1. CORPORATE INFORMATION

Mulitifield International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively, the "Group") were involved in the following principal activities:

- property investment
- provision of service apartment and property management services
- trading of steel
- manufacturing and trading of electronic products

In the opinion of the directors, the holding company of the Company is Lucky Speculator Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared under the historical cost convention, except for available-for-sale investments and equity investments at fair value through profit or loss and investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

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

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of 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.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

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

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

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

(i) Amendment for financial guarantee contracts

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

(ii) Amendment for the fair value option

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

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

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

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

(c) HKFRS-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 *Leases*. However, the adoption of this interpretation has had no material impact on these financial statements.

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

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

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

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

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires disclosures of the information about the entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

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

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

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

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.

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 the acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

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 reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment 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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

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

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

Property, plant and equipment and depreciation

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5% or over the lease terms, if shorter
Leasehold improvements	Over the lease terms
Plant and machinery	10% - 20%
Furniture, fixtures and office equipment	20% - 33 $^1/_3$%
Motor vehicles	20% - 33 $^1/_3$%
Vessels	30%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

Investment properties

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

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

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

Properties under development

Properties in the course of development are classified as non-current assets and are stated at cost less accumulated amortisation and accumulated impairment loss. Cost comprises acquisition cost relating to the leasehold interests in lands and direct development costs attributable to such properties. Interests in lands are amortised over the expected useful life and are included as part of cost of properties under development.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, capitalised interest during the period of development and other direct costs attributable to such properties. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

Leases

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading or these financial assets are recognised in the income statement.

Loans and receivables

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

Available-for-sale financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at cost

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

Available-for-sale financial assets

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

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

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

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

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contact is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

Revenue recognition

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

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

(b) rental income from property letting, in the period in which the properties are let and on a straight-line basis over the lease terms;

(c) income from the provision of service apartments and property management services, and project management, in the period in which such services are rendered;

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

(e) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Share-based payment transactions

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits scheme

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

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing spending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

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

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group operates mainly in Mainland China and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars, Japanese Yen and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's risk management policy is to have the liquid assets mainly denominated in Hong Kong dollars, United States dollars and Renminbi.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the balance sheet either as available-for-sale investments or as investments at fair value through profit or loss. The Group manages this exposure by maintaining a portfolio of investments with different risk profiles.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in the future as may be necessary.

(iv) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. It has policies in place to ensure that credits are granted to customers with an appropriate credit history. For the property letting and management business, the credit risk is relatively low because the Group obtained rental deposits from the tenants. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure adequate impairment losses are made for irrecoverable amounts.

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

(v) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying values less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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

Fair values of financial instruments

Financial instruments such as equity, debt and derivative instruments are carried at the balance sheet at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results.

Impairment of trade receivables

Provision for doubtful debts is made based on assessment of the recoverability of trade receivables and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and doubtful debt expenses/write-back in the period in which such estimate has been changed.

Impairment of property, plant and equipment

The carrying value of the property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable in accordance with the accounting policies as disclosed at section 2.4. The recoverable amount of the property, plant and equipment is the greater of fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Estimation of fair value of investment properties

As described in note 16, the investment properties were revalued at the balance sheet date on market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In marking the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

5. SEGMENT INFORMATION

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

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

(a) Hong Kong;

(b) elsewhere in the PRC; and

(c) Thailand

In determining the Group's business segments, revenue is attributed to the segments based on the nature of their operations and the products and services they provide.

There were no intersegment sales and transfer during the year (2005: Nil).

5. SEGMENT INFORMATION *(continued)*

(a) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

Group	Hong Kong		Elsewhere in the PRC		Thailand		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**43,609**	38,288	**137,659**	137,974	**—**	1,143,393	**181,268**	1,319,655
Segment results	**6,781**	13,748	**99,856**	93,250	**150**	3,835	**106,787**	110,833
Interest and dividend income and unallocated gains							**141,175**	86,431
Unallocated expenses							**(94)**	(3,731)
Finance costs							**(39,898)**	(27,786)
Profit before tax							**207,970**	165,747
Tax							**(14,725)**	(18,082)
Profit for the year							**193,245**	147,665
Segment assets	**874,804**	912,457	**2,722,516**	2,189,779	**—**	—	**3,597,320**	3,102,236
Available-for-sale investments	**9,270**	11,023	**—**	—	**—**	—	**9,270**	11,023
Equity-linked notes	**74,236**	—	**—**	—	**—**	—	**74,236**	—
Unallocated assets							**21,650**	219,403
Total assets							**3,702,476**	3,332,662
Segment liabilities	**258,298**	34,127	**876,457**	58,264	**—**	—	**1,134,755**	92,391
Unallocated liabilities							**433,367**	1,308,439
Total liabilities							**1,568,122**	1,400,830
Other segment information:								
Depreciation and amortisation	**1,349**	722	**1,328**	1,369	**—**	—	**2,677**	2,091
Change in fair value of investment properties	**19,940**	(89,780)	**33,670**	34,875	**—**	—	**53,610**	(54,905)
Capital expenditure	**1,918**	65,946	**150,607**	1,582	**—**	—	**152,525**	67,528
Impairment losses recognised in the income statement	**—**	—	**—**	432	**—**	—	**—**	432

