Notes to Financial Statements

31 December 2006 (in HK Dollars)

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Room 3609-10, 36/F., Chinese Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company are investment holding, securities trading and property investment. The principal activities of the Company's principal subsidiaries are set out in Note 22 to financial statements.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

In the opinion of the directors, the ultimate holding company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

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

The HKICPA has issued the following new standards, amendments and interpretations ("INT") that are not yet effective. The Group has considered the following new standards, amendments and interpretations but does not expect they will have a material effect on the results of operations and financial position of the Group.

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

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 March 2006.
3. Effective for annual periods beginning on or after 1 May 2006.
4. Effective for annual periods beginning on or after 1 June 2006.
5. Effective for annual periods beginning on or after 1 November 2006.
6. Effective for annual periods beginning on or after 1 March 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of Sun Man Tai Holdings Company Limited have been prepared in accordance with HKFRSs issued by HKICPA under the historical cost convention, as modified by the revaluation of investment properties and non-current assets reclassified as held for sale, which are carried at fair value. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The preparation of financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The purchase method of accounting is used to account for acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

(i) Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

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

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

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

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

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

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

(d) Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. During the year, the Group did not hold any investments in this category.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investments *(Continued)*

Purchase and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial assets is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Leasehold improvement	3 to 5 years
Furniture and fixtures	5 years
Motor vehicles	3 to 5 years

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties *(Continued)*

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment 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. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount 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 expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statements.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Properties under development and held for resale

Properties under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses considered necessary by the directors.

Properties held for resale are stated at the lower of cost or the estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(i) Intangible assets

Intangible assets represent the technical know-how for production of pharmaceutical products. The intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

The cost of acquiring the rights of technical know-how for the production of pharmaceutical products have finite useful lives and are amortised on the straight-line basis over the estimated economic lives of the know-how of a maximum of ten years commencing in the year when the rights are available for use.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(k) Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of non-financial assets other than goodwill

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that refl ects current market assessments of the time value of money and the risks specifi c to the asset. An impairment loss is charged to the income statement in the period in which it arises.

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

(n) Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

(o) Revenue recognition

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

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised as an integral part of the aggregate lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Revenue recognition *(Continued)*

(ii) Interest income and property management income

Interest income from bank deposits and loans receivable are accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable. Property management income is recognised on a time-apportioned basis.

(iii) Securities trading

Sales proceeds on dealing of listed trading securities are recognised on deal date.

(p) 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 determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

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 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. Intra-segment pricing is based on similar terms as those available to other external parties.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Foreign currencies

(i) 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 HK dollars, which is the Company's functional and presentation currency.

(ii) 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, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

(iii) Group companies

The results and financial position of all the 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:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) 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

(3) all resulting exchange differences are recognised as a separate component of equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Foreign currencies *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(r) Leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straightline basis over the period of the lease.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

(s) Employee Benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the income statement as incurred.

(iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits 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 year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(u) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which the costs are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Provision

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(w) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(a) *Market risks*

(i) Foreign exchange risk

The Group operates mainly in both the People's Republic of China (the "PRC") and Hong Kong and majority of transactions are dominated in Renminbi and Hong Kong dollars. Therefore, the Group is exposed to foreign exchange risk arising from the currency exposures of Renminbi against Hong Kong dollars.

(ii) Price risk

The Group is not exposed to commodity price risk.

(b) *Credit risk*

The Group's credit risk is primarily attributable to accounts receivables. The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales and services are made to customers with an appropriate credit history. The exposures to these credit risks are monitored on an ongoing basis.

(c) *Liquidity risk*

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

(d) *Cash flow and fair value interest rate risk*

As the Group has no signficant interest-bearing assets, the Group's income and operating cash flow are substantially independent of changes in market interest rate.

Long term borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rates expose the Group to fair value interest rate risk. The Group monitors the interest rate risk exposure on a continuous basis and adjust the portfolio of borrowings where necessary.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value estimation *(Continued)*

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience 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.

