1. General

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Nan Luen International Limited. The directors consider that the Company's ultimate holding company is JCS Limited, a company also incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 50.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-Int 8	Scope of HKFRS 2[4]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[7]
HK(IFRIC)-Int 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

Basis of consolidation

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

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

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

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

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

Acquisition of additional interests in subsidiaries is recorded at the book value of the net assets attributable to the interests. The excess of the carrying amounts of net assets attributable to the interests over the cost of acquisition is recognised as discount on acquisition.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

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

3. Significant Accounting Policies *(continued)*

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operation policy decisions of the investees but is not or joint control over those polices.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss in the value of individual investments.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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

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

Interests in joint ventures

Jointly controlled assets

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of the jointly controlled assets and any liabilities incurred jointly with the other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured realisably.

3. Significant Accounting Policies *(continued)*

Interests in joint ventures *(continued)*

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to a jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss.

When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Revenue recognition

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

Sales of properties

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

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

Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

3. Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Others

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

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

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at costs including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

Property, plant and equipment

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

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

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

3. Significant Accounting Policies *(continued)*

Prepaid lease payments/properties under development

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

When the Group completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Properties held for sale/properties under development held for sale

Properties held for sale and properties under development held for sale in the ordinary course of business are classified as current assets and are stated at the lower of cost and net realisable value. Cost comprises property interest in leasehold land and development costs including attributable borrowing costs and directly attributable costs capitalised during the development period that have been incurred in bringing the properties held for sale/properties under development held for sale to their present location and condition. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing, selling and distribution.

Impairment losses (other than club memberships with indefinite useful lives (see the accounting policies in respect of club memberships))

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies *(continued)*

Borrowing costs

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

The Group's investments are classified into held for trading investments and available-for-sale investments, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses are recognised in profit or loss. Impairment losses are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. However, impairment losses for equity investments classified as available-for-sale are not reversed through profit or loss.

Loan and receivables

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

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

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

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

Borrowings

Borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities

Other financial liabilities including payables, other payables and amounts due to minority shareholders are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

3. Significant Accounting Policies *(continued)*

Club memberships

On initial recognition, club memberships are recognised at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of a club membership are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Club memberships with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

3. Significant Accounting Policies *(continued)*

Taxation

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

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

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

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

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

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

Foreign currencies

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

3. Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit scheme/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following estimation that have the most significant effect on the amounts recognised in the consolidated financial statements of next year.

Income tax

No deferred tax asset has been recognised in respect of tax losses of HK$695,506,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which it takes place.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the directors of the Group have exercised their judgment and are satisfied that the method of valuation of is reflective of the current market conditions.

5. Financial Instruments

Financial risk management objectives and policies

The Group's major financial instruments include loans and receivables, bank balances, borrowings and other financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank loans of the Group are denominated in foreign currencies (note 36). The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Cash flow interest rate risk

The Group has exposures to interest rate risk as its bank borrowings and other loans receivable are subject to floating interest rates. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates to fixed rates, to manage interest rate exposure.

The interest rate risk for bank balances exposed is considered minimal as such amounts are placed in banks with maturity less than three months.

Price risk

The Group is exposed to the price risk through its available-for-sale investments and held for trading investments. The management manages this exposure by closely monitoring the performance of the investments.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are licensed banks.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

5. Financial Instruments *(continued)*

Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

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

6. Revenue

	2006 **HK$'000**	2005 HK$'000
Gross rental income	**136,216**	128,152
Sale of properties	**896,828**	767,653
Sales of goods	**25,364**	41,436
Agency and service fees income	**908**	487
Dividend income	**567**	1,771
Project management fee income	**332**	664
	1,060,215	940,163

7. Geographical and Business Segments

Geographical segments

The operations of the Group are currently located in New Zealand, Australia, Greater China other than Hong Kong (The People's Republic of China, the "PRC") and Hong Kong. The corresponding geographical locations of the Group's assets, which is the same as locations of customers, are the basis on which the Group reports its primary segment information.

Consolidated Income Statement for the year ended 31 December 2006

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	163,603	72,436	14,770	809,406	—	—	1,060,215
Inter-segment sales*	—	—	—	70,456	—	(70,456)	—
Total revenue	163,603	72,436	14,770	879,862	—	(70,456)	1,060,215

* Inter-segment sales are charged at prevailing market rates.

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS							
Segment (loss) profit	(34,950)	24,015	109,437	1,041,183	(1,429)	—	1,138,256
Interest income							57,379
Gain on disposal of associates	66,361	—	—	—	—	—	66,361
Recognition of discount on acquisition/gain on deemed acquisition	40,233	—	7,483	34,259	—	—	81,975
Unallocated corporate expenses							(111,229)
Share of results of associates	2,436	—	—	—	—	—	2,436
Finance costs							(101,163)
Profit before taxation							1,134,015
Income tax expense							(207,798)
Profit for the year							926,217

7. Geographical and Business Segments *(continued)*

Geographical segments *(continued)*

Other Information for the year ended 31 December 2006

	New Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Capital additions	1,798	—	51,415	32,878	170	86,261
Depreciation	1,273	713	430	1,571	111	4,098
(Loss) gain on disposal of property, plant and equipment	(246)	—	(118)	170	—	(194)
Fair value changes on investment properties	(601)	17,064	125,448	567,000	—	708,911
Net gain on disposal of investments	—	—	—	10,289	—	10,289
Reversal of allowance for trade and other receivables	298	—	—	—	—	298
Allowance for other loans receivable	—	—	—	10,000	—	10,000
Net exchange (loss) gain	(19,404)	372	(313)	1,437	—	(17,908)

Consolidated Balance Sheet at 31 December 2006

	New Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS						
Segment assets	890,001	251,009	1,274,035	6,346,361	372	8,761,778
Interests in associates	17,766	—	—	—	—	17,766
Restricted bank balances and deposits	—	—	332,404	—	—	332,404
Income tax recoverable						14,923
Unallocated corporate assets						771,153
Consolidated total assets						9,898,024
LIABILITIES						
Segment liabilities	96,611	4,281	523,991	277,872	690	903,445
Borrowings						2,558,419
Amounts due to minority shareholders						117,023
Income tax payable						42,954
Deferred taxation						549,968
Consolidated total liabilities						4,171,809

7. Geographical and Business Segments *(continued)*

Geographical segments *(continued)*

Consolidated Income Statement for the year ended 31 December 2005

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	207,216	187,758	3,265	541,924	—	—	940,163
Inter-segment sales*	—	—	—	43,096	—	(43,096)	—
Total revenue	207,216	187,758	3,265	585,020	—	(43,096)	940,163

* Inter-segment sales are charged at prevailing market rates.

