shareholders' equity as reported under US GAAP		**1,976,918**	2,057,090