(a) Impairment of intangible assets

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 3(j) to the financial statements. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Accounts receivables

The aged debt profile of debtors is reviewed on a regular basis to ensure that the debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(c) Impairment of assets

The Group tests annually whether the assets has suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(d) 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 perform annual reviews on whether the assumptions made on useful lives continue to be valid.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(e) Fair value of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

(f) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(g) Estimated of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(g) Estimated of fair value of investment properties *(Continued)*

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

6. TURNOVER

Turnover represents securities trading, rental income, interest income and management fee income. An analysis of the Group's turnover and other revenue is as follows:

	2006	2005
	$'000	$'000
Turnover:		
Securities trading	**41,271**	–
Rental income	**1,171**	1,375
Interest income	**1,786**	1,948
Management fee income	**4,713**	6,399
	48,941	9,722
Other revenue:		
Royalty income	**617**	–
Gain on disposal of property development project	**6,280**	–
Bade debts recovered	**–**	438
Sundry income	**28**	84
	6,925	522
	55,866	10,244

7. SEGMENT INFORMATION

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

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

Business segment information has been chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. Details of the business segments are as follows:

(a)	Property leasing:	The leasing of commercial premises.
(b)	Interest income:	The placing of funds with banks and lending of funds to independent third parties.
(c)	Property management:	Provision of management service to commercial premises.
(d)	Securities trading:	Trading of securities listed on the Stock Exchange.

Business segments

Income statement
For the year ended 31 December 2006

	Securities trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Consolidated $'000
REVENUE					
Segment turnover	**41,271**	**1,171**	**1,786**	**4,713**	**48,941**
RESULT					
Segment result	**(12)**	**(25,508)**	**1,786**	**941**	**(22,793)**
Unallocated income					**6,925**
Unallocated corporate expenses					**(33,345)**
Share of profits of associates					**692**
Loss before tax					**(48,521)**
Taxation					**(190)**
Loss for the year					**(48,711)**

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Balance sheet
As at 31 December 2006

	Securities trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Other $'000	Consolidated $'000
ASSETS						
Segment assets	–	24,593	46,274	943	–	71,810
Interests in associates						25,084
Goodwill and intangible assets						48,710
Unallocated corporate assets						248,720
Consolidated total assets						394,324
LIABILITIES						
Segment liabilities	–	15,024	–	1,263	–	16,287
Unallocated corporate liabilities						8,826
Consolidated total liabilities						25,113

Other information
For the year ended 31 December 2006

	Securities trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Other $'000	Consolidated $'000
Capital additions	–	–	–	–	605	605
Depreciation	–	106	–	1,185	34	1,325
Impairment losses on properties under development	–	–	–	–	19,850	19,850
Non-cash expenses	–	24,880	–	–	881	25,761

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Income statement

For the year ended 31 December 2005

	Securities trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Consolidated $'000
REVENUE					
Segment turnover	–	1,375	1,948	6,399	9,722
RESULT					
Segment result	–	5,200	1,948	1,935	9,083
Unallocated income					522
Unallocated corporate expenses					(15,072)
Loss before tax					(5,467)
Taxation					(183)
Loss for the year					(5,650)

Balance sheet

As at 31 December 2005

	Securities trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Consolidated $'000
ASSETS					
Segment assets	–	47,766	31,004	4,812	83,582
Unallocated corporate assets					375,047
Consolidated total assets					458,629
LIABILITIES					
Segment liabilities	–	16,853	–	2,222	19,075
Unallocated corporate liabilities					21,688
Consolidated total liabilities					40,763

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Other information

For the year ended 31 December 2005

	Securities trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Other $'000	Consolidated $'000
Capital additions	–	–	–	–	1,709	1,709
Depreciation	–	–	–	–	1,017	1,017
Non-cash expenses	–	–	4,136	–	–	4,136

Geographical segments

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

	Revenue		Results	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Hong Kong	**42,442**	3,323	**(24,026)**	(1,186)
PRC	**6,499**	6,399	**(24,304)**	(3,157)
	48,941	9,722	**(48,330)**	(4,343)

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

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Hong Kong	**72,738**	226,585	**–**	–
PRC	**321,586**	232,044	**37,605**	1,709
	394,324	458,629	**37,605**	1,709

8. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	2006 $'000	2005 $'000
Auditors' remuneration	**320**	400
Staff costs (including directors' remuneration)		
– Wages and salaries	**3,260**	3,168
– Retirement benefits contributions	**60**	30
Depreciation of property, plant and equipment	**1,325**	1,017
Provision for impairment of amount due from associates	**–**	605
Amortisation of intangible assets *	**881**	–
Operating lease rentals in respect of land and buildings	**250**	256
Other receivables waived	**–**	4,136
Gross rental income from investment properties	**1,171**	1,375
Less: Direct operating expenses from Investment properties that generated rental income during the year	**(325)**	(325)
	846	1,050

* *Amortisation of intangible assets has been included in other operating expenses in the consolidated income statement.*

9. FINANCE COSTS

	2006 $'000	2005 $'000
Interest on:		
Bank loans wholly repayable within 5 years	**883**	1,124

10. TAXATION

(a) Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 33% (2005: 33%).

Current tax:

	2006	2005
	$'000	$'000
Hong Kong	**190**	–
PRC	**–**	–
Under provision in prior years	**–**	183
	190	183

No provision for PRC taxation has been made in the financial statements as the subsidiaries operated in the PRC incurred a taxation loss for the year (2005: Nil).

Deferred tax:

No provision for deferred tax liabilities has been made as the Group had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2005:Nil).

10. TAXATION *(Continued)*

(b) The tax charge for the year can be reconciled to the loss per the consolidated income statement as follow:

	Hong Kong		PRC	
	2006	2005	**2006**	2005
Loss before taxation	**(24,217)**	(2,310)	**(24,996)**	(3,157)
Share of results of associates	**–**	–	**692**	–
	(24,217)	(2,310)	**(24,304)**	(3,157)
Tax at the domestic income tax rate	**(4,238)**	(404)	**(8,020)**	(1,042)
Tax effect of expenses not deductible for tax purpose	**5,023**	83	**9,904**	1,245
Tax effect of income not taxable for tax purpose	**(680)**	(792)	**(1,884)**	(203)
Tax effect of unrecognised tax losses	**85**	1,291	**–**	–
Tax effect of unrecognised temporary differences	**–**	(178)	**–**	–
Under provision in prior years	**–**	183	**–**	–
Tax charge for the year	**190**	183	**–**	–

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2006 was approximately HK$1,983,000 (2005: loss of HK$2,614,000).

12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2006 (2005: Nil).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of approximately HK$41,420,000 (2005: HK$4,692,000) and the weighted average of 3,313,869,000 (2005: 3,313,869,000) ordinary shares in issue during the year.

There were no potential dilutive shares in existence for the two years ended 31 December 2006 and 31 December 2005, accordingly, no diluted loss per share has been presented.

14. DIRECTORS' REMUNERATION

The remuneration of every director for the year ended 31 December 2006 and 2005 are set out below:

	Fees		Salaries and other benefits		Retirement benefits scheme contributions		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Executive Directors								
Guan Guoxing (Note i)	**–**	–	**–**	–	**–**	–	**–**	–
Jin Jiu Xin (Note ii)	**–**	–	**–**	–	**–**	–	**–**	–
Chiu Yeung	**–**	–	**320**	320	**12**	12	**332**	332
Ren Jun Tao	**–**	–	**–**	–	**–**	–	**–**	–
Ji Jian Xun (Note iii)	**–**	–	**–**	–	**–**	–	**–**	–
Xu Zhe Cheng (Note iv)	**–**	–	**–**	–	**–**	–	**–**	–
	–	–	**320**	320	**12**	12	**332**	332
Non-Executive Director								
Qian Yong Wei (Note v)	**–**	–	**–**	–	**–**	–	**–**	–
Independent Non-Executive Directors								
Mu Xiangming	**100**	100	**–**	–	**–**	–	**100**	100
Cheng Chak Ho	**100**	100	**–**	–	**–**	–	**100**	100
Lo Wa Kei Roy	**100**	–	**–**	–	**–**	–	**100**	–
	300	200	**–**	–	**–**	–	**300**	200
	300	200	**320**	320	**12**	12	**632**	532

Notes:

(i) Mr. Guan Guoxing was appointed on 12 December 2006.

(ii) Mr. Jin Jiu Xin was appointed on 28 February 2006.

(iii) Mr. Ji Jian Xun was appointed on 12 December 2006

(iv) Ms. Xu Zhe Cheng resigned on 28 February 2006.