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS							
Segment (loss) profit	(22,807)	16,602	380,654	1,176,124	(20,472)	—	1,530,101
Interest income							44,884
Recognition of discount on acquisition	36,787	—	—	—	—	—	36,787
Unallocated corporate expenses							(95,866)
Share of results of associates	(3,359)	—	—	—	—	—	(3,359)
Share of results of jointly controlled entities	—	—	(290)	—	—	—	(290)
Finance costs							(75,869)
Profit before taxation							1,436,388
Income tax expense							(287,264)
Profit for the year							1,149,124

7. Geographical and Business Segments *(continued)*

Geographical segments *(continued)*

Other Information for the year ended 31 December 2005

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	35,179	8,013	70,579	3,170	372	117,313
Depreciation	2,775	401	280	1,444	181	5,081
Gain (loss) on disposal of property, plant and equipment	62	(4)	—	26	—	84
Fair value changes on investment properties	(8,653)	(591)	408,072	852,250	—	1,251,078
Loss on disposal of investment properties	2,424	—	—	—	—	2,424
Net loss on disposal of investments	—	—	—	900	—	900
Write down of properties held for sale	16,537	—	—	—	19,696	36,233
Allowance for trade and other receivables	469	—	—	3	—	472
Gain on disposal of subsidiaries engaging in property investment and development	—	—	11,818	—	—	11,818
Net exchange gain (loss)	—	7,383	(24)	(2,289)	—	5,070

Consolidated Balance Sheet at 31 December 2005

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	753,544	272,530	905,268	5,728,233	5,296	7,664,871
Interests in associates	15,330	—	—	—	—	15,330
Amount due from an associate	34,172	—	—	—	—	34,172
Amounts due from jointly controlled entities	—	—	6,100	—	—	6,100
Income tax recoverable						1,544
Unallocated corporate assets						979,102
Consolidated total assets						8,701,119
LIABILITIES						
Segment liabilities	57,829	3,322	87,830	331,260	2,658	482,899
Borrowings						2,429,971
Amounts due to minority shareholders						212,325
Income tax payable						63,610
Deferred taxation						397,214
Consolidated total liabilities						3,586,019

7. Geographical and Business Segments *(continued)*

Business segments

The Group is currently organised into four operating divisions — property investment, garment manufacturing and trading, investment and property development.

Principal activities are as follows:

Property investment	—	rental of properties
Garment manufacturing and trading	—	manufacturing and trading of garment products
Investment	—	investment in financial instruments
Property development	—	development of properties

Other than the garment manufacturing and trading with location of its operations mainly in Hong Kong, all the above divisions are operating in New Zealand, Australia, the PRC and Hong Kong.

The following table provides an analysis of the Group's sales revenue by business segment:

	Sales revenue by business segment	
	2006	2005
	HK$'000	HK$'000
Property investment	**123,256**	128,152
Garment manufacturing and trading	**25,364**	31,287
Investment	**567**	1,771
Property development	**909,788**	767,653
Others	**1,240**	11,300
	1,060,215	940,163

7. Geographical and Business Segments *(continued)*

Business segments *(continued)*

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment analysed by business segments:

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Property investment	**5,324,493**	3,717,235	**50,232**	7,592
Garment manufacturing and trading	**8,617**	7,164	**—**	6
Investment	**71,121**	98,332	**3,413**	1,220
Property development	**3,356,850**	3,836,616	**31,904**	106,551
Others	**697**	5,524	**712**	—
	8,761,778	7,664,871	**86,261**	115,369
Unallocated corporate assets	**1,136,246**	1,036,248	**—**	1,944
	9,898,024	8,701,119	**86,261**	117,313

8. Property and Related Costs

	2006 HK$'000	2005 HK$'000
Changes in inventories of manufactured finished goods and work-in-progress	**(1,245)**	(1,138)
Raw materials and consumables used	**(10,387)**	(12,875)
Purchase of goods held for resale	**—**	(1,523)
Changes in properties held for sale/properties under development held for sales	**151,548**	527,534
Costs incurred on properties held for sale/properties under development held for sales	**(628,266)**	(987,245)
	(488,350)	(475,247)

9. Other Operating Expenses/Profit before Taxation

(a) Other operating expenses

	2006 **HK$'000**	2005 HK$'000
Included in other operating expenses are:		
Legal and professional fees	**23,950**	13,141
Selling and marketing expenses	**49,132**	66,648

(b) Profit before taxation

	2006 **HK$'000**	2005 HK$'000
Profit before taxation has been arrived at after charging:		
Auditors' remuneration		
Current year	**4,256**	3,858
Underprovision for prior years	**977**	—
Allowance for other loans receivable	**10,000**	—
Allowance for trade and other receivables	**—**	472
Directors' emoluments (note 14)	**49,680**	62,092
Loss on disposal of property, plant and equipment	**194**	—
Minimum lease payments under operating leases	**8,537**	8,569
Net exchange loss	**17,908**	—
and crediting:		
Gross rental income from investment properties	**123,256**	128,093
Less: Direct operating expenses from investment properties that generate rental income during the year	**(22,274)**	(11,592)
Net rental income from investment properties	**100,982**	116,501
Rental income from other properties	**12,960**	59
Interest earned on bank deposits	**40,449**	34,457
Other interest income	**16,930**	10,427
	57,379	44,884
Gain on disposal of property, plant and equipment	**—**	84
Reversal of allowance for trade and other receivables	**298**	—
Dividend income from equity investments	**567**	1,771
Net exchange gain	**—**	5,070

10. Net Gain (Loss) on Investments

	2006 HK$'000	2005 HK$'000
Fair value changes on held for trading investments	—	(12)
Net gain (loss) on disposal of investments (note)	10,289	(900)
Others	870	92
	11,159	(820)

Note: Amount included adjustment on fair value gain on available-for-sale investments of HK$9,130,000 (2005: a fair value loss of HK$866,000) released from investments revaluation reserve.

11. Recognition of Discount on Acquisition/Gain on Deemed Acquisition

	Notes	2006 HK$'000	2005 HK$'000
Recognition of discount on acquisition arising from the acquisition of additional interests in subsidiaries	(a)	60,622	—
Recognition of gain on deemed acquisition	(b)	21,353	36,787
		81,975	36,787

Notes:

(a) On 15 December 2005, a 66% subsidiary of the Group, Trans Tasman Properties Limited ("TTP"), which is listed on New Zealand Stock Exchange Limited, offered to its shareholders to exchange two shares in TTP for one share in a wholly-owned subsidiary of TTP, Asian Growth Properties Limited ("AGP") for the purpose of listing the shares of AGP on the Alternative Investment Market ("AIM") of London Stock Exchange Plc. During the year, AGP was successfully listed on the AIM. The spin off of AGP had no significant financial impact to the Group. Subsequently, the Group acquired further AGP shares resulting in a discount on acquisition of HK$53,139,000 (2005: Nil), which represents the difference between additional share of net asset value over consideration.