5. SEGMENT INFORMATION *(continued)*

(b) Business segments

The following tables present revenue and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005:

Group	Property investment		Provision of service apartment and property management services		Steel trading		Electronic products		Corporate and others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**147,551**	156,622	**17,253**	12,206	**—**	1,143,393	**16,464**	7,434	**—**	—	**181,268**	1,319,655
Other segment information:												
Segment assets	**2,967,580**	2,366,477	**15,392**	5,529	**69**	18,112	**5,530**	5,136	**608,749**	732,446	**3,597,320**	3,127,700
Segment liabilities	**(1,077,293)**	(47,697)	**(1,889)**	(9,770)	**(3,028)**	(3,982)	**(4,925)**	(4,335)	**(47,620)**	(26,607)	**(1,134,755)**	(92,391)
Capital expenditure	**151,300**	65,203	**897**	861	**—**	—	**80**	23	**248**	1,441	**152,525**	67,528

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, the total amounts received and receivable from the provision of service apartment and property management services, and rental income, net of PRC business taxes, from property letting, after elimination of all significant intra-group transactions.

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

	2006	2005
	HK$'000	*HK$'000*
Revenue		
Rental income from property letting	**147,551**	156,622
Service apartment and property management	**17,253**	12,206
Trading of steel	**—**	1,143,393
Manufacturing and trading of electronic products	**16,464**	7,434
	181,268	1,319,655
Other income and gains		
Interest income from available-for-sale investments	**3,675**	1,513
Interest income from equity-linked notes	**17,728**	—
Other interest income	**11,156**	5,735
Fair value gains on investment properties	**53,610**	54,905
Fair value gains, net:		
Available-for-sale investments (transfer from equity)	**551**	—
Equity investments at fair value through profit or loss	**32,631**	1,434
Gain on disposal of investment properties	**26,846**	—
Gain on disposal of a subsidiary *(note 37)*	**11**	—
Dividend income from listed investments	**3,426**	3,174
Others	**12,515**	11,555
	162,149	78,316

7. PROFIT BEFORE TAX

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

	2006	2005
	HK$'000	*HK$'000*
Cost of inventories sold	**12,593**	1,121,317
Cost of services provided	**20,493**	22,934
Depreciation of owned assets	**2,669**	2,578
Impairment of goodwill *(Note (i))*	**—**	432
Amortisation of prepaid land lease payments	**8**	9
Minimum lease payments under operating leases for land and buildings	**1,225**	1,130
Auditors' remuneration	**650**	600
Impairment of trade receivables	**110**	327
Loss on disposal of items of property, plant and equipment	**94**	20
Loss on disposal of investment properties	**—**	21,456
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**12,885**	12,754
Foreign exchange differences, net	**(18,950)**	(18,786)
Fair value losses, net:		
Equity-inked notes	**43,132**	—
Employee benefits expense (including directors' remuneration *(note 9)*)		
Wages and salaries	**12,513**	11,515
Pension scheme contributions *(Note (ii))*	**212**	91
	12,725	11,606

Notes:

(i) The impairment of goodwill for the year ended 31 December 2005 is included in "Other operating expenses" on the face of the consolidated income statement.

(ii) As at 31 December 2006, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2005: Nil).

8. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**6,397**	4,080
Interest on bank borrowings not wholly repayable within five years	**33,054**	23,370
	39,451	27,450
Interest on other loans	**447**	—
Interest on discounted bills	**—**	336
	39,898	27,786

9. COMPENSATION TO KEY MANAGEMENT PERSONNEL

	2006	2005
	HK$'000	*HK$'000*
Short-term employee benefits	**4,332**	7,162
Post-employment benefits	**80**	95
	4,412	7,257

(a) Directors' remuneration

The remuneration of every director of the Company for the year ended 31 December 2006 is set out below:

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Lau Chi Yung, Kenneth	—	1,680	12	1,692
Mr. Lau Michael Kei Chi	—	950	12	962
Independent non-executive directors				
Mr. Choy Tak Ho	120	—	—	120
Mr. Lee Siu Man, Ervin	60	—	—	60
Mr. Wong Yim Sum	120	—	—	120
	300	2,630	24	2,954

