1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 46 to the financial statements.

The Directors consider the Company's ultimate holding company to be Ko Bee Limited, which is incorporated in the British Virgin Islands with limited liability.

The financial statements on pages 29 to 89 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31 December 2006 were approved for issue by the board of directors on 23 April 2007.

2. ADOPTION OF NEW AND AMENDED HKFRSs

From 1 January 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group's accounting policies on financial guarantee contracts.

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with the standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of :

— the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

— the amount of the obligation under the contract, as determined in accordance with HKAS 37 – "Provision, Contingent Liabilities and Contingent Assets" ("HKAS 37").

Details of this new accounting policy are set out in note 3.24.

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKFRS 4 – "Insurance Contracts" and HKAS 37. Provisions for the Group's liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits. This new accounting policy has been applied retrospectively to the extent that the financial guarantee contracts were in existence at 1 January 2005 (i.e. the date when HKAS 39 was initially adopted by the Group). The impact of which is disclosed in note 40 to the financial statements.

Other than the above, other new and amended HKFRSs did not result in any significant changes in the Group's accounting policies.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

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

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared under the historical cost convention except for the revaluation of investment properties, leasehold buildings and certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The financial statements have been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of approximately HK$789 million as at 31 December 2006. The directors consider the Group will be able to meet its obligations when they fall due for the following reasons : (i) On 19 April 2007, one of the bankers of the Group has extended its loan facilities of HK$348 million as at balance sheet date up to April 2010 and further increased the loan facilities amount to HK$476 million; (ii) the Group is in the ongoing renewal process with the other banker and that banker has confirmed that they are not aware of any circumstances why they would not renew the loan facilities of HK$456 million upon maturity; (iii) a revolving credit facility has been granted by a related company to the Group and the unutilised portion as at the balance sheet date was HK$39 million; (iv) a consistent cash inflow is generated by steady rental income; and (v) with net assets of HK$2,603 million, the Group should be able to secure additional loan facilities, if needed, to satisfy its short term liabilities.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as "the Group") made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

Business combinations are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceed the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interests to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interests only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Associates/Jointly-controlled entity

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% to 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investments in associates is initially recognised at cost and subsequently accounted for using the equity method.

A jointly-controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exist only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

Under the equity method, the Group's interests in the associate or jointly-controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's or jointly-controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate or jointly-controlled entity for the year, including any impairment loss on goodwill relating to the investment in associate or jointly-controlled entity recognised for the year.

When the Group's share of losses in the associate or jointly-controlled entity equals or exceeds its interest in the associate or jointly-controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payment on behalf of the associate or jointly-controlled entity.

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 and jointly-controlled entity recognised at the date of acquisition is recognised as goodwill. The cost of 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, plus any costs directly attributable to the investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates/Jointly-controlled entity (Continued)

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determined whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates and jointly-controlled entity. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate and jointly-controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate or jointly-controlled entity and their respective carrying amount.

Unrealised gains on transactions between the Group and its associates or jointly-controlled entity are eliminated to the extent of the Group's interest in the associates or jointly-controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, the investments in associates or jointly-controlled entity are stated at cost less any impairment losses (or at fair values). The results of associates or jointly-controlled entity are accounted for by the Company on the basis of dividend received and receivable.

3.5 Foreign currencies

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of subsidiaries originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

3.6 Revenue recognition

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

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

Income from management services, property repairs and maintenance services are recognised in the period when the respective services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Revenue recognition (Continued)

Revenue from urban infrastructure projects, such as the construction works for telecommunication pipelines, are recognised when the construction works are fully completed and sold to customers. Completion is determined based on certification by independent third party quantity surveyors.

Interest income is recognised on a time proportion basis on the principal outstanding and at the interest rate applicable.

3.7 Borrowing costs

All borrowing costs are expensed as incurred.

3.8 Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary and associate at the date of acquisition. Goodwill of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.9 Intangible assets

Intangible assets representing urban infrastructure development rights are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of 20 years for the intangible assets. Intangible assets are amortised from the date the asset is available for use.

3.10 Property, plant and equipment

Leasehold building is recognised at fair value, based on their use at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Fair value is determined in appraisals by external professional valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Any revaluation surplus arising upon appraisal of leasehold building is credited to the "Asset revaluation reserve" in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 3.14. To the extent that any decrease has previously been recognised in income statement, a revaluation increase is credited to income statement with the remaining part of the increase charged to equity. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in income statement.

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity on the disposal of buildings is transferred to retained earnings.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Property, plant and equipment (Continued)

Depreciation is provided to write off the cost or revalued amounts of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold building	2%
Leasehold improvements	30%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	6% – 15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.11 Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the income statement.

3.12 Properties held for or under development

Properties held for or under development representing operating lease prepayment on leasehold land and any directly attributable expenditure, with the intention for holding for long-term purposes or no decision has yet been made on their future use are included in the balance sheet as non-current assets and stated at cost, less accumulated amortisation and impairment losses. The amortisation policy is disclosed in note 3.15.

3.13 Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes land cost, development cost and other direct costs attributable to the properties concerned until they reach a marketable state. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and the estimated costs necessary to make the sale.

3.14 Impairment of assets

The Group's goodwill, intangible assets, operating lease prepayment, property, plant and equipment, properties held for development, interests in associates and interests in a jointly-controlled entity are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Impairment of assets (Continued)

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

3.15 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payment made under the leases are charged to the income statement on a straight line basis over the lease terms.

3.16 Financial assets

Financial assets other than hedging instruments are classified into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any of such evidence exists, impairment loss is determined and recognised based on the classification of the financial assets.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Financial assets (Continued)

Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

(i) Trade receivables

If there is objective evidence that an impairment loss on trade receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.17 Inventories

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill. Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, associates and jointly-controlled entity, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the foreseeable future.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.19 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

3.20 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.21 Retirement benefit costs and short term employee benefits

Defined contribution plan

The Group contributes to the defined contribution retirement schemes which are available to employees in Hong Kong and the People's Republic of China, except Hong Kong (the "PRC"). Contributions to the schemes by the Group and employees are calculated as a percentage of employees' relevant income or basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay any further contributions after payment of the fixed contribution.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Retirement benefit costs and short term employee benefits (Continued)

Defined contribution plan (Continued)

The contributions recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature. The assets of the schemes are held separately from those of the Group in independently administered funds.

Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and that have not yet vested at 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans to remunerate certain of its directors and employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.22 Financial liabilities

The Group's financial liabilities include bank and other loans, trade and other payables and convertible bond. They are included in balance sheet line items as borrowings under current or non-current liabilities, trade and other payables and convertible bond.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

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

Borrowings

Borrowings are raised to provide long term funding for the Group's operations. They are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Financial liabilities (Continued)

Convertible bond

Convertible bond that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On that initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as other equity reserve.

The liability component is subsequently carried at amortised cost using effective interest rate method. The equity component will remain in equity until conversion or redemption of bond.

When the bond is converted, the other equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the other equity reserve is released directly to retained earnings.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3.23 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

3.24 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised as investment in subsidiaries on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, where appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Related parties

Parties are considered to be related to the Group if :

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

— controls, is controlled by, or is under common control with, the Group;

— has an interest in the Group that gives it significant influence over the Group;

— has joint control over the Group;

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

(iii) the party is an associate;

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

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

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

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

3.26 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, inventories, receivables and operating cash, and mainly exclude other investments. Segment liabilities comprise operating liabilities and exclude borrowings and convertible bond.

Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Fair value of leasehold building and investment properties

The leasehold building and investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 3.10 and 3.11 respectively. The fair value of the leasehold building and the investment properties are determined by an independent professional valuer, B.I. Appraisal Limited, and the fair value of the leasehold building and investment properties are set out in notes 17 and 15 to the financial statements. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the balance sheet date. These estimates are regularly compared to actual market data and actual transactions in the market.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the balance sheet date to ensure inventories are shown at the lower of cost and net realisable value.

(iii) Impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and prevailing market conditions. Management reassesses the provision for impairment of trade receivables at the balance sheet date.

5. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows :

	2006 HK$'000	2005 HK$'000
Turnover represents :		
Property rental income	**115,917**	89,914
Revenue from urban infrastructure construction works	**47,725**	42,064
Building management service income	**4,991**	4,767
Property repairs and maintenance service income	**8,637**	7,995
Mortgage interest income	**54**	419
Signage rental	**15,817**	13,343
Office facilities and service income	**4,323**	4,129
	197,464	162,631
Other income :		
Bank interest income	**1,529**	588
Miscellaneous income	**2,709**	2,600
Deposit for purchase of properties recovered after settled litigation (note (a))	**—**	44,847
Recovery of long outstanding debts written off (note (b))	**—**	11,715
	4,238	59,750
Total revenue and other income	**201,702**	222,381

Notes :

(a) The property related proceedings relating to the purchase of certain properties in Yuen Long by Pacific Well Realty Limited, a subsidiary of the Company, was settled in 2005. Part of the deposit paid under the transaction together with interest thereon were received out of the settlement.

(b) Pursuant to the court order dated 30 September 2004, Soundwill Finance Company Limited ("Soundwill Finance"), a subsidiary of the Company, is entitled to receive a sum of approximately HK$43,000,000, comprising mainly of a mortgage loan of approximately HK$14,000,000 and related accrued interest and assessed cost from the borrower. However, due to the failure to receive the said sum of money, Soundwill Finance foreclosed the mortgaged properties which were then disposed to Urban Renewal Authority at a consideration of HK$15,000,000. Such gain on disposal, after setting off the default outstanding balances (net of provision), was recognised as other income.

6. SEGMENT INFORMATION

Primary reporting format — business segments

The Group is organised into four main business segments:

Property development	:	Property development and sale of properties
Property leasing	:	Property rental including signage rental
Building management and other services	:	Provision of property management, repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

Secondary reporting format — geographical segments

The Group's four business segments operate in the following geographical areas :

Hong Kong — Property development and sales of properties, property rental and provision of property management, repairs and maintenance services

Mainland China — Urban infrastructure development

There are no sales between the geographical segments

The Group's inter-segment transactions were related to rental and management fee charges. Terms of rental charge were similar to those contracted with third parties. Management fee charges were determined by directors.

6. SEGMENT INFORMATION (Continued)

(i) Primary reporting format — business segments

The following table presents revenue and results information for the year ended 31 December 2006 and certain assets and liabilities information as at 31 December 2006 for the Group's business segments :

	Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Elimination		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue														
External customers	**—**	—	**136,057**	107,386	**13,628**	12,762	**47,725**	42,064	**54**	419	**—**	—	**197,464**	162,631
Inter-segments	**—**	—	**4,638**	4,360	**—**	—	**—**	—	**—**	—	**(4,638)**	(4,360)	**—**	—
	—	—	**140,695**	111,746	**13,628**	12,762	**47,725**	42,064	**54**	419	**(4,638)**	(4,360)	**197,464**	162,631
Segment results	**(885)**	(932)	**129,492**	98,694	**6,805**	7,267	**998**	(3,870)	**(1,033)**	3,336	**—**	—	**135,377**	104,495
Inter-segments	**—**	—	**(1,462)**	(1,930)	**403**	34	**—**	—	**1,059**	1,896	**—**	—	**—**	—
Contribution from operations	**(885)**	(932)	**128,030**	96,764	**7,208**	7,301	**998**	(3,870)	**26**	5,232	**—**	—	**135,377**	104,495
Gain on fair value adjustment on investment properties	**—**	—	**361,628**	564,921	**—**	—	**—**	—	**—**	—	**—**	—	**361,628**	564,921
Gain on disposal of investment properties	**—**	—	**101,300**	—	**—**	—	**—**	—	**—**	—	**—**	—	**101,300**	—
	(885)	(932)	**590,958**	661,685	**7,208**	7,301	**998**	(3,870)	**26**	5,232	**—**	—	**598,305**	669,416
Unallocated income and expenses													**(28,865)**	29,597
Gain on disposal of subsidiaries													**624**	8,407
Loss on disposal of an associate													**—**	(63)
Profit from operations													**570,064**	707,357
Finance costs													**(70,912)**	(50,894)
Share of profits less losses of associates													**15**	6
Share of profits less losses of a jointly–controlled entity													**(17)**	(6)
Profit before income tax													**499,150**	656,463
Income tax expense													**(76,045)**	(107,831)
Profit for the year													**423,105**	548,632
Profit attributable to equity holders of the Company													**422,474**	547,423
Minority interests													**631**	1,209
Profit for the year													**423,105**	548,632
Segment assets	**34,247**	25,257	**4,422,525**	3,594,329	**3,486**	3,270	**129,981**	83,863	**4,586**	171,302	**—**	—	**4,594,825**	3,878,021
Interest in associates													**2,831**	2,830
Interest in a jointly-controlled entity													**18,309**	4,802
Total assets													**4,615,965**	3,885,653
Segment liabilities	**42**	9	**591,648**	534,138	**8.061**	7,444	**21,846**	22,970	**33,580**	22,593	**—**	—	**655,177**	587,154
Unallocated liabilities													**1,358,246**	1,120,609
Total liabilities													**2,013,423**	1,707,763

6. SEGMENT INFORMATION (Continued)

(i) Primary reporting format — business segments (Continued)

Other segment information extracted from the income statement and balance sheet.

	Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital expenditure	**4,034**	5,183	**420,659**	79,476	**—**	—	**4.298**	6,833	**76**	440	**429,067**	91,932
Depreciation	**2**	—	**1,067**	994	**3**	—	**467**	489	**327**	312	**1,866**	1,795
Amortisation of intangible assets	**—**	—	**—**	—	**—**	—	**659**	489	**—**	—	**659**	489
Provision for impairment of trade receivables	**—**	—	**44**	—	**644**	—	**329**	—	**12**	1,045	**1,029**	1,045
Impairment loss on goodwill	**—**	—	**—**	—	**—**	—	**—**	1,314	**—**	—	**—**	1,314

(ii) Secondary reporting format — geographical segments

The following table shows the distribution of the Group's consolidated revenue by geographical markets:

	Segment revenue	
	2006	2005
	HK$'000	HK$'000
Hong Kong	**149,739**	120,567
PRC	**47,725**	42,064
	197,464	162,631

The following tables show the carrying amount of segment assets and additions to investment properties, property, plant and equipment, properties held for development, properties held for sale and intangible assets by geographical area in which the assets are located :

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment, property held for development, properties held for sale and intangible assets	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**4,464,844**	3,794,158	**424,769**	85,099
PRC	**129,981**	83,863	**4,298**	6,833
	4,594,825	3,878,021	**429,067**	91,932

7. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest charges on :		
Bank loans		
— wholly repayable within five years	**45,682**	32,962
— not wholly repayable within five years	**17,867**	9,746
Other borrowings wholly repayable within five years	**6,211**	5,132
Convertible bond (note 31)	**1,152**	3,051
Finance charges on finance leases	**—**	3
	70,912	50,894

8. PROFIT BEFORE INCOME TAX

	2006 HK$'000	2005 HK$'000
Profit before income tax is arrived at after charging :		
Amortisation of intangible assets *	**659**	489
Impairment loss on goodwill *	**—**	1,314
Auditors' remuneration	**1,383**	1,176
Amortisation :		
— operating lease prepayment	**14**	14
— properties held for development	**796**	715
Depreciation	**1,866**	1,795
Cost of inventories recognised as expense	**27,486**	23,092
Loss on disposal of investment properties	**—**	190
Loss on disposal of property, plant and equipment	**121**	67
Operating lease charges in respect of premises	**2,117**	2,315
Provision for obsolete inventories *	**3,599**	2,096
Provision for impairment of receivables *	**1,029**	1,045
Bad debts written off *	**122**	3,039
Staff costs (note 10)	**24,357**	21,043
and crediting:		
Gross rental income from investment properties	**115,917**	89,914
Less: Outgoings	**(1,720)**	(3,947)
	114,197	85,967
Other rental income from other properties less outgoings	**4,295**	4,129
	118,492	90,096

* included in other operating expenses

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows :

	Fee HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2006					
Executive directors					
Ms. Foo Kam Chu, Grace	**—**	**1,730**	**12**	**43**	**1,785**
Ms. Chan Wai Ling	**—**	**1,120**	**12**	**19**	**1,151**
Mr. Tse Chun Kong, Thomas	**—**	**1,631**	**12**	**19**	**1,662**
Mr. Kwan Chai Ming	**—**	**734**	**12**	**17**	**763**
Non-executive directors					
Mr. Liu Hanbo *	**—**	**—**	**—**	**2**	**2**
Mr. Liang Yanfeng **	**—**	**—**	**—**	**—**	**—**
Mr. Meng Qinghui	**—**	**—**	**—**	**9**	**9**
Independent non-executive directors					
Mr. Heng Kwoo Seng	**80**	**—**	**—**	**—**	**80**
Mr. Kwan Kai Cheong	**70**	**—**	**—**	**—**	**70**
Ms. Ho Suk Yin	**60**	**—**	**—**	**—**	**60**
	210	**5,215**	**48**	**109**	**5,582**
Year ended 31 December 2005					
Executive directors					
Ms. Foo Kam Chu, Grace	—	1,480	12	206	1,698
Ms. Chan Wai Ling	—	740	12	92	844
Mr. Tse Chun Kong, Thomas	—	1,570	12	92	1,674
Mr. Kwan Chai Ming	—	585	12	82	679
Non-executive directors					
Mr. Liu Hanbo	—	—	—	92	92
Mr. Meng Qinghui	—	—	—	92	92
Independent non-executive directors					
Mr. Heng Kwoo Seng	80	—	—	—	80
Mr. Kwan Kai Cheong	70	—	—	—	70
Ms. Ho Suk Yin	60	—	—	—	60
	210	4,375	48	656	5,289

* resigned on 5 December 2006

** appointed on 5 December 2006

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2005 : three) directors of the Company, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining two (2005 : two) individuals during the year are as follows :

	2006 HK$'000	2005 HK$'000
Basic salaries and other benefits	**2,483**	1,634
Pension costs — defined contribution plan	**24**	24
Equity-settled share based payment	**28**	142
	2,535	1,800

The emoluments fell within the following bands :

	Number of individuals	
	2006	2005
Nil – HK$1,000,000	**—**	2
HK$1,000,001 – HK$1,500,000	**2**	—

During the year ended 31 December 2006, no emoluments were paid by the Group to the directors or any of five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived or agreed to waive any emoluments during each of the two years ended 31 December 2006 and 2005.

10. EMPLOYEE BENEFIT EXPENSE (including directors' emoluments)

	2006 HK$'000	2005 HK$'000
Salaries and wages (including directors' remuneration)	**22,935**	18,607
Equity-settled share based payment	**252**	1,291
Pension costs — defined contribution plans	**966**	873
Staff welfares	**204**	272
	24,357	21,043

11. INCOME TAX EXPENSE

	2006 HK$'000	2005 HK$'000
Hong Kong profits tax		
Tax for the year	**5,356**	2,595
Underprovision in prior years	**3,734**	3,952
	9,090	6,547
PRC tax		
Tax for the year	**301**	—
	9,391	6,547
Deferred tax charge (note 32)	**66,654**	101,284
	76,045	107,831

Hong Kong profits tax has been provided at the rate of 17.5% (2005 : 17.5%) on the estimated assessable profit arising in Hong Kong for the year.

The Group's subsidiaries established and operating in the Mainland China are exempt from enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from enterprise income tax for the following three years under the Income Tax Law of the Mainland China.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows :

	2006 HK$'000	2005 HK$'000
Profit before income tax	**499,150**	656,463
Tax at the applicable tax rates	**87,505**	115,045
Tax effect of non-deductible expenses	**2,175**	2,490
Tax effect of non-taxable income	**(172)**	(11,165)
Tax effect of temporary differences not recognised	**38**	674
Tax effect of tax losses not recognised	**2,494**	517
Utilisation of previously unrecognised tax losses	**(19,832)**	(3,150)
Underprovision in prior years	**3,734**	3,952
Others	**103**	(532)
Income tax expense	**76,045**	107,831

12. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to equity holders of the Company of HK$422,474,000 (2005 : Profit of HK$547,423,000), a loss of HK$2,944,000 (2005 : loss of HK$8,369,000) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

(a) Dividends attributable to the year

	2006 HK$'000	2005 HK$'000
Proposed final dividend of HK$0.050 (2005 : HK$0.035) per share	**11,139**	7,788

Final dividend of HK$0.050 (2005: HK$0.035) per share for the year to shareholders whose names appear on the register of members on 29 May 2007 (the "Record Date") was proposed by the Directors on 23 April 2007.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2006 HK$'000	2005 HK$'000
Final dividend in respect of the previous financial year, of HK$0.035 (2005 : HK$0.025) per share	**7,788**	4,122

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data :

Earnings

	Group	
	2006 HK$'000	2005 HK$'000
Profit attributable to equity holders of the Company	**422,474**	547,423
Effect of reduction of interest payable arising from convertible bond	**1,152**	2,558
Profit used to determine diluted earnings per share	**423,626**	549,981
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**222,520,080**	160,429,944
Effect of dilutive potential ordinary shares in respect of :		
Share options	**258,324**	326,136
Share warrants	**85,013**	652,083
Convertible bond	**14,156,320**	62,266,569
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**237,019,737**	223,674,732

15. INVESTMENT PROPERTIES

Changes to the carrying amounts presented in the consolidated balance sheet can be summarised as follows :

Group

	2006 **HK$'000**	2005 HK$'000
Carrying amount at 1 January	**3,654,270**	3,011,636
Additions	**375,775**	78,911
Disposals	**(142,003)**	(1,198)
Net gain on fair value adjustments	**361,628**	564,921
Carrying amount at 31 December	**4,249,670**	3,654,270

On 28 September 2006, a subsidiary of the Company entered into a sale and purchase agreement concerning disposal of certain investment properties with carrying value of HK$142,003,000 at a consideration of HK$245,000,000, resulting in a gain of HK$101,300,000 after taking into account of selling and directly attributable expenses.

The Group's investment properties were revalued at 31 December 2006 by independent, professionally qualified valuers, B.I. Appraisals Limited, on an open market basis.

The Group's interests in investment properties are situated in Hong Kong and their carrying amount are analysed as follows :

	2006 **HK$'000**	2005 HK$'000
Held on lease over 50 years	**4,214,570**	3,641,930
Held on lease from 10 to 50 years	**35,100**	12,340
	4,249,670	3,654,270

As at 31 December 2006, certain investment properties of the Group with a fair value of HK$4,083,595,000 (2005 : HK$3,566,730,000) were pledged to secure certain bank loans of HK$1,290,338,000 (2005 : HK$1,052,348,000) (note 30).

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

16. OPERATING LEASE PREPAYMENT

The Group's interest in leasehold land represent operating lease prepayments and its net book value are analysed as follows :

Group

	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**11,565**	11,579
Amortisation of operating lease prepayment	**(14)**	(14)
Carrying amount at 31 December	**11,551**	11,565

The Group's interest in leasehold land is located in Hong Kong with remaining lease period of over 50 years.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2005					
Cost/Valuation	22,000	8,629	8,962	2,354	41,945
Accumulated depreciation	—	(7,749)	(6,838)	(1,492)	(16,079)
Net book amount	22,000	880	2,124	862	25,866
Year ended 31 December 2005					
Opening net book amount	22,000	880	2,124	862	25,866
Additions	—	567	514	—	1,081
Surplus on revaluation	3,040	—	—	—	3,040
Disposals	—	—	(67)	—	(67)
Depreciation	(440)	(545)	(650)	(160)	(1,795)
Translation difference	—	—	23	10	33
Closing net book amount	24,600	902	1,944	712	28,158
At 31 December 2005					
Cost/Valuation	24,600	9,196	9,361	2,364	45,521
Accumulated depreciation	—	(8,294)	(7,417)	(1,652)	(17,363)
Net book amount	24,600	902	1,944	712	28,158
Analysis of cost/valuation					
At cost	—	9,196	9,361	2,364	20,921
At professional valuation	24,600	—	—	—	24,600
Net book amount	24,600	9,196	9,361	2,364	45,521
Year ended 31 December 2006					
Opening net book amount	24,600	902	1,944	712	28,158
Additions	—	2,133	234	142	2,509
Surplus on revaluation	2,292	—	—	—	2,292
Disposals	—	(112)	(9)	—	(121)
Depreciation	(492)	(561)	(626)	(187)	(1,866)
Translation difference	—	—	25	14	39
Closing net book amount	26,400	2,362	1,568	681	31,011
At 31 December 2006					
Cost/Valuation	26,400	10,997	5,269	1,437	44,103
Accumulated depreciation	—	(8,635)	(3,701)	(756)	(13,092)
Net book amount	26,400	2,362	1,568	681	31,011
Analysis of cost/valuation					
At cost	—	10,997	5,269	1,437	17,703
At professional valuation	26,400	—	—	—	26,400
Net book amount	26,400	10,997	5,269	1,437	44,103

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

At the balance sheet date, the Group's leasehold building held under long-term leases in Hong Kong is stated at valuation of HK$26,400,000 (2005 : HK$24,600,000).