(v) Mr. Qian Yong Wei resigned on 17 November 2006.

14. DIRECTORS' REMUNERATION *(Continued)*

The number of directors whose remuneration falls within the following designated bands is set out below:

	Number of directors	
	2006	2005
HK Nil - HK$1,000,000	**5**	3

During the year ended 31 December 2006, no amounts have been paid by the Group to the directors as inducement to join the Group, as compensation for loss of office or as commitment fees to existing directors for entering into new services contracts with the Group (2005: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2005: Nil).

15. EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year included one (2005: three) director, details of whose remuneration are set out in Note 14 above. Details of the remuneration of the remaining four (2005: two) highest paid, non-director employees are as follows:

	2006	2005
	$'000	$'000
Salaries and other benefits	**884**	457
Mandatory provident fund contributions	**24**	18
	908	475

16. EMPLOYEE BENEFITS

(a) Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic salary of their employees, to the retirement benefit scheme and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represents for the entire pension obligations payable to retired employees.

There is no forfeited contribution which could be utilised to reduce the level of the contribution by the Group and therefore there was no such balance as at 31 December 2006. The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong, Singapore and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2006 in respect of the retirement of its employees.

(b) Equity compensation benefits

The share option scheme adopted by the Group has been expired on 23 December 2000, as at 31 December 2006 and up to the date of this report, the Group does not adopt any new share option scheme.

17. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Properties under development $'000	Leasehold improvement $'000	Furniture fixture and motor vehicles $'000	Total $'000
At cost:				
At 1 January 2005	159,059	463	9,959	169,481
Additions	1,704	–	5	1,709
Disposals	–	(463)	(2,029)	(2,492)
At 31 December 2005 and at 1 January 2006	160,763	–	7,935	168,698
Additions	–	–	605	605
Disposals	–	–	(852)	(852)
At 31 December 2006	**160,763**	**–**	**7,688**	**168,451**
Depreciation and impairment loss:				
At 1 January 2005	–	360	3,456	3,816
Charge for the year	–	–	1,017	1,017
Written back on disposal	–	(360)	(1,000)	(1,360)
At 31 December 2005 and at 1 January 2006	–	–	3,473	3,473
Charge for the year	–	–	1,325	1,325
Written back on disposal	–	–	(543)	(543)
Impairment loss recognised	19,850	–	–	19,850
At 31 December 2006	19,850	–	4,255	24,105
Net book value:				
At 31 December 2006	**140,913**	**–**	**3,433**	**144,346**
At 31 December 2005	160,763	–	4,462	165,225

Note: Properties under development are situated in the PRC.

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Company

	Furniture, fixture and motor vehicles
	$'000
At cost:	
At 1 January 2005, 31 December 2005 and 31 December 2006	922
Depreciation:	
At 1 January 2005	738
Charge for the year	149
At 31 December 2005 and at 1 January 2006	887
Charge for the year	21
At 31 December 2006	908
Net book value:	
At 31 December 2006	**14**
At 31 December 2005	35

18. INVESTMENT PROPERTIES

	$'000
Fair value	
At 1 January 2005	80,000
Disposals	(35,000)
Increase in fair value	2,700
At 31 December 2005 and at 1 January 2006	47,700
Impairment loss recognised	(1,800)
Decrease in fair value	(24,700)
Fair value as at 31 December 2006 (Note a)	21,200
Reclassification to assets held for sale (Note b)	(21,200)
At 31 December 2006	**–**

18. INVESTMENT PROPERTIES *(Continued)*

(a) The fair value of the Group's investment properties at 31 December 2006 have been arrived at on the basis of a valuation carried out on that date by Dudley Surveyors Limited, independent qualified professional valuers not connected with the Group. Dudley Surveyors Limited are members of the Hong Kong Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

The valuation of investment properties determined by Dudley Surveyors Limited comprises:

	2006 **$'000**	2005 $'000
Land in Hong Kong:		
Medium-term lease	**23,000**	47,700

However, because the investment properties were disposed of subsequent to the balance sheet date at HK$21,200,000 as fully disclosed in Note (b) below, a further impairment loss of HK$1,800,000 was made to reduce the carrying amount of investment properties to HK$21,200,000.