9. COMPENSATION TO KEY MANAGEMENT PERSONNEL *(continued)*

(a) Directors' remuneration *(continued)*

The remuneration of every director of the Company for the year ended 31 December 2005 is set out below:

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Lau Chi Yung, Kenneth	1,380	1,620	12	3,012
Mr. Lau Michael Kei Chi	850	650	12	1,512
Independent non-executive directors				
Mr. Choy Tak Ho	120	—	—	120
Mr. Lee Siu Man, Ervin	120	—	—	120
Mr. Wong Yim Sum	120	—	—	120
	2,590	2,270	24	4,884

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

(b) Five highest paid employees

The five highest paid employees during the year included two (2005: two) directors, details of whose remuneration are set out in note 9(a) above. Details of the remuneration of the remaining three (2005: three) non-director, highest paid employees for the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,620**	1,834
Pension scheme contributions	**36**	36
	1,656	1,870

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2006	2005
Nil to HK$1,000,000	**3**	3

9. COMPENSATION TO KEY MANAGEMENT PERSONNEL *(continued)*

(c) During the year ended 31 December 2006, no emoluments were paid by the Group to the directors of the Company and the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2005: Nil).

10. TAX

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**4,090**	751
Underprovision in prior years	**637**	—
Current tax – Mainland China		
Charge for the year	**12,145**	11,260
Deferred tax *(note 31)*	**(2,147)**	6,071
Total tax charge for the year	**14,725**	18,082

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, is as follows:

Group – 2006

	Hong Kong	**Elsewhere in the PRC**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	**46,326**	**161,644**	**207,970**
Tax at the statutory tax rate	**8,107**	**53,350**	**61,457**
Income not subject to tax	**(12,080)**	**(53,422)**	**(65,502)**
Expenses not deductible for tax	**7,151**	**13,296**	**20,447**
Tax losses not recognised	**3,143**	**142**	**3,285**
Tax losses utilised from prior years	**(128)**	**—**	**(128)**
Others	**(3,613)**	**(1,221)**	**(4,834)**
Tax charge at the Group's effective rate	**2,580**	**12,145**	**14,725**

10. TAX *(continued)*

Group – 2005

	Hong Kong	**Elsewhere in the PRC**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	91,500	74,247	165,747
Tax at the statutory tax rate	16,013	24,502	40,515
Income not subject to tax	(14,171)	(58,107)	(72,278)
Expenses not deductible for tax	2,130	44,606	46,736
Tax losses not recognised	3,426	85	3,511
Tax losses utilised from prior years	395	—	395
Others	(971)	174	(797)
Tax charge at the Group's effective rate	6,822	11,260	18,082

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2006 includes a profit of approximately HK$410,000 (2005: HK$152,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Proposed final dividend of 0.4 HK cents (2005: Nil) per ordinary share	**16,721**	—

The proposed final dividend for the year ended 31 December 2006 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of approximately HK$144,170,000 (2005: HK$126,597,000) and the weighted average number of 4,180,371,092 (2005: 4,180,371,092) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2005 and 2006 have not been disclosed as no diluting events existed during both years.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**656,622**	656,622

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from/(to) subsidiaries approximate their fair values.

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

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary share capital/ registered capital**	**Percentage of equity interest attributable to the Company**	**Principal activities**
Alphatronics Limited	Hong Kong	HK$6,000,000	42.51 *(Note (i))*	Trading of electronic products
Alphatronics Electronic (Shenzhen) Co., Ltd. *(Note (vi))*	PRC	US$3,310,000	42.51 *(Note (i))*	Manufacture of electronic components
Call Rich Investments Limited	British Virgin Islands	US$50,000	59.19 *(Note (ii))*	Investment holding
Charter Million Investment Limited	Hong Kong/ PRC	HK$2	62.83	Property investment
Conrad Shipping Limited	Hong Kong	HK$1	100	Property investment
East Winner Limited	British Virgin Islands	US$1	56.68	Investment holding
Ever Ford Development Limited	Hong Kong/ PRC	HK$10,000	61.20 *(Note (iv))*	Property investment
Fexlink Limited	Hong Kong	HK$100	100	Property investment
Forever Richland Limited	British Virgin Islands	US$50,000	75	Investment holding