At 31 December 2006, the Group's leasehold building was valued by B.I. Appraisals Limited on an open market value basis by reference to the price information of comparable properties. A revaluation surplus of approximately HK$2,292,000 (2005 : HK$3,040,000) had been credited to asset revaluation reserve.

Had the leasehold building been carried at historical cost less accumulated depreciation, their carrying values at 31 December 2006 would have been approximately HK$6,422,000 (2005 : HK$6,553,000).

18. PROPERTIES HELD FOR DEVELOPMENT

Group

	2006	2005
	HK$'000	HK$'000
Year ended 31 December		
Opening net book amount	**31,003**	26,535
Additions	**4,034**	5,183
Amortisation	**(796)**	(715)
Closing net book amount	**34,241**	31,003
As at 31 December		
Cost	**39,222**	35,188
Accumulated amortisation	**(4,981)**	(4,185)
Net book amount	**34,241**	31,003

The properties held for development representing operating lease prepayments on leasehold land are situated in Hong Kong and are held under medium-term leases.

19. INTERESTS IN SUBSIDIARIES

Company

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**2,318,856**	2,318,856
Less : impairment loss	**(1,773,856)**	(1,773,856)
	545,000	545,000
Amounts due from subsidiaries	**1,524,136**	1,524,136
Less: Provision for impairment	**(1,477,687)**	(1,477,687)
	46,449	46,449
	591,449	591,449

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of principal subsidiaries are set out in note 46 to the financial statements.

20. INTERESTS IN ASSOCIATES

Group

	2006 HK$'000	2005 HK$'000
Unlisted share, at cost	**3**	3
Share of post-acquisition results	**108**	93
	111	96
Amounts due from associates	**2,720**	2,734
	2,831	2,830

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of directors, no repayment will be demanded within 12 months from the balance sheet date and the amounts are classified as non-current assets accordingly.

20. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates as at 31 December 2006 are as follows :

Name	Particulars of issued shares held	Country of incorporation/ operation	% Interest held	Principal activities
Happy Wealth Industries Limited	2 ordinary shares of HK$1 each	Hong Kong	30%	Property investment
Wellway Estates Limited	10,000 ordinary shares of HK$1 each	Hong Kong	30%	Investment holding and property investment

The following table illustrates the summarised financial information of the Group's associates, extracted from their unaudited management accounts :

	2006 HK$'000	2005 HK$'000
Assets	**10,070**	10,029
Liabilities	**9,699**	9,701
Revenue	**38**	38
Profit	**44**	21

21. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

Group

	2006 HK$'000	2005 HK$'000
Unlisted share, at cost	**1**	1
Share of post-acquisition results	**(23)**	(6)
	(22)	(5)
Amount due from a jointly-controlled entity	**18,331**	4,807
	18,309	4,802

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. In the opinion of directors, no repayment will be demanded within 12 months from the balance sheet date and the amounts are classified as non-current assets accordingly.

21. INTERESTS IN A JOINTLY-CONTROLLED ENTITY (Continued)

Particulars of the jointly-controlled entity at 31 December 2006 are as follows :

			Percentage of			
Company name	**Place of incorporation and operations**	**Issued and paid-up capital**	**Ownership interest attributable to the Group**	**Voting power**	**Profit sharing**	**Principal activities**
Golden Choice Enterprises Limited	Hong Kong	2 ordinary shares of HK$1 each	50%	50%	50%	Property development

The following is a condensed summary of financial information of the Group's jointly-controlled entity, extracted from its unaudited management account :

	2006 HK$'000	2005 HK$'000
Share of assets and liabilities attributable to the Group		
Current assets	**9,142**	2,398
Current liabilities	**(9,165)**	(2,404)
Net liabilities	**(23)**	(6)
Share of results attributable to the Group		
Revenue	**—**	—
Administrative expenses	**(17)**	(6)
Loss for the year	**(17)**	(6)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2006 HK$'000	2005 HK$'000
Unlisted investment, at cost	**6,660**	6,660
Provision for impairment losses	**(6,650)**	(6,650)
	10	10
Listed equity securities, at fair value — listed in Hong Kong	**1**	1
	11	11
Market value of listed investments	**1**	1

Unlisted investment represents 35% of the issued ordinary share capital of an unlisted company incorporated in Hong Kong.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

The unlisted investment is classified as an available for sale financial asset because in the opinion of the directors, the Group has no significant influence over the financial and operating policy decisions of the investee company.

23. INTANGIBLE ASSETS

Group

	Urban infrastructure development rights HK$'000
At 1 January 2005	
Cost	4,029
Accumulated amortisation	(386)
Net book amount	3,643
Year ended 31 December 2005	
Opening net book amount	3,643
Addition	6,757
Amortisation charge	(489)
Translation difference	172
Closing net book amount	10,083
At 31 December 2005 and 1 January 2006	
Cost	10,918
Accumulated amortisation	(835)
Net book amount	10,083
Year ended 31 December 2006	
Opening net book amount	10,083
Additions	4,044
Amortisation charge	(659)
Translation difference	452
Closing net book amount	13,920
At 31 December 2006	
Cost	15,460
Accumulated amortisation	(1,540)
Net book amount	13,920

The amortisation charge for the year is included in other operating expenses.

24. GOODWILL

Group

	2006 **HK$'000**	2005 HK$'000
Gross amount		
At 1 January	**10,594**	305,648
Eliminated with accumulated amortisation	**—**	(5,061)
As adjusted	**10,594**	300,587
Disposal of subsidiaries	**(6,880)**	(289,993)
At 31 December	**3,714**	10,594
Accumulated amortisation and impairment loss		
At 1 January	**(10,594)**	(304,334)
Accumulated amortisation eliminated with gross amount at 1 January 2005	**—**	5,061
As adjusted	**(10,594)**	(299,273)
Disposal of subsidiaries	**6,880**	289,993
Impairment loss	**—**	(1,314)
At 31 December	**(3,714)**	(10,594)
Net carrying amount		
Gross amount	**3,714**	10,594
Accumulated impairment loss	**(3,714)**	(10,594)
	—	—

25. INVENTORIES

Group

	2006 HK$'000	2005 HK$'000
Raw materials	**357**	260
Work in progress	**8,780**	12,873
Finished goods	**22,534**	19,847
	31,671	32,980
Less : provision for obsolete inventories	**(5,776)**	(2,096)
	25,895	30,884

Work in progress and finished goods represented urban infrastructure construction works either in progress or completed and available for sale as at the balance sheet date.

26. PROPERTIES HELD FOR SALE

Group

	2006 HK$'000	2005 HK$'000
Carrying amount at 1 January	**—**	—
Addition	**42,705**	—
Carrying amount at 31 December	**42,705**	—

As at 31 December 2006, the Group's properties held for sale with a carrying value of HK$10,873,000 were pledged to secure certain bank loans of HK$7,000,000 (note 30).