In December 2006, the Group acquired 3% additional interest in Chengdu Huashang House Development Co., Ltd 成都華商房屋開發有限公司 from another shareholder of that company resulting in a discount of acquisition of HK$7,483,000. Since then, that company has become a wholly owned subsidiary of the Group. The directors consider the acquisition is conducted at arm's length.

(b) During the year, TTP repurchased its shares from minority shareholders resulting in a gain on deemed acquisition of HK$21,353,000 (2005: HK$36,787,000). All of the repurchased shares were cancelled.

12. Other Loss

On 5 October 2006, AGP issued 668,653,817 ordinary shares to the Group as part of the consideration paid for the acquisition of property interests through acquisition of a wholly-owned subsidiary of the Group. Since then, the Group's interests in this wholly-owned subsidiary and AGP had been decreased by 3.58% to 96.42% and increased by 11% to 96.42%, respectively, which resulted in a charge of HK$2,223,000 to the consolidated income statement.

13. Finance Costs

	2006 HK$'000	2005 HK$'000
Interest on:		
Bank loans wholly repayable within 5 years	**123,852**	52,216
Other loans wholly repayable within 5 years	**6,541**	50,326
Bank loans not wholly repayable within 5 years	**6,617**	4,234
Other loans not wholly repayable within 5 years	**—**	7,178
	137,010	113,954
Less: Amounts capitalised to property development projects	**(51,950)**	(42,671)
	85,060	71,283
Facilities charges	**10,995**	38
Imputed interest on amounts due to minority shareholders	**4,300**	3,740
Imputed interest on other payables	**808**	808
	101,163	75,869

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 8% (2005: 7%) per annum to expenditure on qualifying assets.

14. Directors' Emoluments

The emoluments paid or payable to each of the directors are as follows:

	Lu Wing Chi HK$'000	Lu Wing Yuk, Andrew HK$'000	Lu Wing Lin HK$'000	Lincoln Lu HK$'000	Lambert Lu HK$'000	Lu Yong Lee HK$'000	Tse Man Bun HK$'000	Lam Sing Tai HK$'000	Walujo Santoso Wally HK$'000	Leung Hok Lim HK$'000	Chung Pui Lam HK$'000	Total HK$'000
2006												
Fees	20	20	–	20	20	–	20	15	130	150	150	545
Other emoluments												
Salaries and other benefits	3,000	516	–	1,440	1,440	–	2,400	1,200	–	–	–	9,996
Retirement benefits scheme contribution	450	65	–	144	144	–	240	180	–	–	–	1,223
Discretionary and performance based bonus	29,972	300	–	2,498	2,498	–	2,498	150	–	–	–	37,916
Total emolument	33,442	901	–	4,102	4,102	–	5,158	1,545	130	150	150	49,680
2005												
Fees	20	20	20	20	20	18	20	–	130	150	150	568
Other emoluments												
Salaries and other benefits	3,000	480	440	1,320	1,320	–	2,400	–	–	–	–	8,960
Retirement benefits scheme contribution	450	60	66	132	132	–	240	–	–	–	–	1,080
Discretionary and performance based bonus	40,787	–	500	3,399	3,399	–	3,399	–	–	–	–	51,484
Total emolument	44,257	560	1,026	4,871	4,871	18	6,059	–	130	150	150	62,092

The discretionary and performance bonus to the executive directors is calculated based on the profit before taxation attributable to the Company's shareholders.

15. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2005: four) were directors of the Company whose emoluments are included in the disclosures in note 14. The emoluments of the remaining one (2005: one) individual were as follows:

	2006 **HK$'000**	2005 HK$'000
Salaries and other remuneration	**5,192**	5,431

Their emoluments were within the following bands:

	2006 **Number of employee**	2005 Number of employee
HK$5,000,001 to HK$5,500,000	**1**	1

16. Income Tax Expense

	2006 **HK$'000**	2005 HK$'000
The charge comprises:		
Current year		
Hong Kong	**76,368**	44,389
Other jurisdictions	**98**	1,419
	76,466	45,808
Under(over)provision in prior years		
Hong Kong	**667**	—
Other regions in the PRC	**(7,439)**	—
Other jurisdictions	**(4)**	(77)
	(6,776)	(77)
Deferred tax		
Current year	**138,108**	241,533
	207,798	287,264

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

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

Details of deferred taxation are set out in note 41.

16. Income Tax Expense *(continued)*

The income tax expense for the year can be reconciled from profit before taxation per the consolidated income statement as follows:

	Hong Kong and PRC		New Zealand, Australia and others		Total	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Profit before taxation	**1,059,367**	1,431,768	**74,648**	4,620	**1,134,015**	1,436,388
Applicable income tax rate	**17.5%**	17.5%	**33%**	33%		
Tax at the applicable income tax rate	**185,389**	250,559	**24,634**	1,525	**210,023**	252,084
Tax effect of expenses not deductible for tax purpose	**10,726**	7,594	**22,562**	33,646	**33,288**	41,240
Tax effect of income not taxable for tax purpose	**(12,517)**	(33,483)	**(37,329)**	(13,837)	**(49,846)**	(47,320)
Overprovision in prior years	**(6,772)**	—	**(4)**	(77)	**(6,776)**	(77)
Tax effect of (utilisation of tax losses previously not recognised) tax losses not recognised, net	**24,751**	14,695	**(7,586)**	(20,520)	**17,165**	(5,825)
Tax effect of decrease in deferred tax assets on deductible temporary differences not recognised	**(11,035)**	(656)	**—**	—	**(11,035)**	(656)
Withholding tax on dividend income	**—**	—	**—**	315	**—**	315
Effect of different tax rates of subsidiaries operated in other jurisdictions	**16,164**	47,224	**(600)**	(322)	**15,564**	46,902
Others	**(671)**	168	**86**	433	**(585)**	601
Income tax expense for the year	**206,035**	286,101	**1,763**	1,163	**207,798**	287,264

17. DIVIDENDS

	2006 HK$'000	2005 HK$'000
Dividend recognised as distribution during the year:		
Final — HK7 cents per share (2005: HK6 cents)	**41,417**	33,094
Interim — HK5 cents per share (2005: HK4 cents)	**30,764**	21,462
	72,181	54,556

A final dividend of HK7 cents (2005: HK6 cents) per share has been recommended by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

18. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the Company's shareholders is based on the following data:

	2006 HK$'000	2005 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**791,262**	1,072,273

	Number of shares	
	2006	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	**570,775,090**	523,677,685
Effect of dilutive potential ordinary shares		
Options	**5,802,446**	12,697,452
Warrants	**53,089,835**	59,666,538
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**629,667,371**	596,041,675