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Fortune Text Holdings Limited	Hong Kong/ PRC	HK$2	62.83	Property investment
Godfrey Investments Limited	British Virgin Islands	US$1	100	Investment holding
Good Connection Investments Limited	British Virgin Islands/ PRC	US$50,000	45.51 *(Notes (i) & (iii))*	Property investment
Grandfield Nominees Limited	Hong Kong	HK$1,000,000	100	Property investment
Head Wonder International Limited	British Virgin Islands	US$10,000	62.83	Investment holding
Inter China Limited	British Virgin Islands	US$100	32.30 *(Note (i))*	Investment holding
Kiuson Development Limited	Hong Kong	HK$100	45.51 *(Note (i) & (iii))*	Investment holding
Kiuson Development (Shanghai) Ltd. *(Note (vi))*	PRC	US$10,000,000	100	Property investment
Lau & Partners Consultants Limited	Hong Kong/ PRC	HK$10,000	100	Property investment
Limitless Investment Limited	British Virgin Islands	US$2	100	Investment holding
Linkful Electronics Limited	British Virgin Islands	US$1	56.68	Investment holding
Linkful (Holdings) Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$20,000,000	56.68	Investment holding
Linkful (PRC) Investments Limited	Hong Kong	HK$2	56.68	Investment holding

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Linkful Management Services Limited	Hong Kong	HK$2	56.68	Provision of management services
Linkful Metals Trading Limited	British Virgin Islands/Thailand	US$1	56.68	Metal trading
Linkful Properties Company Limited	Hong Kong/ PRC	HK$2	56.68	Investment and property holding
Linkful Strategic Investment Limited	British Virgin Islands	US$1	56.68	Investment holding
Lucky River Limited	British Virgin Islands	US$1	100	Investment holding
Maxlord Limited	Hong Kong	HK$10,000	100	Property Investment
Million Growth Investment Limited	Hong Kong	HK$10,000	100	Provision of recreational services
Multifield (Holdings) Limited	Hong Kong	HK$1,000,000	100	Investment holding, provision of management services and agency services
Multifield Hotel Serviced Apartment Management (Shanghai) Ltd. *(Note (vi))*	PRC	US$200,000	100	Provision of property management and administration services

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Multifield International Hotel Management Limited	Hong Kong	HK$10,000	100	Provision of property management and administration services
Multifield Investment (HK) Limited	British Virgin Islands	US$1	100	Investment holding
Multifield Investment (PRC) Limited	British Virgin Islands	US$1	100	Investment holding
Multifield Management Services Limited	British Virgin Islands	US$2	100	Investment holding
Multifield Properties Holdings Limited	British Virgin Islands	US$1	100	Investment holding
Multifield Properties Limited	Hong Kong	HK$9,000	100	Investment holding
Multifield Property Agency Limited	Hong Kong	HK$2	100	Provision of property agency services
Multifield Property Management Limited	Hong Kong	HK$2	100	Provision of property management services
Multifield International Holdings (B.V.I.) Limited	British Virgin Islands	US$40	100	Investment holding
Nichiyu Consultants Limited	British Virgin Islands	US$2	100	Investment holding
Oriental Explorer Holdings Limited	Bermuda	HK$18,000,000	56.68	Investment holding

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Prince Properties Limited	Hong Kong	HK$10,000	78.34 *(Note (v))*	Investment holding
Quick Profits Limited	British Virgin Islands	US$2	100	Investment holding
Quick Returns Group Limited	British Virgin Islands	US$1	100	Investment holding
Rich Returns Limited	British Virgin Islands	US$100	61.20 *(Note (iv))*	Investment holding
Richwell Properties Limited	Hong Kong	Ordinary HK$110,000 Non-voting deferred HK$10,000	100	Property investment
Snowdon Worldwide Limited	British Virgin Islands	US$1	56.68	Investment holding
Silver Nominees Limited	Hong Kong	HK$2	100	Property investment
Sino Yield Investments Limited	British Virgin Islands	US$3	66.7	Investment holding
Skilful Investments Limited	British Virgin Islands/ PRC	US$50,000	45.51 *(Notes (i) & (iii))*	Property letting
Tellink Development Limited	Hong Kong/ PRC	HK$100	100	Property investment
Triple Luck Investments Limited	British Virgin Islands	US$50,000	100	Investment holding
Verywell Properties Limited	British Virgin Islands/ Hong Kong	US$1	100	Property investment

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Win Channel Enterprises Limited	Hong Kong	HK$2	66.7	Property investment
Windsor Property Management (Shanghai) Co., Ltd. *(Note (vi))*	PRC	US$200,000	100	Provision of property management services
Windsor Renaissance Hotel Property Management (Shanghai) Ltd. *(Note (vi))*	PRC	US$140,000	100	Provision of property management services
Winner Strong Limited	Hong Kong	HK$100	100	Property investment
Wise Chance Limited	Hong Kong	HK$100	100	Property investment
Wise Success Limited	Hong Kong	HK$100	100	Property investment
Zhuhai Century West Sea Estates Investment Limited *(Note (vii))*	PRC	RMB10,000,000	100	Property development

Except for Multifield International Holdings (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

14. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

(i) These companies are subsidiaries of non wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over the entities.