27. TRADE AND OTHER RECEIVABLES

Group

	2006 HK$'000	2005 HK$'000
Trade receivables, net	**59,766**	33,585
Deposit and prepayment	**4,868**	6,266
	64,634	39,851

27. TRADE AND OTHER RECEIVABLES (Continued)

The credit terms of the Group range from 30 to 90 days. At 31 December 2006, the ageing analysis of the trade receivables was as follows :

Group

	2006 HK$'000	2005 HK$'000
0 – 30 days	**32,846**	16,448
31 – 90 days	**6,684**	4,329
91 – 180 days	**2,850**	2,374
Over 180 days	**17,386**	10,434
Total trade receivables	**59,766**	33,585

28. CASH AND CASH EQUIVALENTS

Group

	2006 HK$'000	2005 HK$'000
Bank and cash balances	**28,509**	12,687
Short-term bank deposits	**60,000**	59,509
	88,509	72,196

The effective interest rate of short-term bank deposits for the year ranged from 3.0% to 4.8% (2005 : 3.5% to 4.1%) per annum. These deposits have maturity periods ranging from 4 to 14 days (2005 : 7 to 30 days) and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in bank and cash balances of the Group is approximately HK$21,645,000 (2005 : HK$7,499,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency.

29. TRADE AND OTHER PAYABLES

Group

	2006 HK$'000	2005 HK$'000
Trade payables	**27,183**	29,755
Receipt in advance	**8,467**	8,596
Rental and other deposits received	**40,202**	39,073
Accrued expenses and other payables	**9,309**	5,514
	85,161	82,938

29. TRADE AND OTHER PAYABLES (Continued)

At 31 December 2006, the ageing analysis of the trade payables was as follows :

Group

	2006 **HK$'000**	2005 HK$'000
0 – 30 days	**12,970**	14,048
31 – 90 days	**1,764**	1,926
Over 90 days	**12,449**	13,781
Total trade payables	**27,183**	29,755

30. BORROWINGS

Group

	2006 **HK$'000**	2005 HK$'000
Non-current		
Bank loans — secured	**405,658**	962,983
Current		
Bank loans — secured	**891,680**	89,365
Other loans	**60,908**	68,261
	952,588	157,626
Total borrowings	**1,358,246**	1,120,609

At 31 December 2006, the Group's borrowings were repayable as follows :

	2006		2005	
	Bank loans-secured HK$'000	**Other loans HK$'000**	Bank loans-secured HK$'000	Other loans HK$'000
On demand or within one year	**891,680**	**60,908**	89,365	68,261
Within a period of more than one year but not exceeding two years	**87,936**	**—**	566,459	—
Within a period of more than two years but not exceeding five years	**110,319**	**—**	167,602	—
Due after five years	**207,403**	**—**	228,922	—
Total	**1,297,338**	**60,908**	1,052,348	68,261

30. BORROWINGS (Continued)

Bank loans of the Group are secured by certain investment properties and properties held for sale of the Group as set out in notes 15 and 26 respectively to the financial statements.

The analysis of the maturity dates of the Group's borrowings is as follows :

	2006 HK$'000	2005 HK$'000
Wholly repayable within five years		
— Bank loans — secured	**975,053**	719,446
— Other loans	**60,908**	68,261
	1,035,961	787,707
Not wholly repayable within five years		
— Bank loans — secured	**322,285**	332,902
	1,358,246	1,120,609

Of the secured bank loans wholly repayable within five years, it includes three major bank loan facilities of HK$247,867,000, HK$100,000,000 and HK$456,000,000 which will be fully repayable in September 2007, June 2007 and August 2007 respectively. As disclosed in note 3.1 "Basis of preparation", the former two loan facilities of HK$347,867,000 has been renewed on 19 April 2007 and extended the maturity date up to April 2010 and the latter loan facilities of HK$456,000,000 is in the renewal process with the banker and that banker has confirmed that they are not aware of any circumstances why they would not renew such loan facilities upon maturity.

The effective interest rates at the balance sheet date were as follows :

	2006	2005
Bank borrowings	**HIBOR+1.125% to Prime lending rate-1%**	HIBOR+1.25% to Prime lending rate-1%
Other borrowings	**Prime lending rate+1%**	Prime lending rate+1%

31. CONVERTIBLE BOND

Company and Group

On 17 June 2004, the Company entered into an agreement (the "Agreement") with Ko Bee Limited ("Ko Bee"), the ultimate holding company of the Company, in relation to subscription and issue of the convertible bond (the "Bond") of the Company.

In August 2004, the Company issued the Bond to Ko Bee at a nominal value of HK$148,499,000. The Bond bears interest at 3% per annum below prime lending rate quoted by Hong Kong and Shanghai Banking Corporation Limited. The Bond matures on 17 June 2008 and can be converted into shares at the holder's option at the exercise price of HK$1.66 per share (the "Conversion price"). On 10 March 2005 and 30 December 2005, Ko Bee exercised its rights and converted a total principal amount of HK$55,000,000 and HK$70,000,000 at the Conversion price into 33,132,530 shares and 42,168,674 shares respectively.

The movement in the liability component of the Bond is as follows :

	2006 **HK$'000**	2005 HK$'000
Liability component at 1 January	**23,355**	147,961
Conversion of convertible bond	**—**	(124,556)
Interest charged to finance costs (note 7)	**1,152**	3,051
Interest paid/accrued	**(1,152)**	(3,101)
Liability component at 31 December	**23,355**	23,355

The fair value of the liability component of the Bond at 31 December 2006 amounted to approximately HK$22,816,000 (2005 : HK$23,355,000), which is calculated using cash flows discounted at the market interest risk for an equivalent non-convertible bond, which the directors of the Company have estimated to be 5.75% (2005 : 4.75%) per annum or HIBOR plus 1.75% per annum.

Interest expenses on the Bond is calculated using the effective interest method by applying the effective interest rate of 4.93% (2005 : 4.56%) per annum to the liability component.

32. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is as follows :

Group

	2006 **HK$'000**	2005 HK$'000
At 1 January	**473,782**	371,966
Deferred taxation charged to :		
— Income statement (note 11)	**66,654**	101,284
— Asset revaluation reserve	**401**	532
At 31 December	**540,837**	473,782

The following are the major deferred tax liabilities recognised in the balance sheet and the movements during the current and prior years :

	Accelerated tax depreciation		**Fair value gains**		**Total**	
	2006 **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000
At 1 January	**23,467**	20,291	**450,315**	351,675	**473,782**	371,966
Charged to :						
— income statement	**3,369**	2,644	**63,285**	98,640	**66,654**	101,284
— asset revaluation reserve	**401**	532	**—**	—	**401**	532
At 31 December	**27,237**	23,467	**513,600**	450,315	**540,837**	473,782

As at 31 December 2006, the amount of unrecognised deferred tax assets is mainly represented by tax effect of temporary differences attributable to unrecognised tax losses of HK$21,078,000 (2005 : HK$47,464,000).

The deductible temporary differences have not been recognised in the financial statements as it is not probable that taxable profit will be available against which the tax loss or other deductible temporary differences can be utilised due to the unpredictability of future profit streams. All tax losses and deductible temporary differences of the Group have no expiry dates under the current tax legislation.

Company

No deferred tax has been provided in the financial statements of the Company as there are no temporary differences.

33. SHARE CAPITAL

	2006 Number of shares	2006 HK$'000	2005 Number of shares	2005 HK$'000
Authorised :				
Ordinary shares of HK$0.10 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000

	Number of shares	Total HK$'000
Issued and fully paid :		
At 1 January 2005	121,165,891	12,116
Exercise of warrants	255,018	26
Exercise of share options	500,000	50
New issue of shares (note (a))	10,000,000	1,000
New placement of shares (note (b))	15,000,000	1,500
Conversion of convertible bond (note (c))	75,301,204	7,530
At 31 December 2005 and 1 January 2006	222,222,113	22,222
Exercise of warrants	285,703	29
Exercise of share options	150,000	15
At 31 December 2006	**222,657,816**	**22,266**

Notes :

(a) On 10 January 2005, for the purposes of fund raising for (i) future business development; (ii) repayment of part of short-term borrowings and (iii) general working capital and broadening shareholder base, Ko Bee entered into an agreement with Sun Hung Kai International Limited and the Company for the placement of 10,000,000 existing ordinary share of the Company at a placing price of HK$2.70 each to institutional, professional and/or other investors who are independent third parties of the Company and the subscription of 10,000,000 new ordinary shares of the Company at the same price by Ko Bee. The net consideration of approximately HK$26,000,000 were satisfied by cash payment.