19. Investment Properties

	Hong Kong held under long leases HK$'000	Hong Kong held under medium-term leases HK$'000	PRC held under long leases HK$'000	PRC held under medium-term leases HK$'000	Australia held under long leases HK$'000	New Zealand held under freehold HK$'000	New Zealand held under long leases HK$'000	New Zealand held under medium-term leases HK$'000	New Zealand held under short-term leases HK$'000	Total HK$'000
AT FAIR VALUE										
At 1 January 2005	178,350	2,100,000	—	40,512	176,660	929,118	178,768	21,396	—	3,624,804
Exchange adjustments	—	—	—	767	(10,335)	(21,388)	(3,978)	(708)	—	(35,642)
Additions	—	—	—	—	—	115	—	—	—	115
Transfer from property, plant and equipment	—	—	273,142	—	—	214	—	—	—	273,356
Transfer from prepaid lease payments	—	—	32,810	—	—	—	—	—	—	32,810
Eliminated on disposal of subsidiaries	—	—	—	(63,168)	—	—	—	—	—	(63,168)
Disposals	—	—	—	—	—	(868,057)	—	—	—	(868,057)
Transfer to properties held for sale	—	—	—	—	—	(1,427)	(174,790)	(20,920)	—	(197,137)
Increase (decrease) in fair value	52,250	800,000	386,184	21,889	(592)	(8,194)	—	(459)	—	1,251,078
Reallocation	—	—	—	—	—	(7,892)	—	7,892	—	—
At 31 December 2005	230,600	2,900,000	692,136	—	165,733	22,489	—	7,201	—	4,018,159
Exchange adjustments	—	—	28,037	—	13,887	(210)	1,078	(317)	518	42,993
Additions	—	—	50,239	—	—	—	—	—	—	50,239
Increase (decrease) in fair value	33,000	534,000	125,448	—	17,064	209	—	—	(810)	708,911
Reallocation	(4,600)	4,600	—	—	—	(12,655)	12,655	(6,884)	6,884	—
At 31 December 2006	259,000	3,438,600	895,860	—	196,684	9,833	13,733	—	6,592	4,820,302

19. Investment Properties *(continued)*

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

The fair value of the Group's investment properties at 31 December 2006 had been arrived at on the basis carried out at that date by independent professional valuers as follows:

Properties situated in	**Name of independent professional valuers**
Hong Kong held under medium-term and long leases	Savills Valuation and Professional Services Limited
PRC held under long leases	Savills Valuation and Professional Services Limited
Australia held under long leases	Colliers International Consultancy and Valuation Pty Limited
New Zealand held under freehold	Fright Aubrey
New Zealand held under short-term leases	CB Richard Ellis Limited

The above valuers are not connected with the Group. They are members of Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at using two primary methods, namely the comparison approach and the income capitalisation approach.

Certain of the Group's investment properties are rented out under operating leases.

20. Property, Plant and Equipment

	Properties under development HK$'000	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST							
At 1 January 2005	372,089	489	25,609	11,970	3,007	2,635	415,799
Exchange adjustments	3,434	(21)	(732)	(448)	(4)	(94)	2,135
Additions	102,337	—	4,344	8,548	6	1,963	117,198
Amortisation of prepaid lease payments capitalised	5,606	—	—	—	—	—	5,606
Disposals	—	—	(841)	(1,672)	(17)	—	(2,530)
Transfer to properties held for sale	(199,964)	—	—	—	—	—	(199,964)
Transfer to investment properties	(273,142)	—	(214)	—	—	—	(273,356)
Reallocation	—	—	(66)	—	66	—	—
At 31 December 2005	10,360	468	28,100	18,398	3,058	4,504	64,888
Exchange adjustments	—	29	164	840	6	74	1,113
Additions	28,755	—	1,571	5,339	28	329	36,022
Amortisation of prepaid lease payments capitalised	7,468	—	—	—	—	—	7,468
Disposals	—	—	(6,209)	(3,142)	—	—	(9,351)
At 31 December 2006	46,583	497	23,626	21,435	3,092	4,907	100,140
DEPRECIATION							
At 1 January 2005	—	162	19,026	6,926	1,757	2,504	30,375
Exchange adjustments	—	(7)	(502)	(27)	(1)	(11)	(548)
Provided for the year	—	16	2,384	1,719	168	794	5,081
Eliminated on disposals	—	—	(623)	(1,126)	(11)	—	(1,760)
At 31 December 2005	—	171	20,285	7,492	1,913	3,287	33,148
Exchange adjustments	—	12	101	191	4	51	359
Provided for the year	—	16	1,022	1,946	136	978	4,098
Eliminated on disposals	—	—	(4,144)	(1,912)	—	—	(6,056)
At 31 December 2006	—	199	17,264	7,717	2,053	4,316	31,549
CARRYING VALUES							
At 31 December 2006	46,583	298	6,362	13,718	1,039	591	68,591
At 31 December 2005	10,360	297	7,815	10,906	1,145	1,217	31,740

20. Property, Plant and Equipment *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their estimated residual values at the following rates per annum:

Buildings	2% to 4%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Plant and machinery	10%
Leasehold improvements	25%

The carrying values of properties shown above comprises:

	Properties under development		Buildings	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
In PRC held under long leases	**—**	—	**89**	93
In Hong Kong held under medium-term leases	**46,583**	10,360	**—**	—
In Indonesia under long leases	**—**	—	**209**	204
	46,583	10,360	**298**	297

21. Prepaid Lease Payments

	2006 HK$'000	2005 HK$'000
Leasehold land in Hong Kong held under medium-term lease	**376,058**	332,441
Analysed for reporting purposes as:		
Current	**8,696**	5,076
Non-current	**367,362**	327,365
	376,058	332,441

Amortisation of prepaid lease payments amounting to HK$7,468,000 (2005: HK$5,606,000) was capitalised to properties under development.

22. Interests in Associates

	2006 HK$'000	2005 HK$'000
Investment cost — unlisted	**16,594**	16,594
Share of post-acquisition profits	**1,172**	(1,264)
Goodwill on acquisition of associates	**80,396**	80,396
Impairment loss recognised	**(80,396)**	(80,396)
	17,766	15,330

Details of the Group's principal associates at 31 December 2006, all of which are companies with limited liability, are as follows:

Name of associate	Form of business structure	Place/ country of incorporation/ operation	Class of shares held	Effective percentage of nominal value of issued equity capital indirectly held by the Company	Principal activities
e-commerce Logistics Limited	Incorporated	Hong Kong	Ordinary	24	e-fulfillment, warehousing and delivery services
GSB Supplycorp Limited	Incorporated	New Zealand	Ordinary	46	Public sector e-procurement
New Zealand Land Trust Holdings Limited	Incorporated	New Zealand	Ordinary	25	Property development
Professional Service Brokers Limited	Incorporated	New Zealand	Ordinary Preference	47 47	e-procurement management
Supplynet Limited	Incorporated	New Zealand	Ordinary	46	e-commerce marketplace

The directors are of the opinion that a complete list of the particulars of all associates of the Group will be of excessive length and therefore the above list contains only the particulars of associates which principally affect the results or assets of the Group.