All of the Group's property interests held under operating leases to earn rentals purposes are measured using the fair value model and are classified and accounted for as investment properties. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

All the Group's investment properties have been pledged to secure a mortgage loan granted to the Group.

(b) On 5 January 2007, Master Venture Limited and Express Century Limited, indirect wholly owned subsidiaries of the Company, entered into two sale and purchase agreements with an independent third party ("Purchaser") in connection to the disposal of the commercial block in Wing Fok Centre and Wing Fai Centre, Fanling, New Territories, Hong Kong at considerations of HK$10,400,000 and HK$10,800,000 respectively. The considerations were satisfied by the Purchaser in cash and the transactions were completed on 26 February 2007. In accordance with HKFRS 5, the above investment properties have been presented as assets classified as held for sale in the consolidated balance sheet as at 31 December 2006. (Note 29)

19. GOODWILL

	$'000
At cost:	
At 1 January 2005 and at 31 December 2005	–
At 1 January 2006	–
Deemed acquisition of interest in an associate (Note (a))	12,591
At 31 December 2006	**12,591**
Impairment	
At 1 January 2005 and at 31 December 2005 and at 31 December 2006	–
Carrying amount	
At 31 December 2006	**12,591**
At 31 December 2005	–

(a) In previous years, the Group holds equity interests of 27% in 通化恒安藥業股份有限公司 ("Associate") and had been classified as available-for-sale financial assets. Such classification was mainly due to the Group's inability to exercise significant influence over the Associate as the Group did not have any position in the composition of the board of directors of the Associate.

During the year, the Group appointed one of the director in the Associate as employees of the Group. The directors of the Company considered that the Group have exercise significant influence over the Associate after such appointment and it has been therefore classified as an associate of the Group ("Deemed Acquisition"). The Group's share of net assets of the Associate as at the date of Deemed Acquisition was approximately HK$19,409,000. Accordingly, goodwill arising from the Deemed Acquisition was approximately HK$12,591,000.

(b) At 31 December 2006, the directors of the Company assessed the recoverable amount of goodwill by reference to the valuation as at 31 December 2006 performed by Shenzhen Pengxin Assets Land and Real Estate Appraisal Company Limited, an independent firm of professional valuers, and no impairment loss was necessary in according to the opinion of the valuers and the directors of the Company. The valuation of the goodwill was determined based on the present value of the expected future revenue arising from the business of the Associate.

(c) The recoverable amount of the cash generated units ("CGU") is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the five years is represented by its continuing value.

19. GOODWILL *(Continued)*

(c) *(Continued)*

The projections adopted various growth rates over the period which is equivalent to any average growth rate as below:

Key assumptions used for value-in-use calculations:

Average growth rate	7%
Discount rate	6.5%

The management determined the budgeted growth rate based on past performance and its expectation for market development. The discount rate used is after tax and reflects specific risks relating to the CGU.

20. INTANGIBLE ASSETS

	Technical know-how $'000
At cost:	
At 1 January 2005 and at 31 December 2005	–
At 1 January 2006	–
Additions	37,000
At 31 December 2006	**37,000**
Accumulated amortisation:	
At 1 January 2005 and at 31 December 2005	–
At 1 January 2006	–
Provided for the year	881
At 31 December 2006	**881**
Carrying amount	
At 31 December 2006	**36,119**
At 31 December 2005	–

20. INTANGIBLE ASSETS *(Continued)*

The carrying amount of technical know-how includes two separate technical know-hows for the production of pharmaceutical products. The technical know-hows have been assigned to the Group's associate company which operates pharmaceutical manufacturing plants for production of pharmaceutical products in the PRC.

The directors considered that there was no impairment for the year ended 31 December 2006. Details of critical accounting estimates were set out in Note 5.

The amortisation expense has been included in other operating expenses in the consolidated income statement.