(b) On 2 November 2005, for the purpose of fund raising for (i) future business development and (ii) general working capital and broadening shareholder base, Ko Bee entered into an agreement with Great Honest Investment Company Limited and the Company for the placement of 15,000,000 existing ordinary shares of the Company at a placing price of HK$1.95 each to institutional and corporate investors who are independent third parties of the Company and the subscription of 15,000,000 new ordinary shares of the Company at the same price by Ko Bee. The net preceeds of approximately HK$28,000,000 were satisfied by cash payment.

(c) On 10 March 2005 and 30 December 2005, Ko Bee exercised its rights and converted convertible bond of the Company in total principal amount of HK$55,000,000 and HK$70,000,000 respectively at the Conversion Price of HK$1.66 per share whereby a respective total number of 33,132,530 and 42,168,674 shares of the Company were allotted to Ko Bee.

34. RESERVES

Group

	2006 HK$'000	2005 HK$'000
Share premium (note (a))	**256,548**	255,763
Asset revaluation reserve	**19,101**	17,210
Other equity reserve — convertible bond (note 31)	**94**	94
Employee share-based equity reserve	**1,705**	1,589
Retained profits	**2,264,521**	1,853,094
Exchange reserve	**3,071**	673
Special reserve (note (b))	**1,848**	1,848
Proposed final dividend (note 13(a))	**11,139**	7,788
	2,558,027	2,138,059

Notes :

(a) Share premium represents the excess of consideration received over the par value of share issued.

(b) The special reserve of the Group initially represented the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital of the subsidiaries pursuant to the Group's re-organisation in 1997.

Details of the movements in the above reserves are set out in the consolidated statement of changes in equity on pages 35 and 36 to the financial statements.

Company

	Share premium HK$'000	Contributed surplus HK$'000	Other equity reserve HK$'000	Employee share-based equity reserve HK$'000	Accumulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2005, as restated	84,680	2,220,674	590	519	(1,926,588)	4,122	383,997
Exercise of warrants (note 36)	485	—	—	—	—	—	485
Exercise of share options (note 35)	907	—	—	(221)	—	—	686
New issue and placing of shares, net (notes 33(a) and 33(b))	52,238	—	—	—	—	—	52,238
Conversion of convertible bond, net (note 33(c))	117,453	—	(496)	—	—	—	116,957
Equity-settled share based payment (note 35)	—	—	—	1,291	—	—	1,291
Loss for the year	—	—	—	—	(8,369)	—	(8,369)
Final dividend paid for 2004 (note 13(b))	—	—	—	—	—	(4,122)	(4,122)
Proposed final dividend for 2005 (note 13(a))	—	(7,788)	—	—	—	7,788	—
At 31 December 2005 and 1 January 2006	255,763	2,212,886	94	1,589	(1,934,957)	7,788	543,163
Exercise of warrants (note 36)	534	—	—	—	—	—	534
Exercise of share options (note 35)	251	—	—	(44)	—	—	207
Lapse of share options (note 35)	—	—	—	(92)	92	—	—
Equity-settled share based payment (note 35)	—	—	—	252	—	—	252
Loss for the year	—	—	—	—	(2,944)	—	(2,944)
Final dividend paid for 2005 (note 13(b))	—	—	—	—	—	(7,788)	(7,788)
Proposed final dividend for 2006 (note 13(a))	—	(11,139)	—	—	—	11,139	—
At 31 December 2006	**256,548**	**2,201,747**	**94**	**1,705**	**(1,937,809)**	**11,139**	**533,424**

34. RESERVES (Continued)

Company (Continued)

(a) Share premium represents the excess of consideration received over the par value of share issued.

(b) The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of Lucky Spark Limited (a subsidiary) and the value of the net underlying assets of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the shareholders under certain circumstances. However, the Company cannot declare or pay a dividend or make a distribution out of contribution surplus if :

(1) it is, or would after the payment be, unable to pay its liabilities as they become due, or

(2) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

35. SHARE BASED EMPLOYEE COMPENSATION

Share options

The Company operate 2 share option schemes adopted on 25 February 1997 (the "1997 Share Option Scheme") and 22 July 2002 (the "2002 Share Option Scheme") (collectively the "Schemes") respectively.

The Stock Exchange introduced changes to the provisions of the Chapter 17 of the Listing Rules in relation to share option schemes which took effect on 1 September 2001. In order to comply with the new provisions, the 1997 Share Option Scheme was terminated on 22 July 2002 when the 2002 Share Option Scheme was adopted. Since then, no further share option may be granted under the 1997 Share Option Scheme. However, in respect of the outstanding share options granted under the 1997 Share Option Scheme, the 1997 Share Option Scheme shall remain in force and such outstanding share options shall continue to be subject to the provisions of the 1997 Share Option Scheme and the new provisions of Chapter 17 of the Listing Rules.

The principal terms of the Schemes are set out as follows:

Purpose of the Schemes

The purpose of the Schemes is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Eligible participants of the Schemes

1997 Share Option Scheme

Any employee of the Company or its subsidiaries and any executive director of the Company or its subsidiaries.

2002 Share Option Scheme

(i) any executive or non-executive directors of the Group or any employees of the Group; (ii) any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group; (iii) any consultant(s) and professional adviser(s) to the Group; (iv) Chief Executive (as defined under the Listing Rules) or Substantial Shareholder (as defined under the Listing Rules) of the Company; (v) Associates (as defined under the Listing Rules) of Director, Chief Executive or Substantial Shareholder of the Company; and (vi) employees of the Substantial Shareholder.

35. SHARE BASED EMPLOYEE COMPENSATION (Continued)

Total number of securities issuable

1997 Share Option Scheme

The 1997 Share Option Scheme has been terminated and no further share options may be granted thereunder.

2002 Share Option Scheme

The total number of shares which may be issued upon exercise of all share options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2002 Share Option Scheme provided that share options lapsed will not be counted for the purpose of calculating such 10% limit.

Under the 2002 Share Option Scheme, the Company may obtain a fresh approval from its shareholders in general meeting to refresh the above mentioned 10% limit. In such event, the total number of shares in respect of which share options may be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of such approval provided that share options previously granted under the 2002 Share Option Scheme (including those outstanding, cancelled, lapsed or exercised share options) will not be counted for the purpose of calculating such 10% limit.

At the annual general meeting of the Company convened on 30 May 2005, the said 10% limit was refreshed to the effect that the limit of number of shares available for issue was increased to 16,486,782 shares.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant hereinafter mentioned, the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such other higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

As at the date of this annual report, the total number of shares available for issue under the 2002 Share Option Scheme was 13,506,782 representing approximately 6.06% of the Company's shares in issue as at that date.

Maximum entitlement of each employee/participant

1997 Share Option Scheme

No option may be granted to any one Employee (as defined in the 1997 Share Option Scheme) which, if exercised in full, would result in such Employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted to him would exceed 25% of the aggregate number of shares for the time being issued and issuable under the 1997 Share Option Scheme.

2002 Share Option Scheme

Unless separately approved by the shareholders of the Company in general meeting with the particular Participant (as defined in the 2002 Share Option Scheme) and his or her associate (as defined under the Listing Rules) abstaining from voting, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12 months period shall not exceed 1% of the total number of shares in issue.

35. SHARE BASED EMPLOYEE COMPENSATION (Continued)

Period to take up share options and minimum period to hold before exercise

Under the Schemes, the period within which the shares must be taken up under a share option and the minimum period, if any, for which a share option must be held before it can be exercised are to be decided by the Directors of the Company upon granting the relevant share options. Details of such information (if any) relating to the outstanding share options are set out below.

Amount payable to take up share options and time to accept offer

Under the Schemes, an offer for the granting of share options under the Schemes shall be accepted within 28 days from the offer date and by way of payment of a consideration of HK$1.00.

Exercise price

1997 Share Option Scheme

The exercise price shall be a price determined by the board of directors of the Company and shall be the higher of:

(i) a price not less than 80% of the average of the closing prices of the shares quoted in The Stock Exchange for the five trading days immediately preceding the offer date;

(ii) the nominal value of the shares.