22. Interests in Associates *(continued)*

The summarised financial information in respect of the Group's associates is as follows:

	2006 HK$'000	2005 HK$'000
Total assets	49,163	308,549
Total liabilities	(11,541)	(258,208)
	37,622	50,341
Revenue	43,037	37,850
Profit (loss) for the year	4,872	(2,978)

23. Interests in Jointly Controlled Entities

	2006 HK$'000	2005 HK$'000
Cost of unlisted investments in a jointly controlled entity	24,521	24,521
Share of post-acquisition losses	(24,521)	(24,521)
	—	—

As at 31 December 2006, the Group had interests in the following principal jointly controlled entity formed as a Sino-foreign equity joint venture:

Name of entity	Form of business structure	Country of registration/ operation	Registered capital	Effective percentage of registered capital indirectly held by the Company	Principal activity
成都岷強房地產開發有限公司 (Chengdu Mingqiang Real Estate Co., Ltd.)	Equity joint venture	PRC	US$6,000,000	50	Property investment

The directors are of the opinion that a complete list of the particulars of all jointly controlled entities of the Group will be excessive length and therefore the above list contains only the particulars of a jointly controlled entity which principally affect the results or assets of the Group.

23. Interests in Jointly Controlled Entities *(continued)*

The summarised financial information in respect of the Group's jointly controlled entities is as follows:

	2006 HK$'000	2005 HK$'000
Non-current assets	**127**	145
Current assets	**157,599**	149,622
Total assets	**157,726**	149,767
Non-current liabilities	**—**	(96,130)
Current liabilities	**(168,388)**	(55,171)
Total liabilities	**(168,388)**	(151,301)
	(10,662)	(1,534)
Revenue	**7,174**	7,148
Expenses	**(17,830)**	(9,263)
Loss for the year	**(10,656)**	(2,115)

The Group has discontinued recognition of its share of loss of a jointly controlled entity. The amounts of unrecognised share of the jointly controlled entity, both for the year and cumulatively, are as follows:

	2006 HK$'000	2005 HK$'000
Unrecognised share of loss of the jointly controlled entity for the year	**5,328**	767
Accumulated unrecognised share of loss of the jointly controlled entity	**6,095**	767

In addition to the jointly controlled entities listed above, the Group has entered into a joint venture agreement in the form of a jointly controlled asset to develop a carpark. The Group has a 55% interest in the joint venture.

23. Interests in Jointly Controlled Entities *(continued)*

At 31 December 2006, the aggregate amount of assets and liabilities recognised in the consolidated financial statements in relation to the Group's interests in jointly controlled assets are as follows:

	2006 HK$'000	2005 HK$'000
Total assets	**80,280**	29,056
Total liabilities	**(80,280)**	(29,056)
Income	**—**	—
Expenses	**—**	—

24. Club Memberships/Available-For-Sale Investments/Held For Trading Investments

	2006 HK$'000	2005 HK$'000
Investments in securities		
Equity securities (at fair value):		
Listed — Hong Kong	**51,765**	78,461
— Overseas	**—**	3,914
	51,765	82,375
Club memberships (at cost less impairment):		
Unlisted	**8,574**	8,574
	60,339	90,949
Classified as:		
Club memberships	**8,574**	8,574
Available-for-sale investments	**51,312**	81,591
Held for trading investments	**453**	784
	60,339	90,949

The directors of the Company are of the opinion that the Group would derive benefits from the use of club memberships continuously and therefore is considered as having an indefinite useful life. The club memberships will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

24. Club Memberships/Available-For-Sale Investments/Held For Trading Investments *(continued)*

Investments in listed equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

Fair value changes on available-for-sale investment amounting to HK$32,763,000 (2005: HK$2,638,000) were credited to investments revaluation reserve for the year.

25. Amounts due from Associates

Balance at 31 December 2005 was unsecured, bore fixed interest at 8.5% per annum and repayable within two years from May 2004 but extendable for an additional year. However, this outstanding balance was fully settled during the year.

26. Amounts due from Jointly Controlled Entities

	2006 **HK$'000**	2005 HK$'000
Non-current	—	2,790
Current	**8,700**	3,310
	8,700	6,100

Balances are unsecured and interest-free and recoverable within one year.

27. Other Loans Receivable

	2006 **HK$'000**	2005 HK$'000
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	**35,670**	19,390
Non-current assets (receivable after 12 months from the balance sheet date)	**153,717**	60,963
	189,387	80,353

The other loans receivable are secured by certain leasehold properties, carry interest at prime rate and are repayable in accordance with their respective repayment terms.

27. Other Loans Receivable *(continued)*

The loans are repayable as follows:

	2006 HK$'000	2005 HK$'000
Within one year	**35,670**	19,390
In more than one year but not more than two years	**5,723**	4,080
In more than two years but not more than three years	**4,221**	3,344
In more than three years but not more than four years	**4,558**	1,986
In more than four years but not more than five years	**4,923**	2,139
In more than five years	**134,292**	49,414
	189,387	80,353

The average effective interest rates of other loans receivable are 7.75% to 10% (2005: 7.75%) per annum.

28. Inventories

	2006 HK$'000	2005 HK$'000
Raw materials	**—**	344
Work-in-progress	**995**	1,218
Finished goods	**19**	697
	1,014	2,259

29. Properties held for Sale/Properties under Development held for Sale

At 31 December 2006, the total borrowing costs capitalised to properties held for sale/ properties under development held for sale were HK$81,218,000 (2005: HK$29,268,000).

The Group's properties held for sale of HK$457,661,000 (2005: HK$352,461,000) and HK$300,666,000 (2005: HK$405,114,000) are situated in Hong Kong and New Zealand and Australia respectively. Included in the Group's properties held for sale are HK$300,666,000 (2005: HK$405,114,000) which are held under freehold. All other properties are held under medium to long term leases.

The Group's properties under development held for sales of HK$1,610,679,000 (2005: HK$1,713,841,000), HK$386,723,000 (2005: HK$246,429,000) and HK$315,069,000 (2005: HK$201,405,000) are situated on Hong Kong, New Zealand and Australia and the PRC respectively. Included in the Group's properties under development held for sale are HK$213,977,000 (2005: HK$218,152,000) which are held under freehold. All other properties under development held for sales are held under medium to long term leases.

Included in the Group's properties under development held for sale are HK$965,781,000 (2005: HK$201,404,000) which are expected to be recovered more than twelve months after the balance sheet date.

30. Receivables, Deposits and Prepayments

The Group has a policy of allowing an average credit period of 1 to 3 months to its trade customers.

For the receivable from the sales of properties, the repayment terms are based on the respective agreements.