(ii) The Group holds a direct equity interest of 45% in this subsidiary, and an indirect equity interest of 14.19% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds a 25.04% equity interest in this subsidiary.

(iii) The Group holds a direct equity interest of 37% in these subsidiaries, and an indirect equity interest of 8.51% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds 15.02% equity interest in these subsidiaries.

(iv) The Group holds a direct equity interest of 51% in these subsidiaries, and an indirect equity interest of 10.20% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds 18% equity interest in these subsidiaries.

(v) The Group holds a direct equity interest of 50% in this subsidiary, and an indirect equity interest of 28.34% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds a 50% equity interest in this subsidiary.

(vi) These subsidiaries are registered as wholly-foreign owned enterprises under the PRC law.

(vii) This subsidiary is a limited liability company established in the PRC.

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.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Property under development HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Vessels HK$'000	Total HK$'000
31 December 2006								
As at 31 December 2005 and 1 January 2006								
Cost	—	10,429	3,068	20,167	5,357	841	2,266	42,128
Accumulated depreciation	—	(1,293)	(2,341)	(17,756)	(2,637)	(705)	(1,324)	(26,056)
Net carrying amount	—	9,136	727	2,411	2,720	136	942	16,072
As at 1 January 2006, net of accumulated depreciation	—	9,136	727	2,411	2,720	136	942	16,072
Additions	—	—	—	739	2,584	69	—	3,392
Acquisition of a subsidiary *(note 36)*	195,356	—	—	—	—	—	—	195,356
Depreciation provided for the year	—	(239)	(27)	(1,031)	(907)	(75)	(390)	(2,669)
Disposals	—	—	—	(94)	(361)	—	—	(455)
Exchange realignment	—	350	35	67	29	—	—	481
As at 31 December 2006, net of accumulated depreciation	195,356	9,247	735	2,092	4,065	130	552	212,177
As at 31 December 2006								
Cost	195,356	10,815	2,877	20,212	6,310	909	2,266	238,745
Accumulated depreciation	—	(1,568)	(2,142)	(18,120)	(2,245)	(779)	(1,714)	(26,568)
Net carrying amount	195,356	9,247	735	2,092	4,065	130	552	212,177

Note: Included in property under development is interest in a piece of land situated in the PRC.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Vessels HK$'000	Total HK$'000
31 December 2005							
As at 1 January 2005							
Cost	10,246	3,177	19,539	4,735	818	2,266	40,781
Accumulated depreciation	(1,043)	(2,423)	(17,166)	(2,661)	(541)	(934)	(24,768)
Net carrying amount	9,203	754	2,373	2,074	277	1,332	16,013
As at 1 January 2005, net of accumulated depreciation	9,203	754	2,373	2,074	277	1,332	16,013
Additions	—	—	1,122	1,853	23	—	2,998
Depreciation provided for the year	(231)	(44)	(1,080)	(669)	(164)	(390)	(2,578)
Disposals	—	—	(23)	(556)	—	—	(579)
Exchange realignment	164	17	19	18	—	—	218
As at 31 December 2005, net of accumulated depreciation	9,136	727	2,411	2,720	136	942	16,072
As at 31 December 2005							
Cost	10,429	3,068	20,167	5,357	841	2,266	42,128
Accumulated depreciation	(1,293)	(2,341)	(17,756)	(2,637)	(705)	(1,324)	(26,056)
Net carrying amount	9,136	727	2,411	2,720	136	942	16,072

16. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Carrying amount as at 1 January	**2,672,840**	2,547,000
Additions	**781**	68,405
Disposals	**(300,000)**	(60,225)
Disposal of a subsidiary *(note 37)*	**(13,200)**	—
Net gain from fair value adjustment	**53,610**	54,905
Exchange realignment	**84,899**	62,755
Carrying amount as at 31 December	**2,498,930**	2,672,840

The Group's investment properties as at 31 December 2006 are situated in Hong Kong and the PRC and are held under the following lease terms:

	Hong Kong	**Elsewhere in the PRC**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Long term leases	38,340	2,243,300	2,281,640
Medium term leases	217,290	—	217,290
	255,630	2,243,300	2,498,930

The Group's investment properties were revalued on 31 December 2006 by B.I. Appraisals Limited, an independent firm of professional qualified valuers, on an open market value, existing use basis. B.I. Appraisals Limited has staff who 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 investment properties held by the Group are leased to third parties under operating leases, further summary details of which are included in note 39 to the financial statements.

As at 31 December 2006, certain of the Group's investment properties with a value of approximately HK$1,960,540,000 (2005: HK$1,847,200,000) were pledged to secure general banking facilities granted to the Group (note29).