2002 Share Option Scheme

The exercise price shall be a price determined by the board of directors of the Company and shall be at least the higher of:

(i) the closing price of the shares quoted on the Stock Exchange on the offer date;

(i) a price being the average of the closing prices of the shares as quoted in the Stock Exchange for the 5 trading days immediately preceding the offer date;

(ii) the nominal value of the shares.

35. SHARE BASED EMPLOYEE COMPENSATION (Continued)

Life of the Schemes

The Schemes have a life of 10 years from their respective adoption dates. The 1997 Share Option Scheme lapsed on 24 February 2007. The remaining life of the 2002 Share Option Scheme is 5.25 years from the date of this annual report.

Details of options granted

As at the balance sheet date, details of outstanding options granted to several Directors and various employees of the Group are as follows:

1997 Share Option Scheme

				Number of options			
Name of grantee	Date of grant	Exercise price (HK$)	Exercisable period	As at 1 January 2006	Granted during the year	Lapsed during the year	As at 31 December 2006
Directors							
Foo Kam Chu, Grace	2 January 2001	2.97	2 July 2001 to 24 February 2007	76,000	—	—	76,000
Chan Wai Ling	2 January 2001	2.97	2 July 2001 to 24 February 2007	60,000	—	—	60,000
Tse Chun Kong, Thomas	2 January 2001	2.97	2 July 2001 to 24 February 2007	50,000	—	—	50,000
Kwan Chai Ming	1 June 2000	12.40	1 June 2001 to 24 February 2007	20,000	—	—	20,000
	2 January 2001	2.97	2 January 2002 to 24 February 2007	10,000	—	—	10,000
Other Employees	2 January 2001	2.97	2 July 2001 to 24 February 2007	128,000	—	—	128,000
				344,000	—	—	344,000

35. SHARE BASED EMPLOYEE COMPENSATION (Continued)

Details of options granted (Continued)

2002 Share Option Scheme

Name of grantee	Date of grant	Closing price immediately preceding the date of grant (HK$)	Exercise price (HK$)	Weighted average closing price of shares immediately before exercise date (HK$)	Exercisable period	Number of options: As at 1 January 2006	Number of options: Granted during the year	Number of options: Lapsed*/ Exercised during the year	Number of options: As at 31 December 2006	Fair value of option granted (HK$)
Directors										
Foo Kam Chu, Grace	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	200,000	—	—	200,000	—
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	200,000	—	—	200,000	—
	21 Nov 2006	2.52	2.52	N/A	20 May 2007 to 19 May 2012	—	200,000	—	200,000	174,000
Chan Wai Ling	10 July 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	—	—	60,000	—
	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	—
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	90,000	—	—	90,000	—
	21 Nov 2006	2.52	2.52	N/A	20 May 2007 to 19 May 2012	—	90,000	—	90,000	78,300
Tse Chun Kong, Thomas	14 July 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	—	—	60,000	—
	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	—
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	90,000	—	—	90,000	—
	21 Nov 2006	2.52	2.52	N/A	20 May 2007 to 19 May 2012	—	90,000	—	90,000	78,300
Kwan Chai Ming	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	80,000	—	—	80,000	—
	21 Nov 2006	2.52	2.52	N/A	20 May 2007 to 19 May 2012	—	80,000	—	80,000	69,600
Liu Hanbo	16 July 2003	1.50	1.50	2.19	8 January 2004 to 7 January 2009	60,000	—	(60,000)	—	—
	6 July 2004	1.45	1.47	2.19	6 January 2005 to 5 January 2010	90,000	—	(90,000)	—	—
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	90,000	—	(90,000)*	—	—
Meng Qinghui	16 July 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	—	—	60,000	—
	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	—
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	90,000	—	—	90,000	—
	19 Dec 2006	2.70	2.52	N/A	20 May 2007 to 19 May 2012	—	90,000	—	90,000	84,600
Other Employees	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	—
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	620,000	—	—	620,000	—
	21 Nov 2006	2.52	2.52	N/A	20 May 2007 to 19 May 2012	—	670,000	—	670,000	582,900
						2,150,000	1,220,000	(240,000)	3,130,000	1,067,700

35. SHARE BASED EMPLOYEE COMPENSATION (Continued)

Details of options granted (Continued)

2002 Share Option Scheme (Continued)

The fair value of the options granted during the year determined at the dates of grant using the Black-Scholes option pricing model (the "Model") were HK$1,068,000 (2005 : HK$1,298,000), The share options vest upon the commencement of the exercisable period and, as at 31 December 2006, the vested amount of HK$252,000 (2005 : HK$1,291,000) was expensed through the income statement.

The following table lists the inputs to the Model used for calculating the fair value of the options granted during the year:

Date of grant	**21 November 2006**	**19 December 2006**
Closing share price immediately preceding the date of grant	HK$2.52 per share	HK$2.70 per share
Expected volatility (based on the annualised historical volatility of the closing price of the shares of the Company for the past five years to the dates of grant)	70%	70%
Expected life (in years)	1.57 years	1.38 years
Risk-free interest rate	3.783%	3.798%
Expected dividend yield	1.3%	1.3%

36. SHARE WARRANTS

On 3 September 2003, a total 12,465,608 units of warrants (the "Warrants") were granted by the Company to its shareholders on the basis of one Warrant for every 5 then existing issued share held by the shareholders. Each of the Warrants entitled the warrant-holder to subscribe for one share of the Company of HK$0.10 each at the initial subscription price of HK$2.00 (subject to adjustment (if any)) during the period from 3 September 2003 until 2 March 2006 (both dates inclusive). During the year, 285,703 (2005 : 255,018) Warrants were exercised for, 285,703 (2005 : 255,018) shares of HK$0.10 at a price of HK$2.00 per share. At the balance sheet date, all remaining 4,282,698 Warrants of the Company have expired.

37. COMMITMENTS

(a) Operating lease commitments

At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows :

Group

	2006 HK$'000	2005 HK$'000
Within one year	**998**	1,420
In the second to fifth years inclusive	**678**	320
	1,676	1,740

The Group leases a number of properties under operating leases. The leases run for period of two to three years. None of the leases includes contingent rentals.

37. COMMITMENTS (Continued)

(b) Capital commitments

Group

	2006 HK$'000	2005 HK$'000
Contracted but not provided for :		
— Property development	**7,155**	6,800
— Acquisition of properties	**68,913**	3,998
— Capital contribution to subsidiaries in the PRC	**67,400**	175,900
	143,468	186,698

Of the total capital commitments, HK$67,400,000 (2005 : HK$66,000,000) are due for contribution in the coming twelve months.

Company

The Company does not have any significant commitments as at 31 December 2006.

38. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2006, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows :

	2006 HK$'000	2005 HK$'000
Within one year	**98,965**	112,702
In the second to fifth years inclusive	**71,557**	118,477
	170,522	231,179

The Group leases its investment properties (note 15) under operating lease arrangements which run for an initial period of one to three years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases also require the tenants to pay rental deposits.

39. CONTINGENT LIABILITIES

During the course of business certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the balance sheet date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK$4,289,000 (2005 : HK$4,106,000).

40. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$1,302,607,000 (2005 : HK$1,051,785,000) with respect to bank loans to its subsidiaries. Under the guarantee, the Company would be liable to pay the bank if the bank is unable to recover the loan. At the balance sheet date, no provision for the Company's obligation under the guarantee contract has been made as the directors consider that the adoption of the amendments to HKAS 39 has no material effect to the financial statements.

41. RELATED PARTY TRANSACTIONS

The following transactions with related parties were, in the opinion of the directors, carried out in the ordinary course of business during the year:

(a) A subsidiary of the Company entered into a tenancy agreement with a related company which is in association with the Chairman and an executive director of the Company for leasing a residential property situated in Hong Kong for a period of three years commencing from 1 May 2004 and expiring on 30 April 2007 at the monthly rental of HK$80,000. Total rental paid for the year ended 31 December 2006 amounted to HK$960,000 (2005: HK$960,000).