Included in receivables, deposits and prepayments are trade receivable with an aged analysis at the balance sheet date as follows:

	2006 **HK$'000**	2005 HK$'000
0 to 60 days	**22,220**	7,037
61 to 90 days	**234**	202
91 to 365 days	**846**	1,461
Over 365 days	**—**	575
	23,300	9,275

31. Pledged Bank Deposits

The amount represents deposits pledged to banks to secure short-term bank loans and are therefore classified as current assets.

The deposits carry fixed interest rates ranging from 3.6% to 4.4% per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

32. Restricted Bank Balances and Deposits

Bank deposits of HK$332,404,000 being proceeds received upon the pre-sale of certain units of a property under development held for sale are placed in several banks and to be used solely for tax payment and settlement of the construction cost of the related property. The bank deposits carry fixed interest rates ranging from 0.7% to 1.4% per annum.

33. Bank Balances and Deposits

Bank balances and deposits comprise cash held by the Group and short-term bank deposits which carry fixed interest rate ranging from 3.5% to 4.1% (2005: 3.0% to 4.0%) per annum with an original maturity of three months or less.

34. Payables, Deposits Received and Accrued Charges

Included in payables, deposits received and accrued charges are trade payables with an aged analysis at the balance sheet date as follows:

	2006 HK$'000	2005 HK$'000
0 to 60 days	**17,452**	77,166
61 to 90 days	**98,110**	400
91 to 365 days	**212**	686
Over 365 days	—	3,188
	115,774	81,440

35. PROVISIONS

	Rehousing compensation HK$'000	Rental guarantee HK$'000	Total HK$'000
At 1 January 2005	60,032	49,329	109,361
Exchange adjustments	1,360	(1,216)	144
Reversal of provision in the year	(41,136)	(2,226)	(43,362)
Payment for the year	(5,173)	(42,109)	(47,282)
At 31 December 2005	15,083	3,778	18,861
Exchange adjustments	520	(144)	376
Additional provisions recognised	—	569	569
Payment for the year	(722)	(3,936)	(4,658)
At 31 December 2006	14,881	267	15,148

The provisions for rehousing compensation represent the compensation for the delay in handover of rehousing properties to the former commercial unit owners ("Affected Owners") whose properties have been demolished due to the construction of a property developed for sale in the PRC and the estimated cost for the permanent relocation of certain of the Affected Owners who will not have rehousing properties allocated under management's plan. Such provisions are estimated based on management's best estimate by reference to the PRC statutory requirements. During the year, some of the compensation arrangements have been settled with the Affected Owners. In the opinion of the directors, the remaining compensation is expected to be paid within one year, depending on the progress of negotiation with the Affected Owners.

The provision for rental guarantee represents the estimated rental compensation to be paid to purchasers of the disposed investment properties until the time the properties were being leased out by the purchasers up to a maximum period of 36 months from the date of disposal of the properties in accordance with the sales and purchases agreements signed with the purchasers.

36. Borrowings

	2006 HK$'000	2005 HK$'000
Bank loans		
— secured	**2,505,673**	2,300,379
— unsecured	**52,746**	129,308
Other loans — unsecured	**—**	284
Total borrowings	**2,558,419**	2,429,971
The borrowings are repayable as follows:		
Bank loans:		
On demand or within one year	**1,538,744**	917,655
More than one year, but not exceeding two years	**148,495**	608,581
More than two years, but not exceeding three years	**90,386**	50,040
More than three years, but not exceeding four years	**48,873**	139,784
More than four years, but not exceeding five years	**650,598**	54,226
More than five years	**81,323**	659,401
	2,558,419	2,429,687
Other loans:		
More than five years	**—**	284
Total	**2,558,419**	2,429,971
Less: Amounts due for settlement within 12 months shown under current liabilities	**(1,538,744)**	(917,655)
Amounts due for settlement after 12 months	**1,019,675**	1,512,316

The directors believe that the contractual interest rates represent prevailing market rates and therefore, the fair values of the bank borrowings at 31 December 2006 estimated by discounting their future cash flows at the prevailing market borrowing rates approximate to the corresponding carrying amounts.

The average effective interest rates of the borrowings are ranging from 4.5% to 12.5% (2005: 3.8% to 11.7%) per annum.

36. Borrowings *(continued)*

The carrying amounts of the Group's borrowings are analysed as follows:

Denominated in	**2006 HK$'000**	2005 HK$'000	**Interest rate**
Bank loans			
Hong Kong dollars	**1,708,709**	1,405,008	Hong Kong Interbank Money Market Offer Rate plus 0.5% to 0.8%
	80,000	—	Hong Kong Prime Rate minus 2.0%
Renminbi	**267,366**	137,269	10% discount from People's Bank of China lending rate
Australian dollars	**106,687**	68,542	7.3%
New Zealand dollars	**335,950**	765,561	90 days bank bill bid rate plus 0.8% to 2.5%
Indonesian Rupiah	**59,707**	53,307	4.8% to 14.6%
	2,558,419	2,429,687	
Other loans			
New Zealand dollars	**—**	284	6.7% to 10.3%
	2,558,419	2,429,971	

At 31 December 2006, there was bank borrowing amounting to HK$80,000,000 (2005: Nil) denominated in Hong Kong dollars which was not the functional currency of a subsidiary.

37. Amounts due to Minority Shareholders

Amounts due to minority shareholders of HK$36,209,000 (2005: HK$141,949,000) are unsecured, interest-free and repayable within twelve months from balance sheet date.

Amounts due to minority shareholders of HK$80,814,000 (2005: HK$70,376,000) are unsecured, interest-free and the minority shareholders have contracted not to demand repayment within twelve months from balance sheet date. Accordingly, the amounts are shown as non-current.

The amounts are carried at amortised cost using the effective interest rate of 4% (2005: 4%) per annum.

38. Share Capital

Movements during the year in the share capital of the Company were as follows:

	Number of shares		Nominal value	
	2006	2005	**2006 HK$'000**	2005 HK$'000
Ordinary shares of HK$0.1 each:				
Authorised:				
At beginning and end of year	**1,000,000,000**	1,000,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning of the year	**548,443,165**	511,538,607	**54,844**	51,154
Shares issued upon exercise of warrants	**16,909,199**	29,654,558	**1,691**	2,965
Shares issued upon exercise of share options	**17,750,000**	7,250,000	**1,775**	725
At end of the year	**583,102,364**	548,443,165	**58,310**	54,844

All the new shares issued during the year rank pari passu in all respects with the existing shares.

39. Warrants

The Company had outstanding warrants expiring in 2008 entitling the registered holders to subscribe in cash for fully paid shares of HK$0.1 each of the Company at a subscription price of HK$1.38 per share, subject to anti-dilutive adjustment, until 3 December 2008. At 31 December 2006, the aggregate par value of shares issuable against the outstanding warrants amounted to HK$7,416,000 (2005: HK$9,107,000) and the amount receivable by the Company upon full exercise of the warrants amounted to HK$102,346,000 (2005: HK$125,681,000).