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Carrying amounts as at 1 January	**484**	493
Recognised during the year	**(8)**	(9)
Carrying amount as at 31 December	**476**	484

The Group's leasehold land as at 31 December 2006 is situated in the PRC and is held under the long lease terms.

18. GOODWILL

Group	*HK$'000*
31 December 2006	
As at 1 January 2006 and 31 December 2006	
Cost	432
Accumulated impairment	(432)
Net carrying amount	—
31 December 2005	
As at 1 January 2005	
Cost	432
Accumulated impairment	—
Net carrying amount	432
Cost as at 1 January 2005, net of accumulated impairment	432
Impairment during the year	(432)
Net carrying amount as at 31 December 2005	—
As at 31 December 2005	
Cost	432
Accumulated impairment	(432)
Net carrying amount	—

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Listed debt investments, at fair value	**8,600**	10,353
Club debentures, at fair value	**670**	670
	9,270	11,023

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to approximately HK$203,000 (2005: gross loss of HK$289,000) and approximately HK$551,000 (2005: Nil) was removed from equity and recognised in the income statement for the year.

As at 31 December 2006, the Group's listed debt investments with a carrying value of approximately HK$8,600,000 (2005: HK$10,353,000) were pledged to secure the Group's interest-bearing borrowings, further details of which are disclosed in note 29 to the financial statement.

20. EQUITY-LINKED NOTES

Equity-linked notes are designated as financial assets at fair value through profit or loss.

Carrying amount analysed for reporting purposes as:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Non-current	**74,236**	—

Major terms of the equity-linked notes are as follows:

Notional amount	**Maturity**
US$6,500,000	2008
JPY1,000,000,000	2008

The equity-linked notes are callable and bear interest which range from 22.20% to 41.04% per annum with guaranteed coupon for the 1st quarter. The equity-linked notes are linked with various Hong Kong and overseas listed securities at various strike prices.

The above equity-linked notes are measured at fair value at the balance sheet date. Their fair values are determined based on the quoted prices provided by the securities' broker for equivalent instruments at the balance sheet date.

As at 31 December 2006, the Group's equity-linked notes with a carrying value of approximately HK$74,236,000 (2005: Nil) were pledged to secure the Group's interest-bearing borrowings, further details of which are disclosed in note 29 to the financial statements.

21. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**679**	1,614
Work in progress	**7**	10
Finished goods	**639**	717
	1,325	2,341

22. PROPERTIES HELD FOR SALE

The properties held for sale are stated at the lower of cost and net realisable value, and are held under medium term leases in Hong Kong.

23. TRADE RECEIVABLES

An aged analysis of trade receivables as at the balance sheet date, based on invoice date and stated net of provision for impairment, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within three months	**6,653**	4,548
Four to six months	**628**	884
Over six months	**2,687**	3,801
	9,968	9,233

For the Group's property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rentals in order to secure any default in their rental payments.

The Group's trading terms with steel customers are mainly on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three to six months in some cases, subject to the approval of senior management. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The fair values of the Group's trade receivables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The fair value of the Group's and the Company's prepayments, deposits and other receivables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Listed equity investments, at market value		
Hong Kong	**101,786**	79,056
Elsewhere	**28,621**	23,002
	130,407	102,058

The above equity investments as at 31 December 2005 and 2006 were classified as held for trading. As at 31 December 2006, the Group's listed equity investments with a carrying value of approximately HK$15,526,000 (2005: HK$17,048,000) were pledged to secure the Group's interest-bearing borrowings, further details of which are disclosed in note 29 to the financial statements.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Cash and bank balances	**128,032**	38,016
Time deposits	**315,534**	180,223
	443,566	218,239
Less: Pledged time deposits	**(167,354)**	(25,463)
Cash and cash equivalents	**276,212**	192,776

The time deposits of HK$167,354,000 (2005: HK$25,463,000) were pledged as security for banking facilities granted.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate their fair values.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$54,506,000 (2005: HK$7,305,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. TRADE PAYABLES

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within three months	**1,360**	1,530
Four to six months	**79**	114
Over six months	**287**	264
	1,726	1,908

The trade payables are non-interest-bearing and are normally settled on 60-days terms. The fair values of the Group's trade payables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

28. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables are non-interest-bearing and have an average term of two months.

The fair values of the Group's and the Company's accrued expenses and other payables approximate their corresponding carrying amounts.