21. INTERESTS IN ASSOCIATES

	2006 **$'000**	2005 $'000
Share of net assets	**20,101**	–
Amounts due from associates	**5,588**	605
	25,689	605
Less: accumulated impairment loss	**(605)**	(605)
	25,084	–

Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

As at 31 December 2006, the Group had interests in the following associates:

Name of associate	**Registered and paid up capital**	**Country of incorporation**	**% of interest held**	**Principal activities**
Joy Route Limited	US$100	British Virgin Islands	50%	Inactive
通化恒安藥業股份有限公司	RMB66,000,000	PRC	27%	Production of pharmaceutical products

21. INTERESTS IN ASSOCIATES *(Continued)*

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

	2006 $'000	2005 $'000
Balance sheet		
Total assets	126,850	–
Total liabilities	(52,401)	–
Net assets	74,449	–
Group's share of net assets of associates	20,101	–
Income statement		
Revenue	97,281	–
Profit for the year	2,563	–
Group's share of profits of associates for the year	692	–

22. INTERESTS IN SUBSIDIARIES

	2006 $'000	2005 $'000
Unlisted shares, at cost	510,824	510,824
Less: Impairment loss of investment in subsidiaries	(374,384)	(374,384)
	136,440	136,440
Amounts due from subsidiaries	205,876	151,887
Less: Impairment loss of amount due from subsidiaries	(108,131)	(108,131)
	97,745	43,756
	234,185	180,196

22. INTERESTS IN SUBSIDIARIES *(Continued)*

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The amounts will not be repayable within twelve months from the balance sheet date, accordingly, the amounts are classified as non-current.

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ establishment	Registered capital/ issued capital	Percentage of interest held		Principal activities
			Direct	Indirect	
BOCMT Real Estate Holdings Limited	Hong Kong	Ordinary HK$246,153,900	100%	–	Investment holding
Sun Man Tai International (B.V.I.) Limited	British Virgin Islands	Ordinary HK$274,051	100%	–	Investment holding
Express Century Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Great Luck Property Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Master Venture Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Talent Ocean Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Silver Place Limited	Hong Kong	Ordinary HK$2	–	100%	Investment holding
Sun Man Tai International Architectural Decoration Design Co. Limited	Hong Kong	Ordinary HK$40	–	100%	Investment holding
BOC Mantai Property Management (Shanghai) Corporation Limited	PRC	Registered capital US$200,000	–	100%	Property management
Xian BOCMT Estate Company Limited	PRC	Registered capital US$10,000,000	–	70%	Property development
Sherwell Property Corp.	Brish Virgin Islands	Ordinary US$200	–	100%	Investment holding
Wan Tai China Telecom Limited	Hong Kong	Ordinary HK$2	–	100%	Property Investment

22. INTERESTS IN SUBSIDIARIES *(Continued)*

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

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006	2005
	$'000	$'000
Held for non-trading purpose:		
Unlisted shares, at cost	**253,466**	340,466
Less: Transfer to non-current assets classified as held for sale	**–**	(55,000)
Less: Impairment loss on available-for-sale financial assets	**(253,466)**	(253,466)
	–	32,000

The available-for-sale financial assets are unlisted equity securities outside Hong Kong and are carried at cost less impairment losses.

The available-for-sale financial assets is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

24. ACCOUNTS RECEIVABLES

	2006	2005
	$'000	$'000
Accounts receivables	**3,135**	2,007
Less: Provision for impairment loss recognised	**(1,861)**	(1,861)
	1,274	146

24. ACCOUNTS RECEIVABLES *(Continued)*

Included in accounts receivable are debts which are normally due within 30 days from the date of billing. The aging analysis included as follows:

	2006 **$'000**	2005 $'000
0 - 30 days	**1,274**	146

The carrying amounts of accounts receivables approximate to their fair values.

The movements in provision for impairment loss of accounts receivables were as follows:

	2006 **$'000**	2005 $'000
At 1 January	**1,861**	2,299
Bad debt recovered	**–**	(438)
At 31 December	**1,861**	1,861

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables of the Group are expected to be recovered within one year except for utility deposits of approximately HK$180,000 (2005:HK$180,000).

26. LOAN RECEIVABLES

	2006 **$'000**	2005 $'000
Short-term loans	**45,000**	31,005

The Group provides short-term loans to independent third parties for the purpose of earning interest income. The short-term loans are unsecured, interest-bearing at rates ranging from 10% to 11% (2005: 6% to 7%) per annum and repayable within one year.