Exercise in full of the rights attached to the 2008 warrants still outstanding at 31 December 2006 would, under the present capital structure of the Company, result in the issue of 74,164,000 (2005: 91,073,000) additional shares of HK$0.1 each.

40. Other Payables

The other payables are unsecured, interest-free and repayable by the end of a property development project which is expected to be completed within one year from the balance sheet date. Accordingly, the amounts are shown as current. The average effective interest rate of the amounts are 4.3% (2005: 4.3%) per annum.

41. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Revaluation on properties HK$'000	Others HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2005	21,922	162,177	2,127	(19,713)	166,513
Exchange adjustments	(901)	3,087	—	927	3,113
Charge (credit) to consolidated income statement for the year	21,790	240,585	(327)	(20,515)	241,533
Eliminated on disposal of subsidiary	(1,936)	(12,009)	—	—	(13,945)
At 31 December 2005	40,875	393,840	1,800	(39,301)	397,214
Exchange adjustments	318	7,365	—	(467)	7,216
Charge (credit) to consolidated income statement for the year	1,478	143,793	(327)	(6,836)	138,108
Charge to equity for the year	—	—	7,430	—	7,430
At 31 December 2006	42,671	544,998	8,903	(46,604)	549,968

For the purposes of balance sheet presentation, deferred tax assets and liabilities above have been offset and shown under non-current liabilities.

At 31 December 2006, the Group has unused tax losses of HK$886,026,000 (2005: HK$772,916,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$190,520,000 (2005: HK$134,926,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$695,506,000 (2005: HK$637,990,000) due to the unpredictability of future profit streams.

At 31 December 2006, the Group has deductible temporary differences in respect of write down of properties held for sales of HK$108,792,000 (2005: HK$167,686,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is uncertain that taxable profit will be available against which the deductible temporary differences can be utilised.

42. Disposal of Subsidiaries

	2005 HK$'000
NET ASSETS DISPOSED OF	
Investment properties	63,168
Receivables, deposits and prepayments	248
Bank balances and cash	7,823
Payables, deposits received and accrued charges	(2,590)
Income tax payable	(57)
Deferred taxation	(13,945)
	54,647
Gain on disposal of subsidiaries	11,818
	66,465
Satisfied by cash	66,465

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2005 HK$'000
Cash consideration	66,465
Cash and cash equivalents disposed of	(7,823)
	58,642

The subsidiaries disposed of during last year had no significant contribution to the Group's turnover or profit for last year.

43. Operating Lease Arrangements

The Group as lessee

At 31 December 2006, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follow:

	2006	2005
	HK$'000	HK$'000
Within one year	**4,961**	10,205
In the second to fifth year inclusive	**17,453**	32,457
Over five years	**15,628**	47,910
	38,042	90,572

Leases are negotiated for the range of 1 to 20 years (2005: 1 to 21 years) with fixed monthly rentals.

The Group as lessor

Certain of the Group's investment properties and properties under development held for sale were leased out under operating leases. Properties under development held for sale are temporarily leased.

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

	2006	2005
	HK$'000	HK$'000
Within one year	**167,000**	89,465
In the second to fifth year inclusive	**372,162**	170,086
Over five years	**470,674**	33,134
	1,009,836	292,685

In addition, one of the leases entered with tenants is subject to additional rental based on specified percentage of revenue recognised by the tenant in accordance with lease agreement over the annual minimum lease payments.

All of the properties leased out have committed tenants for the range of 1 to 20 years (2005: 1 to 6 years).

44. Capital Commitments

At the balance sheet date, the Group had capital commitments in respect of the followings:

		2006 HK$'000	2005 HK$'000
(a)	Expenditure to be incurred on properties		
	Authorised but not contracted for		
	Hong Kong	**349,634**	286,313
	The PRC	**—**	55,000
		349,634	341,313
	Contracted for but not provided for in the consolidated financial statements		
	Hong Kong	**21,041**	8,110
	The PRC	**—**	162,000
		21,041	170,110
(b)	Acquisition of equipments		
	Contracted for but not provided for in the consolidated financial statements in the PRC	**998**	—

45. Pledge Of Assets

At 31 December 2006, the Group had the following mortgages and/or pledges over its assets to secure banking facilities and other loans granted to the Group.

(a) Fixed and floating charges on investment properties with an aggregate carrying value of HK$4,788,137,000 (2005: HK$4,013,559,000).

(b) Fixed and floating charges on properties under development held for sale with an aggregate carrying value of HK$1,389,907,000 (2005: HK$1,925,191,000).

(c) Fixed and floating charges on properties under development with an aggregate carrying value of HK$46,583,000 (2005: HK$10,360,000).

(d) Prepaid lease payments with an aggregate carrying value of HK$324,973,000 (2005: HK$332,441,000).

(e) Motor vehicles with aggregate carrying value of Nil (2005:HK$7,097,000).

(f) Bank deposits of HK$200,708,000 (2005: HK$183,395,000).

(g) Listed shares of a subsidiary with assets principally comprised of investment properties and properties under development held for sales included in (a) and (b) above.

(h) Unlisted shares of certain subsidiaries with assets principally comprised of investment properties, properties under development held for sale, properties under development and prepaid lease payments included in (a), (b), (c) and (d) above.

46. Share-Based Payments

The Company operates an employee share option scheme (the "Scheme") for the primary purpose of providing incentive to directors and eligible employee. The original scheme was approved and adopted on 30 June 1990. A new scheme was approved and adopted on 23 June 2000, which will be effective until 29 June 2010. At 31 December 2006, the number of shares in respect of which options had been granted and remained outstanding under the new scheme was 3,000,000, representing approximately 0.5% of the shares of the Company in issue at that date. The share options under the original scheme was expired during the year.

Under the Scheme, the board of directors of the Company may offer to any director or full time employee/chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares, and the average of the closing prices of shares on the Stock Exchange on each of the five business days immediately preceding the date of the grant of the options and the minimum price as the Stock Exchange may from time to time prescribe, subject to a maximum of 10% or such other percentage limit as the Stock Exchange may from time to time prescribe, of the issued share capital of the Company. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant or such period as the directors determine, upon payment of HK$10 per each grant of options. Options may be exercised at any time after the date of grant to the tenth anniversary of the date of grant.