29. INTEREST-BEARING BORROWINGS

	Group					
	2006			2005		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Secured bank loans denominated in Hong Kong dollars	**HIBOR plus a range of 0.65 to 1.3**	**2007**	**64,072**	HIBOR plus a range of 0.65 to 1.375	2006	64,711
Secured bank loans denominated in Renminbi	**Prevailing interest rate of the People's Bank of China**	**2007**	**79,920**			—
Secured short term loans denominated in Japanese Yen	**0.97**	**January 2007**	**59,133**	0.58	4 January 2006	1,603
			203,125			66,314
Non-current						
Secured bank loans denominated in Hong Kong dollars	**HIBOR plus a range of 0.65 to 1.3**	**2007-2015**	**655,698**	HIBOR plus a range of 0.65 to 1.375	2007 – 2015	727,736
			858,823			794,050

29. INTEREST-BEARING BORROWINGS *(continued)*

	Group	
	2006	2005
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year	**143,992**	64,711
In the second year	**64,192**	64,812
In the third to fifth years, inclusive	**179,355**	177,698
After five years	**412,151**	485,226
	799,690	792,447
Other borrowings repayable within one year	**59,133**	1,603
	858,823	794,050

The Group's banking facilities were secured by:

(i) first legal charges over certain of the Group's investment properties with an aggregate carrying amount of approximately HK$1,960,540,000 as at the 31 December 2006;

(ii) personal guarantees given by certain directors of the Company and its subsidiaries and the minority shareholders; and

(iii) corporate guarantees issued by the Company.

As at 31 December 2006, the Group's short term loans with an investment bank are secured by certain cash deposits and investments with an aggregate carrying amount of approximately HK$177,109,000 as at 31 December 2006.

Other interest rate information:

	Group			
	2006		2005	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Bank loans – secured	**—**	**799,690**	—	792,447
Other loans – secured	**—**	**59,133**	1,603	—

29. INTEREST-BEARING BORROWINGS *(continued)*

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

	Carrying amounts		Fair value	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Floating rate bank loans	**655,690**	727,736	**545,512**	603,596

The fair value of non-current borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

30. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and is not repayable within one year. The carrying amount of the amount due approximates its fair value.

31. DEFERRED TAX LIABILITIES

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

Group

	Depreciation allowance in excess of related depreciation	**Revaluation of properties**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2006	7,642	353,428	34,046	395,116
Acquisition of a subsidiary *(note 36)*	—	46,223	—	46,223
Deferred tax credited to the income statement during the year *(note 10)*	(2,147)	—	—	(2,147)
As at 31 December 2006	5,495	399,651	34,046	439,192
As at 1 January 2005	1,571	353,428	34,046	389,045
Deferred tax charged to the income statement during the year *(note 10)*	6,071	—	—	6,071
As at 31 December 2005	7,642	353,428	34,046	395,116

31. DEFERRED TAX LIABILITIES *(continued)*

As at 31 December 2006, the Group's tax losses of approximately HK$332,695,000 (2005: HK$322,739,000) are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

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

32. SHARE CAPITAL

Shares

	Number of shares		Value	
	2006	2005	**2006**	2005
			HK$'000	*HK$'000*
Authorised				
Ordinary shares of HK$0.01 each	**50,000,000,000**	50,000,000,000	**500,000**	500,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**4,180,371,092**	4,180,371,092	**41,804**	41,804

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 33 to the financial statements.

33. SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, other employees, adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group. The Scheme became effective on 27 June 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of securities available for issue under the Scheme is 400,052,632, which is equivalent to 10% of the issued share capital of the Company as at the date of adoption of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's share at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

33. SHARE OPTION SCHEMES *(continued)*

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the higher of (i) the nominal value of the shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options have been granted, exercised, lapsed or cancelled since the establishment of the Scheme.

The following share options of Oriental Explorer Holdings Limited, a subsidiary of the Company, were outstanding during the year:

Name or category of participant	Date of grant of share options	Exercise price of share options	Number of share options as at 1 January 2006 and 31 December 2006	Exercise period of share options
		HK$ *Per share* *(Note)*		
Director				
Lau Chi Yung, Kenneth	7 February 1998	0.112	19,500,000	7 February 1998 to 6 February 2008
Others				
Tsang Pak Chung, Eddy	7 February 1998	0.112	19,500,000	7 February 1998 to 6 February 2008
Leung Wei San, Saskia	7 February 1998	0.112	19,500,000	7 February 1998 to 6 February 2008
			58,500,000	

No share options of Oriental Explorer Holdings Limited were granted, exercised, lapsed or cancelled during the year.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
As at 1 January 2005	39,116	802,254	16,498	857,868
Profit for the year	—	—	152	152
As at 31 December 2005 and 1 January 2006	39,116	802,254	16,650	858,020
Profit for the year	—	—	410	410
Proposed final 2006 dividend	—	—	(16,721)	(16,721)
As at 31 December 2006	39,116	802,254	339	841,709