27. INVESTMENT DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Deposits for property investments	**83,480**	58,720	**–**	58,720

For the year ended 31 December 2006

On 26 June 2006, Sun Man Tai International Architectural Decoration Design Co., Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Gao Jin Hua (the "Vendor") to acquire the entire equity interest of Shanghai Minhang Weixing Horticultural Land (the "Agreement") at a consideration of approximately RMB85,984,000 (equivalent to approximately HK$83,480,000).

On 26 March 2007, the Agreement has been terminated because the Vendor cannot fulfil the necessary obligation requirements according to the time schedule set out in the Agreement. The Vendor is required to refund the consideration of approximately HK$83,480,000 plus the interest penalty of approximately HK$1.5 million to the Company according to the termination agreement. Details of the termination agreement has been set out in Note 41(b) to the financial statements.

For the year ended 31 December 2005

The Group paid investment deposits to an independent third party totaling HK$58,720,000 for properties which were being developed. Certain units of the respective properties would have be transferred to the Group upon completion of the construction. The commercial building construction project had been completed in late 2005. On 15 February 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of the right of purchasing those units of the commercial building at a total consideration of approximately HK$65,000,000.

28. CASH AND BANK BALANCES

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Deposits with banks	**–**	229	**–**	–
Cash at bank	**2,312**	6,435	**12**	441
Cash on hand	**106**	–	**–**	–
Other deposit (Note)	**19,894**	14,151	**–**	–
	22,312	20,815	**12**	441

Note: The Group maintained a cash escrow account in a legal firm for operating the construction work of a property development project located in the PRC. The Group has the right to withdraw and use of the cash held in the escrow account as its discretion.

28. CASH AND BANK BALANCES *(Continued)*

Analysis of a balance of cash and cash equivalants:

	2006 $'000	2005 $'000
Cash and bank balances	**2,418**	6,664
Other deposit	**19,894**	14,151
	22,312	20,815

29. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2006 $'000	2005 $'000
Transfer from interest in joint venture (Note (a))	**–**	46,768
Transfer from available-for-sale financial assets (Note (b))	**–**	55,000
Transfer from investment properties (Note 18(b))	**21,200**	–
	21,200	101,768

(a) On 22 March 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of the interest in joint venture at a total consideration of approximately HK$46,768,000.

(b) On 27 February 2006, Great Luck Property Limited and Silver Place Limited, being wholly owned subsidiaries of the Company, entered into a sale and purchase agreement with an independent third party to dispose of part of their available-for-sale financial assets at a total consideration of RMB57,200,000 (approximately HK$55,000,000).

30. SHARE CAPITAL

	2006 Number of shares '000	2006 Amount $'000	2005 Number of share '000	2005 Amount $'000
Authorised:				
Ordinary shares at HK$0.01 each:				
At 1 January and 31 December	**5,000,000**	**50,000**	5,000,000	50,000
Issued and fully paid:				
Ordinary shares at HK$0.01 each:				
At 1 January and 31 December	**3,313,869**	**33,139**	3,313,869	33,139

No issue of shares has been made for the two years ended 31 December 2006 and 2005.

31. BANK LOANS (SECURED)

	2006 $'000	2005 $'000
Within 1 year or on demand	**14,823**	735
After 1 year but within 2 years	**–**	728
After 2 years but within 5 years	**–**	2,538
After 5 years	**–**	11,441
	–	14,707
At 31 December	**14,823**	15,442

The bank loans were secured on certain investment properties of the Group with an aggregate carrying value totaling HK$21,200,000 as at 31 December 2006 (2005: HK$47,400,000), together with the rights to receive rentals thereon.

32. ACCOUNTS PAYABLES

	2006 $'000	2005 $'000
Due within 1 month or on demand	**201**	139

The carrying amounts of accounts payable approximately to their fair values.

33. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses of the Group are expected to be settled within one year except for rental deposits of HK$270,000 (2005: HK$270,000).

34. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company was unsecured, interest-free and has no fixed terms of repayment.

35. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest-free and has no fixed terms of repayment.

36. RESERVES

Company

	Share premium $'000	Contributed surplus $'000	Accumulated losses $'000	Total $'000
At 1 January 2005	491,636	115,615	(410,395)	196,856
Loss for the year	–	–	(2,614)	(2,614)
At 31 December 2005 and at 1 January 2006	491,636	115,615	(413,009)	194,242
Profit for the year	–	–	1,983	1,983
	491,636	115,615	(411,026)	196,225

The contributed surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1995.