(b) A wholly owned subsidiary of the Company entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have interests, for leasing a property situated at Guangzhou, PRC for office purpose at monthly rental and management charge at HK$41,837 for a period of 12 months from 1 December 2005 to 30 November 2006. The tenancy agreement was further renewed for one year from 1 December 2006 to 30 November 2007 at HK$52,914 per month. Total rental and management charges paid for the year amounted to HK$513,000. (2005: HK$584,000).

(c) On 30 April 2005, a related company in which the Chairman and an executive director of the Company have interests, advanced to a wholly owned subsidiary of the Company an unsecured revolving credit facility up to a maximum total principal amount of HK$100,000,000 with interest rate at prime lending rate for Hong Kong dollars plus 1% per annum. The purpose of granting this unsecured revolving credit facility is to replace a previous unsecured revolving credit facility with a maximum total principal amount of HK$50,000,000. The final maturity date is on 30 April 2008. As at the balance sheet date, approximately HK$60,908,000 (2005 : HK$68,261,000) was utilised.

(d) Interest on convertible bond paid/payable to Ko Bee for the year ended 31 December 2006 amounted to HK$1,152,000 (2005 : HK$3,101,000).

42. RETIREMENT BENEFITS SCHEMES

The Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payables in future years.

The defined contribution retirement scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable by the Group at the rates specified in the rules of the scheme.

Employees in the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 18% to 22% (2005 : 18% to 22%) of the employee payroll to the scheme to fund the retirement benefits to the employees. The Group has no further liability in respect of the retirement benefit of the employees of the PRC subsidiaries.

42. RETIREMENT BENEFITS SCHEMES (Continued)

The details of the retirement benefits scheme contributions for the Directors and employees which have been dealt with in the income statement of the Group for the year, are as follows:

	2006 HK$'000	2005 HK$'000
Gross scheme contributions	**966**	873

43. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2006 HK$'000	2005 HK$'000
Net assets disposed of :		
Debtors, prepayments and deposits	**20**	1,613
Amount due to minority interests	**—**	(1,029))
Creditors and accruals	**(666)**	(8,977)
	(646)	(8,393)
Gain on disposal of subsidiaries	**624**	8,407
Consideration	**22**	14
Satisfied by :		
Cash to be received and included in trade receivables	**22**	—
Cash	**—**	14

(b) Analysis of net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries are as follows :

	2006 HK$'000	2005 HK$'000
Cash and cash equivalents disposed of :		
Cash consideration received	**—**	14

(c) Major non-cash transactions

(i) An outstanding receivable of HK$15,000,000 in respect of disposal of properties held for sale (note 26) was included in trade and other receivables.

(ii) An outstanding balance of HK$1,460,000 in respect of construction of signage board that capitalised in property, plant and equipment (note 17) was included in trade and other payables.

44. POST BALANCE SHEET EVENT

Subsequent to the year end date, two wholly–owned subsidiaries of the Company entered into a sale and purchase agreement with Shun Ho Real Estate Limited on 18 April 2007 concerning the disposal of the Group's certain properties situate at Bowrington Road, Causeway Bay, with a total carrying value of HK$136,595,000, at a total consideration of HK$230,000,000, resulting in an estimated gain of approximately HK$90,605,000 after taking into account of the selling and directly attributable expenses.

45. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group introduces conservative strategies on risk management. As the directors of the Company consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group's financial assets comprise primarily trade and other receivables and cash and cash equivalents. The Group's financial liabilities comprise primarily trade and other payables, convertible bond and borrowings, including which are secured bank loans and other loans.

(i) Interest rate risk

The Group closely monitors its loan portfolio and compares the interest margin under loan agreements with existing banks against new offers on borrowing rates from different banks in the loan re-financing and negotiation process.

(ii) Foreign currency risk

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between HK$ and RMB in relation to its PRC operations. The Group currently does not have a foreign currency hedging policy. In order to mitigate the foreign currency risk, the management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arises.

(iii) Credit risk

All the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and the PRC.

The carrying amounts of the trade receivables included in the balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentrations of credit risk due to its large customer base.

The Group performs ongoing credit evaluation of its customers' financial position and requires no collateral from its customers. The provision for impairment is based upon the review of the expected collectibility of all trade receivables.

(iv) Fair value risk

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of non-current liabilities was not disclosed because the carrying value is not materially different from the fair value.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
Champion Fund Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Property development
Digital World Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Property development
Gold Mark Industrial Limited #	Hong Kong	1 ordinary share of HK$1	—	100%	Property investment
Gold Smart (Asia) Limited #	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Provision of business centre and related services
Golden Relay Company Limited	Hong Kong	99,998 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	—	100%	Property development and property investment
Goldprofit (Consultant) Services Company Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Provision of building repairs and maintenance services
Goldwell Property Management Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Provision of building management service
Keyland Limited	Hong Kong	1,000 ordinary shares of HK$1 each	—	100%	Property investment
Rise Champion Holdings Limited #	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Property investment
Solar Route Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Property investment
Soundwill (BVI) Limited	British Virgin Islands	100,001,000 ordinary shares of HK$1 each	100%	—	Investment holding
Soundwill Finance Company Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Loan financing
Soundwill Real Estate Agency Limited #	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Provision of real estate agency services
Super Keep Investment Limited #	Hong Kong	9,998 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	—	100%	Property development

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
Top Hill Holdings Limited #	Hong Kong	1,000 ordinary shares of HK$1 each	—	70%	Property development
Wonder Mark Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	—	100%	Property investment
Soundwill (China) Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Chongqing) Limited #	Hong Kong	100 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Fujian) Limited #	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Guangdong) Limited #	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Jiangxi) Limited #	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Jilin) Limited #	Hong Kong	99 ordinary shares of HK$1 each 1 non-voting deferred share of HK$1	—	100%	Investment holding
Soundwill (Shaanxi) Limited #	Hong Kong	1,000 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Sichuan) Limited #	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Yunnan) Limited #	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/registered capital	Percentage of interest held by the Company Directly	Percentage of interest held by the Company Indirectly	Principal activities
韶關城市管網建設投資管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
惠州市惠陽金朝陽城市管網投資建設有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
柳州城市管網建設管理有限公司*#	PRC	Registered capital of HK$28,280,000**	—	80%	Urban infrastructure development
貴港金朝陽城市管網建設管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
南昌城市管網建設投資有限公司*#	PRC	Registered capital of HK$30,000,000**	—	80%	Urban infrastructure development
景德鎮城市管網建設投資管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
連雲港金朝陽城市管網建設管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
武夷山城市管道建設投資有限公司*#	PRC	Registered capital of HK$10,000,000**	—	80%	Urban infrastructure development
南平市（金朝陽）城市管道建設投資管理有限公司*#	PRC	Registered capital of HK$25,000,000**	—	80%	Urban infrastructure development
威海市城市管網建設投資有限公司*#	PRC	Registered capital of HK$20,000,000	—	80%	Urban infrastructure development
重慶金朝陽城市管網建設管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
寶雞市城市管網建設投資有限公司*#	PRC	Registered capital of HK$20,000,000	—	80%	Urban infrastructure development
黃岡市城市管網建設投資有限公司*#	PRC	Registered capital of HK$12,500,000**	—	80%	Urban infrastructure development
鄂州金朝陽城市管網建設投資有限公司*#	PRC	Registered capital of HK$12,500,000**	—	80%	Urban infrastructure development
玉溪市城市管道建設有限公司*#	PRC	Registered capital of HK$20,000,000	—	80%	Urban infrastructure development
許昌市市政公用管網投資建設管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
廣州金朝陽城市管網建設有限公司***#	PRC	Registered capital of RMB$10,000,000	—	100%	Urban infrastructure development

Notes :

* These subsidiaries were established as cooperative joint ventures with limited liability.

** Pursuant to the joint venture agreements, the parties from the Mainland China to the agreements are required to contribute certain urban infrastructure development rights as capital contributions to these subsidiaries. As at the balance sheet date, such urban infrastructure development rights had not been injected to the subsidiaries as capital contributions.

*** This subsidiary was established as a foreign wholly-owned limited liability company.

Subsidiaries not audited by Grant Thornton or other Grant Thornton International member firms.

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