The following table discloses details of the Company's share options held by employees and movements on such holdings during the year:

			Number of share options		
Date of grant	**Exercisable period**	**Exercise price** HK$	**Outstanding at 1.1.2006**	**Exercised during the year**	**Outstanding at 31.12.2006**
Directors					
4.12.2000	4.12.2000 — 3.12.2010	1.44	15,500,000	(12,500,000)	3,000,000
Resigned director					
4.12.2000	4.12.2000 — 3.12.2010	1.44	5,250,000	(5,250,000)	—
			20,750,000	(17,750,000)	3,000,000

			Number of share options		
Date of grant	**Exercisable period**	**Exercise price** HK$	**Outstanding at 1.1.2005**	**Exercised during the year**	**Outstanding at 31.12.2005**
Directors					
4.12.2000	4.12.2000 — 3.12.2010	1.44	15,500,000	—	15,500,000
Resigned director					
4.12.2000	4.12.2000 — 3.12.2010	1.44	12,500,000	(7,250,000)	5,250,000
			28,000,000	(7,250,000)	20,750,000

46. Share-Based Payments *(continued)*

In respect of the share options exercised during the year, the weighted average share price (2005: share price) at the dates of exercise and the date immediately before exercise date are HK$4.03 and HK$4.15 (2005: HK$3.025) per share respectively.

No options were granted or cancelled during the year.

47. Retirement Benefits Plans

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Schemes (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000 for eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs or HK$1,000 per month to the scheme which contribution is matched by the employee, depending on the length of service with the Group.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit scheme operated by the government of the PRC. The total cost charged to consolidated income statement of HK$396,000 (2005:HK$350,000) represents contribution payable to the scheme by the Group in respect of the current year. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Forfeited contributions for the year amounting to HK$569,000 (2005: HK$310,000) has been used to reduce the level of contributions. The total cost charged to consolidated income statement of HK$$2,453,000 (2005: HK$2,899,000) represents contribution payable to these schemes by the Group in respect of the current year.

48. Post Balance Sheet Events

(a) Subsequent to the balance sheet date, an indirect wholly-owned subsidiary of the Company, AGP (Wanchai) Limited, completed the purchase of the adjoining land of an existing development project from the government of Hong Kong at a consideration of HK$43,140,000.

(b) Subsequent to the balance sheet date, TTP announced that it has entered into a conditional agreement to sell its interest in four leasehold properties held for sales development sites bounded by Packenham, Halsey and Madden Streets, Wynyard Point, Auckland Viaduct, New Zealand to Auckland City Council for NZ$26,420,000 (equivalent to HK$140,238,000), all of which will be paid in cash. The agreement is conditional upon headlessor consent and is due to settle on 30 March 2007. The sale, after accounting for sale costs, is expected to result in a gain of approximately NZ$6,000,000 (equivalent to HK$31,848,120) over the carrying value of the properties as at 31 December 2006.

(c) In late March 2007, the Group made another unconditional offer to acquire all of the remaining shares, being approximately 19.5% of the shares in TTP, for NZ 60 cents per share. Subsequently, separate lock-up agreements were entered into between the Group and two independent substantial shareholders whereby the latter are bound to accept the Group's offer. As a result, the Group has been able to control over 90% of TTP shares in issue and can compulsorily acquire any outstanding TTP shares not being accepted in the offer at the same price of NZ 60 cents per share. The total consideration for this exercise will be NZ$18.0 million (about HK$103.9 million).

On 16 April 2007, the Group issued the relevant compulsory acquisition notice. As at the date of this report, the Group's shareholding interest in TTP is 94.3%. It is expected that trading in TTP shares will cease at the close of business on 23 April 2007 and TTP will be delisted from the New Zealand Exchange at the close of business of 27 April 2007. Further, the Group's offer will close on 4th May, 2007 and the compulsory acquisition period will expire on 7th May, 2007.

49. Related Party Transactions

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006 **HK$'000**	2005 HK$'000
Short-term benefits	**53,649**	66,443
Post-employment benefits	**1,223**	1,080
Other long-term benefits	**—**	—
Share-based payments	**—**	—
	54,872	67,523

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

50. Principal Subsidiaries

Details of the principal subsidiaries, all of which are companies with limited liability, at 31 December 2006 are set out below:

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
Direct subsidiary				
Chisel Limited	The British Virgin Islands/ Republic of Indonesia	2 ordinary shares of US$1 each	100	Investment holding
SEABO Pacific Limited	Bermuda/ PRC	767,919 ordinary shares of HK$1 each	100	Investment holding
South-East Asia Investment And Agency Company, Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	Investment holding
Indirect subsidiary				
AGP (Diamond Hill) Limited (formerly known as TTP (Diamond Hill) Limited)	Hong Kong	2 ordinary shares of HK$1 each	96	Property development
AGP (Sha Tin) Limited (formerly known as TTP (Sha Tin) Limited)	Hong Kong	1 ordinary share of HK$1	96	Property development
AGP (Wanchai) Limited (formerly known as TTP (Wanchai) Limited)	Hong Kong	2 ordinary shares of HK$1 each	96	Property development
AGP Hong Kong Limited (formerly known as TTP Hong Kong Limited)	Hong Kong	2 ordinary shares of HK$1 each	96	Property investment
Asian Growth Properties Limited	The British Virgin Islands/ Hong Kong	886,347,812 ordinary shares of US$0.05 each	96	Investment holding
Concord Way Limited	Hong Kong	100 ordinary shares of HK$1 each	96	Property development
Handy View Company Limited	Hong Kong	2 ordinary shares of HK$1 each	96	Property investment

50. Principal Subsidiaries *(continued)*

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
Indirect subsidiary (continued)				
Harvest Hill Limited	Hong Kong	2 ordinary shares of HK$1 each	96	Financing
SEA Group Treasury Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	96	Treasury services
Shinning Worldwide Limited	The British Virgin Islands/ Hong Kong	1,000 ordinary shares of US$1 each	53	Property development
Sky Trend Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	96	Property development
Sunfold Development Limited	Hong Kong	1 ordinary share of HK$1	96	Property development
Trans Tasman Properties Limited	New Zealand	154,194,592 shares of no par value	81	Investment holding
UniMilo's Knitwear Company Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	60	Garment manufacturing
Wing Siu Company Limited	Hong Kong	2 ordinary shares of HK$1 each	96	Property investment
成都華商房屋開發有限公司 (Chengdu Huashang House Development Co., Ltd.)* ("Huashang")	PRC	RMB136,000,000 registered capital	96	Property investment
廣州市盈發房產開發有限公司 (Guangzhou Yingfat House Property Development Co., Ltd.)** ("Yingfat")	PRC	US$20,110,000 registered capital	96	Property development

* Huashang was originally incorporated in the form of Sino-foreign co-operative joint venture. However, it has been changed to a wholly foreign owned enterprise during the year.

** Yingfat was incorporated in the form of Sino-foreign co-operative joint ventures. According to the shareholders' agreement of Yingfat, the PRC partner is entitled to the higher of a fixed sum of return or 5% of the profit generated from the related property development project as defined in the agreement. The Group has the full entitlement to the remaining of the profit generated.

The directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries has issued any debt securities at the end of the year.