According to the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus.

37. OPERATING LEASES

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006 **$'000**	2005 $'000
Within one year	**186**	–
In the second to fifth years inclusive	**–**	–
	186	–

The Group as lessor

Property rental income earned during the year was HK$1,171,000 (2005: HK$1,375,000). All of the Group's investment properties are held for rental purpose.

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

	2006 **$'000**	2005 $'000
Within one year	**202**	784
In the second to fifth years inclusive	**–**	–
	202	784

38. CAPITAL COMMITMENTS

As at 31 December 2006, the Group and the Company did not have any significant capital commitments (2005: Nil).

39. MAJOR NON CASH TRANSACTION - DEEMED ACQUISITION OF AN ASSOCIATE

In previous years, the Group holds equity interests of 27% in 通化恒安藥業股份有限公司 ("Associate") and had been classified as available-for-sale financial assets. During the year ended 31 December 2006, the available-for-sale financial assets has been reclassified as interest in associate as the Group had exercised significant influence in the Associate during the year. The deemed acquisition of Associate has not been reflected in the consolidated cash flow statement. Details of the interest in associate has been set out in Note 19 and Note 21 to financial statements.

40. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	Amount due from related parties		**Amount due to related parties**	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Associates	**4,983**	–	**–**	–
Ultimate holding company	**–**	–	**–**	10,192
Director	**–**	–	**–**	201

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad and doubtful debts in respect of the amounts due from related parties (2005:HK$605,000).

(b) **Connected transaction**

On 26 June 2006, Sun Man Tai International Architectural Decoration Design Co., Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Gao Jin Hua (the "Vendor") to acquire the entire equity interest of Shanghai Minhang Weixing Horticultural Land (the "Agreement") at a consideration of approximately RMB85,984,000 (equivalent to approximately HK$83,480,000).

The Vendor in the Agreement was a brother-in-law of Mr. Qian Yong Wei, a former non-executive director of the Company. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the investment deposits of approximately HK$83,480,000 were held by a connected person as at 31 December 2006.

(c) **Compensation of key management personnel**

Remuneration for key management personnel, including amounts paid to company's directors and certain of the highest paid employees, as disclosed in Note 14 and 15 is as follows:

	2006	2005
	$'000	$'000
Short-term employee benefits	**320**	320
MPF Contribution	**12**	12
	332	332

41. POST BALANCE SHEET EVENTS

(a) On 5 January 2007, the Group entered into two provisional sales and purchase agreement for disposal of the investment properties held by the Group at the total consideration of HK$21,200,000. The sales and purchase agreement has been completed on 26 February 2007.

(b) On 26 March 2007, a formal termination agreement regarding the termination of the acquisition in relation to the entire interest in Shanghai Minhang Weixing Horticultural Land ("Weixing") has been entered by the Vendor and a wholly owned subsidiary of the Company ("Purchaser") ("Termination Agreement").

In accordance with the Termination Agreement, the vendor shall refund the consideration already paid by the Purchaser of approximately HK$83,480,000 ("Consideration") and the interest penalty for the Extension Period of approximately HK$1.5 million ("Compensation Payments") to the Purchaser on or before 30 April 2007. If the Vendor fail to refund the Consideration together with the Compensation Payments to the Purchaser on 30 April 2007, an additional interest penalty of 0.02% per day on the aggregate amount of the Consideration shall be paid to the Purchaser.

In order to secure the refund of the Consideration together with the Compensation Payments, as set out in the Termination Agreement, if the Vendor fail to refund the Consideration together with the Compensation Payments to the Purchaser on or before 30 April 2007, the Vendor is obliged to place the entire interest in Weixing to a firm of auctioneers to sell the entire interest in Weixing and the Purchaser has the right to recover the Consideration together with the Compensation Payments from the proceeds receive from selling the entire interest in Weixing. Should the proceeds cannot cover the Consideration together with the Compensation Payments payable to the Purchaser, the Vendor is personally liable to pay the remaining balance of the Consideration together with the Compensation Payments to the Purchaser. The directors are of the opinion that the Consideration together with the Compensation Payments can be fully recovered in near future.

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

43. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 April 2007.