The contributed surplus of the Company originally arose as a result of the Group reorganisation in preparation for the public listing of the Company's shares and warrants on the Stock Exchange in 1998 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus may be distributed to the Company's shareholders under certain circumstances.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before tax to net cash inflow from operating activities:

	2006	2005
	HK$'000	*HK$'000*
Profit before tax	**207,970**	165,747
Adjustments for:		
Finance costs	**39,898**	27,786
Fair value gains on investment properties	**(53,610)**	(54,905)
Interest income	**(32,559)**	(7,248)
Dividend income from listed investments	**(3,426)**	(3,174)
Gain on disposal of subsidiary	**(11)**	—
Depreciation	**2,669**	2,578
Recognition of prepaid land lease payments	**8**	9
Impairment of goodwill	**—**	432
Fair value (gains)/losses, net:		
Available-for-sale investments (transfer from equity)	**(551)**	—
Equity investments at fair value through profit or loss	**(32,631)**	(1,434)
Equity-linked notes	**43,132**	—
(Gain)/Loss on disposal of investment properties	**(26,846)**	21,456
Loss on disposal of items of property, plant and equipment	**94**	20
PRC indirect taxes	**25,695**	16,574
	169,832	167,841
Decrease in inventories	**1,016**	399
Increase in trade receivables	**(735)**	(1,331)
(Increase)/decrease in prepayments, deposits and other receivables	**(22,934)**	11,338
(Decrease)/increase in equity investments at fair value through profit or loss	**4,282**	(22,744)
Decrease in trade payables	**(182)**	(2,618)
(Decrease)/increase in accrued expenses and other payables	**(3,363)**	3,091
(Decrease)/increase in deposits received	**(2,062)**	1,911
Cash generated from operations	**145,854**	157,887
Hong Kong profits tax paid	**(575)**	(1,173)
Hong Kong profits tax refunded	**22**	—
PRC taxes paid	**(32,661)**	(29,930)
Net cash inflow from operating activities	**112,640**	126,784

36. BUSINESS COMBINATION

On 11 June 2006, the Group acquired a 100% interest in Zhuhai Century West Sea Estates Investment Limited from independent third parties. Zhuhai Century West Sea Estates Investment Limited is engaged in property development. The purchase consideration for the acquisition was in the form of cash.

The fair values of the identifiable assets and liabilities of Zhuhai Century West Sea Estates Investment Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*	**Carrying amount** *HK$'000*
Prepaid land lease payments	17	195,356	55,287
Other payables		—	(46,381)
Deferred tax liabilities	31	(46,223)	—
		149,133	8,906
Satisfied by:			
Cash		79,920	
Deferred consideration		69,213	
		149,133	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(79,920)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(79,920)

Since its acquisition, Zhuhai Century West Sea Estates Investment Limited contributed approximately HK$Nil to the Group's turnover and a profit of approximately HK$1,200,000 to the Group's consolidated profit for the year ended 31 December 2006.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been approximately HK$181 million and HK$193 million, respectively.

37. DISPOSAL OF A SUBSIDIARY

	Notes	**2006**	2005
		HK$'000	*HK$'000*
Net assets disposed of:			
Investment properties	16	**13,200**	—
Cash and bank balances		**23**	—
Prepayments and other receivables		**21**	—
Interest-bearing borrowings		**(8,445)**	—
		4,799	—
Gain on disposal of a subsidiary	6	**11**	—
		4,810	—
Satisfied by:			
Cash		**4,810**	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2006	2005
	HK$'000	*HK$'000*
Cash consideration	**4,810**	—
Cash and bank balances disposed of	**(23)**	—
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**4,787**	—

38. CORPORATE GUARANTEES

As at 31 December 2006, the Company has given corporate guarantees in favour of banks for banking facilities granted to its subsidiaries to the extent of approximately HK$508,590,000, of which HK$453,140,000 was utilised. In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

39. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties and properties held for sale (notes 16 and 22 to the financial statements, respectively) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rentals in order to secure any default in their rental payments.

As at 31 December 2006, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**95,084**	107,063
In the second to fifth years, inclusive	**49,882**	36,910
	144,966	143,973

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

(a) The Group received rental income of HK$106,000 (2005: HK$115,000) from Alpha Japan Limited ("Alpha Japan"), the minority shareholder of a subsidiary of the Group. The rental income was charged based on open market rental.

(b) A subsidiary sold finished goods of approximately HK$5,036,000 (2005: HK$3,197,000) to and purchased raw materials and equipment parts of HK$1,323,000 (2005: HK$1,186,000) from a related company of Alpha Japan. These transactions were based on published prices and conditions normally offered by the Group to third party customers in the ordinary course of business of the Group (in respect of the sales), and offered by a related company of Alpha Japan to its third party customers (in respect of the purchases).

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 April 2007.